



ANNUAL REPORT AND FINANCIAL STATEMENTS

for the Year Ended

31 March 2024

Lowther Homes Limited

Registered number SC402836

Lowther Homes Limited

Annual report and financial statements for the financial year ended 31 March 2024

STRATEGIC REPORT

The Board of Director's present their strategic report for the year ended 31 March 2024.

Principal activities

Lowther Homes Limited ("Lowther" or "the Company") is a wholly owned subsidiary of Wheatley Housing Group Limited ("Wheatley Group"), providing mid and full market rent homes to let, and property management and maintenance services to homeowners.

It owns a portfolio of 1,193 mid and full market rent ("MMR") homes in communities from Inverkip to Leith and manages a further 1,414 mid-market and 13 full market rent homes owned by fellow Wheatley Group subsidiaries; Wheatley Homes Glasgow Limited ("WH Glasgow"), Wheatley Homes East Limited ("WH East"), Wheatley Homes South Limited ("WH South") and Loretto Housing Association Limited ("Loretto" or "LHA").

In addition, it provides property management services to almost 29,000 homeowners across the central belt of Scotland and Dumfries and Galloway.

Lowther Homes annual highlights

The year 2023/24, the mid-way point of our five-year strategy, 'Your Home, Your Community, Your Future', saw our updated, innovative operating model make a real difference to the services we provide to our customers.

The Customer First Centre continued to provide round-the-clock, expert support to customers, during the challenging economic conditions experienced over recent years. The Wheatley Foundation, our charitable trust, supported over 350 Lowther households this year, creating 84 jobs and training opportunities and much more. We contributed £2.7 million in Gift Aid to the Wheatley Foundation towards funding these support programmes which benefit both Lowther customers and customers of the Registered Social Landlords in the wider Wheatley Group.

Our latest tenant survey revealed high levels of customer satisfaction and we will continue to make improvements based on what customers have told us. We maintained the number of properties we provide factoring service to and will continue to make improvements in this area of the business to ensure we continue to meet the needs of our customers.

We grew our mid-market portfolio and our customer base this year and encouraged more of our customers to engage and transact with us digitally. Lowther also built its first new homes in 2023/24 with 21 mid-market rent homes completed at Raw Holdings, Livingston.

As we move into the final years of our strategy, we will continue to engage with our customers to adapt what we do to meet their changing needs and circumstances, to provide the support they need.

Here are some of the highlights of the year:

Our homes

By the end of the financial year, Lowther's portfolio had grown to 2,620 mid and full-market rent homes, an increase of 116 from the year before, across 13 local authority areas.

Lowther Homes Limited

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STRATEGIC REPORT (CONTINUED)

Lowther completed the development of 21 mid market rent homes at Raw Holdings in Livingston; the first new build development undertaken directly by Lowther.

A further 100 new build homes completed during the year for mid-market rent, all leased from fellow Wheatley subsidiaries and 5 properties were sold. New homes in the year included:

- 36 at Sighthill, and 35 at Shawbridge Arcade in Glasgow; and
- 14 at Roslin, and 15 at Wallyford in Edinburgh.

By the end of 2023/24, 75% of Lowther's portfolio was made up of homes for mid-market rent, and we remain one of the largest providers in this sector.

	Lowther Homes owned	Leased from Group subsidiaries
Mid market properties	555	1,414
Full market properties	638	13
Total	1,193	1,427

Lowther invested £0.6m in our homes over the year, this included boiler renewals and electric heating upgrades.

New business developments

Lowther anticipates growth next year, with the completion of the final four properties at Raw Holdings and our Victory Lane development providing 24 new homes for mid-market rent. In addition to this, the Wheatley subsidiaries are expected to deliver a further 161 new mid-market rent homes to be managed by Lowther.

Further factoring growth at Sighthill is anticipated with the regeneration of this area due to continue over the coming years.

Our performance

Lowther's letting activities remained strong and reliable and reported improvements once again this year with the percentage of rent lost on empty or void properties improving from 1.3% to 0.9% against a target of 3%. In financial terms, rent lost due to voids improved from £239k to £178k. At the end of the year our average days-to-let was 6.6 days for full-market rent properties and 5.3 days for mid-market rent properties. Our focus also remained on collecting rent that was due and gross rent arrears stood at 3.27% against a target of 3.7%.

All Lowther properties had their annual gas safety check, and we also rolled out our five-yearly programme of electrical safety checks.

Within our property management activities, factoring arrears, as a percentage of common charges billed, increased from 14.8% to 16.3% this year, which was above our target of 12%. We work closely with customers to bring their accounts up to date and agree payment plans to clear outstanding balances over and appropriate period of time.

STRATEGIC REPORT (CONTINUED)**Engaging with customers**

Lowther's digital channels continued to grow in popularity, with more customers than ever engaging with us online.

There were 107,000 visits to the Lowther website over the year. The number of followers on our social media channels this year was 3,119, an increase of 626 from the year before. We also received 305 enquiries from customers on social media.

As we grew our mid-market portfolio and our customer base, we encouraged more of our customers to engage and transact with us digitally; 47% of Lowther customers were registered for an online account in 2023/24.

Supporting our customers

We continue to provide access to support for customers struggling financially or worried about paying their rent.

Our welfare benefits and fuel advisors supported 23 Lowther customers this year, which resulted in more than £56k of financial gain for them. The Wheatley Foundation helped alleviate the effects of poverty on customers and communities, supporting 75 Lowther households over the year, including 52 customers who received support with their rent.

We helped 199 children and young people in Lowther homes and communities take part in Wheatley Foundation programmes over the year.

This included:

- helping 111 young people get online through our Click and Connect Youth Access programme;
- supporting 46 young people in Glasgow take part in StreetWyzé anti-knife crime workshops;
- providing 27 young people at college studying at pre-HNC/HND level with a 'wee bursary';
- providing activity packs for three young people through our 'community benefits' scheme;
- helping two young people with financial education through our MyBnk initiative; and
- helping 10 young people take part in Glasgow East Alcohol Awareness Project (GEAPP)'s support programme.

We secured 82 jobs, training, apprenticeship and further education opportunities for Lowther customers and communities this year. This included:

- six positions on our one-year environmental-based work placement, Changing Lives;
- one placement through our Wheatley Pledge initiative;
- 15 trade apprenticeships with our partners, City Building;
- 12 jobs, training or work placements through our 'community benefits' scheme;
- 13 training opportunities through the Scottish Government's 'No one Left Behind' scheme;
- eight positions on our four-week employability programme, Environmental Roots;
- 15 external jobs or training positions; and
- 10 jobs and training opportunities for people with experience of homelessness, addictions and the criminal justice system through our 'Way Ahead' programme funded by Glasgow City Council.

Annual report and financial statements for the financial year ended 31 March 2024**STRATEGIC REPORT (CONTINUED)**

The Wheatley Foundation also awarded two people from Lowther Homes a bursary to go to university or college this year.

FINANCIAL REVIEW

Lowther generated a gross profit of £15.5m (2023: £13.2m) and an operating profit of £17.7m (2023: £5.1m) in the year. The increase in operating profit is mainly driven by non-cash accounting adjustments in other gains and losses with a gain of £10.4m (2023: £1.4m loss) recognised on the revaluation of owned investment properties. The underlying business performance remained strong generating a reliable operating margins.

Statement of Comprehensive Income**Turnover**

Total turnover of £30.7m (2023: £28.5m) is reported for the year, the increase of £2.2m attributable to:

- £1.3m (2023: nil) of new build grant received for our mid-market development at Raw Holdings, released from deferred income upon completion of 21 properties during the year; and
- growth of the letting business and an inflationary uplift to factoring charges to cover increased costs of delivering the service

Turnover generated in the letting business was £20.5m of which £19.0m was generated from rental income net of void losses for the year ended 31 March 2024 (2023: £17.6m). The year on year increase of £1.4m was largely driven by additional rental income from the growth in the number of newly built mid-market rent properties leased from fellow Wheatley Group subsidiaries and improved letting performance.

Management fees received from the Group RSLs for the management of their commercial properties totaled £0.2m (2023: £0.2m).

Operating expenditure and finance charges

Operating expenditure in the year totalled £23.3m (2023: £22.0m), with central service costs driving the increase. Operating expenditure comprised:

- £15.2m cost of sales (2023: £15.2m) relating to the maintenance and lease costs of the property portfolio associated with the full and mid-market letting activities as well as the direct costs of delivering the factoring service; and
- £8.1m of administrative costs (2023: £6.8m) relating to increased staffing and business overheads including central services costs.

Finance charges totalled £3.1m (2023: £3.1m). Of this, £2.9m (2023: £2.9m) is in relation to the loan facility provided through the Group's commercial funding subsidiary, Wheatley Funding No. 2 Limited ("WFL2"), which is secured against our properties.

A charge of £0.2m (2023: £0.2m) is included within finance charges as required under FRS 102 in respect of unwinding of the deemed discount on the convertible loan instrument with Wheatley Homes Glasgow. The Wheatley Foundation has agreed to deliver certain charitable community programmes on the Wheatley Group's behalf and under this arrangement, these programmes were funded in part during the year by WH Glasgow agreeing that the interest receipt due from Lowther would be paid directly to the Wheatley Foundation. This payment has been recognised as gift aid in the financial statements of Lowther.

Lowther Homes Limited

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STRATEGIC REPORT (CONTINUED)

Lowther made a total gift aid payment of £2.7m (2023: £3.1m) to the Wheatley Foundation during the year.


Statement of Financial Position

Properties held for investment at 31 March 2024 were valued at £165.6m (2023: £151.5m). The increased valuation reflects the strong letting performance during the year and the recovery of the market generally assisted by more clarity around the statutory intervention on rent controls. Properties were valued at 31 March 2024 by an independent valuer, Jones Lang LaSalle Limited.

Lowther’s investment in its wholly owned subsidiary GBG Enterprises Limited has been reduced to reflect the value of expected distributable reserves upon liquidation; anticipated to take place in 2024/25. This impairment leads to a reduction in value of £117k, resulting in distributable reserves of £133k (2023: £250k).

Lowther reported net current liabilities as at 31 March 2024 of £5.6m (2023: net current liabilities of £1.3m). This is mainly linked to the movement in working capital due to the timing of settlement of balances due.

By order of the Board

Signed by: 
FD5A778175D846E...

Manish Joshi, Director
16 September 2024

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

Lowther Homes Limited

Annual report and financial statements for the financial year ended 31 March 2024

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the financial year ended 31 March 2024.

Directors

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

Eric Gibson	
John Blackwood	Resigned 11 May 2023
Maureen Dowden	Resigned 27 September 2023
Neal Greer	
David Rockliff	
Paula Sharp	
William Coghill	Resigned 10 May 2024
Kerri McGuire	
Jacqueline Mallin	
Manish Joshi	Appointed 27 September 2023
Bernadette Hewitt	Appointed 27 September 2023

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.

Principal risks facing the Company

The Board is responsible for assessing the risks facing Lowther. 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.

By order of the Board

Signed by:

 FD5A778175D846E...
 Manish Joshi, Director
 16 September 2024

Wheatley House
 25 Cochrane Street
 Glasgow
 G1 1HL

Lowther Homes Limited

Annual report and financial statements for the financial year ended 31 March 2024

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

Signed by: 

FD5A778175D846E...
Manish Joshi, Director

16 September 2024

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 2024 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, Statement of Cashflows 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 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS102 *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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the director's conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the director's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of board members and management as to the company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual suspected or alleged fraud; and
- Reading Board minutes

As required by auditing standards, taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that the entity management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk

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

related to income recognition because of the limited opportunity and incentive for fraudulent revenue recognition and the limited judgement in respect of revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the company's wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These include those posted to unusual accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias including assessing the assumptions used in property valuations.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the board and other management (as required by auditing standards) and discussed with the board and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulation throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and charities legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statements items.

Whilst the company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatements. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

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

Our responsibility is to read the strategic report and 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 strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

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.

We have nothing to report in these respects.

Director's responsibilities

As explained more fully in their statement set out on page 8, 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.



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

24 September 2024

Lowther Homes Limited

Annual report and financial statements for the financial year ended 31 March 2024

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2024**

	<i>Note</i>	2024 £'000	2023 £'000
Turnover	2	30,720	28,489
Cost of sales		(15,226)	(15,244)
Gross profit		15,494	13,245
Administration expenses		(8,071)	(6,781)
Other gains/(losses)	4	10,265	(1,412)
Operating profit	3	17,688	5,052
Loss on disposal of fixed assets	5	-	(119)
Finance income	6	59	-
Finance charges	7	(3,108)	(3,082)
Profit before taxation		14,639	1,851
Tax charge	9	(3,412)	(615)
Profit for the financial year		11,227	1,236

All amounts relate to continuing operations.

**STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2024**

	Revenue Reserve £'000	Investors' Equity £'000	Total £'000
Balance at 1st April 2022	40,979	12,050	53,029
Profit for the year	1,236	-	1,236
Movement in equity component of intragroup convertible loan	-	1	1
Gift aid payment	(3,128)	-	(3,128)
Tax Credit	594	-	594
Balance at 31 March 2023	39,681	12,051	51,732
Profit for the year	11,227	-	11,227
Movement in equity component of intragroup convertible loan	-	1	1
Gift aid payment	(2,676)	-	(2,676)
Current tax credit	669	-	669
Balance at 31 March 2024	48,901	12,052	60,953

The notes on pages 15 to 26 form part of these financial statements.

Lowther Homes Limited


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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

	<i>Note</i>	2024 £'000	2023 £'000
Fixed Assets			
Property, plant and equipment	10	344	229
Investment properties	11	174,290	156,635
Investment in subsidiary undertakings	11	133	250
Total Fixed Assets		174,767	157,114
Current Assets			
Trade and other debtors	12	7,106	9,081
Cash at bank and in hand		1,388	2,036
Total Current Assets		8,494	11,117
Creditors: amounts falling due within one year	13	(14,101)	(12,375)
Net Current Liabilities		(5,607)	(1,258)
Total Assets less Current Liabilities		169,160	155,856
Creditors: amounts falling due after one year	14	(108,207)	(104,124)
Net Assets		60,953	51,732
Equity			
Investors' Equity		12,052	12,051
Revenue reserve		48,901	39,681
Equity and reserves		60,953	51,732

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 21 August 2024 and signed on its behalf on 16 September 2024 by:

Signed by: 
FD5A778175D846E...
Manish Joshi, Director

Company Registration Number SC402836.

The notes on pages 15 to 26 form part of these financial statements.

Lowther Homes Limited

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2024

		2024	2023
	<i>Notes</i>	£000	£000
Net cash generated from operating activities	17	<u>6,697</u>	<u>3,396</u>
Cash flow from investing activities			
Improvement of investment properties	11	(583)	(1,219)
Construction of new properties	11	(6,690)	(4,777)
Purchase of other fixed assets	10	(200)	(232)
Proceeds from disposal of properties	5	-	195
Grant received	13	<u>3,149</u>	<u>4,479</u>
		(4,324)	(1,554)
Cash flow from financing activities			
Finance income		59	-
Finance charges		(2,893)	(2,886)
Taxation		<u>(187)</u>	<u>(77)</u>
		(3,021)	(2,963)
Net change in cash and cash equivalents		<u>(648)</u>	<u>(1,121)</u>
Cash and cash equivalents at beginning of the year		2,036	3,157
Cash and cash equivalents at end of the year		1,388	2,036
Cash and cash equivalents at 31 March			
Cash		<u>1,388</u>	<u>2,036</u>

The notes on pages 15 to 26 form part of these financial statements

Lowther Homes Limited

Annual report and financial statements for the financial year ended 31 March 2024

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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 periods presented in these financial statement.

Basis of preparation

The financial statements have been prepared 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.

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.

The Company is the immediate parent of its wholly owned subsidiary, GBG Enterprises Limited, and has applied the exemption available under FRS 102 9.3 from the requirement to prepare consolidated financial statements on the basis that the Company is itself a wholly owned subsidiary of Wheatley Housing Group.

Going concern

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Company prepares a 10-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in February 2024 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan which included updated scenarios in recognition of financial risks to the business which include severe but plausible downsides. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**1. Accounting policies (continued)**

The Board, after reviewing the Company budgets for 2024/25 and the Company's financial position as forecast in the 10-year business plan, is of the opinion that, taking account of severe but plausible downsides, the Company has adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). In reaching this conclusion, the Board has considered the following factors:

- Rent and service charge receivable – arrears and bad debt assumptions allow for customer difficulties in making payments and budget and business plan scenarios have been updated to take account of potential future rent increases and factoring price increases;
- The property market – budget and business plan scenarios have taken account of delays the re-profiled development programme and timing of new build handovers in other Wheatley Group subsidiaries and the associated impact on the number of properties available for rent by the Company;
- Maintenance costs – budget and business plan scenarios have been modelled to take account revised profiles of repairs and maintenance expenditure, with major works being phased into future years;
- Liquidity – current available cash of £1.4m as well as access to a further potential on-lend from Wheatley Homes Glasgow of £15m, gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- The Group and Company's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

The Board believe the Company has sufficient funding in place and expect the Company to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Board is confident that the Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies (continued)****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 and to the factoring management activities carried out in the UK. Both income from rental and income from factoring management activities is recognised when it is receivable.

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 an acquisition, it is recognised as income using the performance model in accordance with FRS 102. Prior to satisfying the performance conditions, capital grant is held as deferred income on the statement of financial position.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

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.

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.

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.

New Build Grant

New Build Grant is received from central government agencies and local authorities and is utilised to reduce the capital costs of housing properties.

New Build Grant is recognised as income in the statement of comprehensive income when new build properties are completed. New Build Grant 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.

Investment in subsidiary undertakings

Investments in subsidiaries are shown at fair value with changes in fair value recognised through profit and loss.

Where there is evidence of impairment, the investments are written down to the recoverable amount and any write down would be charged to the Statement of Comprehensive Income.

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 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.

Lowther Homes Limited

Annual report and financial statements for the financial year ended 31 March 2024

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Analysis of turnover

	2024	2023
	£'000	£'000
Analysis by class of business:		
Letting income	19,195	18,722
Factoring income	10,190	9,767
Grant released from deferred income – new build	1,335	-
	<u>30,720</u>	<u>28,489</u>

3. Operating profit

	2024	2023
	£'000	£'000
Operating profit is stated after charging:		
Auditor's remuneration in respect of the audit of these financial statements (excl. VAT)	50	50
Depreciation on fixed assets	85	93

The Company has no employees (2023: nil) as staff are employed by another group company and recharged.

4. Other gains and losses

	2024	2023
	£'000	£'000
Gain/(loss) on revaluation of investment property (note 10)	10,382	(1,412)
Decrease in value of investment in subsidiary undertaking (note 11)	(117)	-
	<u>10,265</u>	<u>(1,412)</u>

5. Loss on disposal of fixed assets

	2024	2023
	£'000	£'000
Proceeds from disposal of properties	-	195
Value of properties disposed	-	(314)
Loss on sale of fixed assets	<u>-</u>	<u>(119)</u>

6. Finance income

	2024	2023
	£'000	£'000
Interest received	59	-
	<u>59</u>	<u>-</u>

Interest received relates to interest earned on short term deposits.

Lowther Homes Limited

Annual report and financial statements for the financial year ended 31 March 2024

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Finance charges

	2024	2023
	£'000	£'000
Interest and related charges on intra-group loan	2,925	2,920
Amortisation of discount on fair value of convertible loan	183	162
	<u>3,108</u>	<u>3,082</u>

8. Financial commitments

Capital commitments

All capital commitments of the Company were as follows:

	2024	2023
	£'000	£'000
Expenditure contracted for, but not provided in the financial statements	8,075	14,257
Expenditure authorised by the Board, but not contracted	19,398	-
	<u>27,473</u>	<u>14,257</u>

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

9. Tax charge

	2024	2023
	£'000	£'000
Total tax expense recognised in the profit and loss account		
<u>Current Tax:</u>		
Current tax on income for the year	812	672
Adjustment in respect of prior periods	3	-
	<u>815</u>	<u>672</u>
<u>Deferred Tax:</u>		
Origination and reversal of timing differences	2,597	(43)
Adjustments in respect of prior periods	-	-
Effects of changes in tax rates	-	(14)
	<u>2,597</u>	<u>(57)</u>
Total tax	<u>3,412</u>	<u>615</u>

The UK's main corporation tax rate is 25% (2023: 19%). Deferred taxes on the balance sheet have been measured at rates between 19% and 25% being the corporation tax rates enacted at the balance sheet date of 31 March 2024.

Lowther Homes Limited

Annual report and financial statements for the financial year ended 31 March 2024

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Tax charge (continued)

Deferred Tax	Assets		Liabilities		Net	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Accelerated capital allowances	-	-	-	-	-	-
Arising on business combinations	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Unused tax losses	-	-	-	-	-	-
Property revaluations	-	-	9,374	6,777	9,374	6,777
Tax liabilities	-	-	9,374	6,777	9,374	6,777
Net of tax liabilities	-	-	-	-	-	-
Net tax liabilities	-	-	9,374	6,777	9,374	6,777

Factors affecting the tax charge for the current period

	2024 £000	2023 £000
Reconciliation of effective tax rate		
Surplus for the year	11,227	1,236
Total tax expense	3,412	615
Surplus excluding taxation	14,639	1,851
Tax using the UK corporation tax rate of 25% (2023: 19%)	3,660	352
Effects of:		
Qualifying charitable donations	-	-
Income not taxable	(334)	-
Expenses not deductible	83	277
Tax rate changes	-	(14)
Prior year adjustments	3	-
Effect of indexation allowance on chargeable gains	-	-
Recognised in equity	-	-
Total tax expense included in Statement of Comprehensive Income	3,412	615

Lowther Homes Limited

Annual report and financial statements for the financial year ended 31 March 2024

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Property, plant and equipment

	2024
	£'000
Cost	
At 31 March 2023	486
Additions	200
At 31 March 2024	<u>686</u>
Accumulated Depreciation	
At 31 March 2023	257
Charge for financial year	85
At 31 March 2024	<u>342</u>
Net Book Value	
At 31 March 2024	<u>344</u>
Net Book Value	
At 31 March 2023	<u>229</u>

11. Investments

Investment properties

	Core Investment Stock £'000	Housing Under Construction £'000	Total £'000
Cost or Valuation			
At 1 April 2023	151,470	5,165	156,635
Additions	583	6,690	7,273
Transfers	3,116	(3,116)	-
Revaluation	10,382	-	10,382
At 31 March 2024	<u>165,551</u>	<u>8,739</u>	<u>174,290</u>
Net Book Value - valuation			
At 31 March 2024	<u>165,551</u>	<u>8,739</u>	<u>174,290</u>
At 31 March 2023	<u>151,470</u>	<u>5,165</u>	<u>156,635</u>
Net Book Value – historic cost			
At 31 March 2024	<u>110,027</u>	<u>8,739</u>	<u>118,766</u>
At 31 March 2023	<u>106,328</u>	<u>5,165</u>	<u>111,493</u>

The valuation of investment properties as at 31 March 2024 shown above of £165.6m (2023: £151.5m) 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.

Lowther Homes Limited

Annual report and financial statements for the financial year ended 31 March 2024

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Investments (continued)

Investment properties (continued)

The number of properties held by Lowther Homes Ltd at 31 March was:

	2024	2023
	No.	No.
Total Units	1,193	1,172

Investment in subsidiary undertaking

In May 2024, as part of the wider reorganisation of GBG Enterprises Ltd, the property owned by GBG was transferred to Lowther at Net Book Value. It is expected that the reserves of GBG will be distributed to Lowther later in 2024/25 and the entity liquidated thereafter. As such, the investment in subsidiary has been reduced to reflect the value of the expected distributable reserves of £133k. The reduction in value of £117k has been taken to the Statement of Comprehensive Income in the year.

	2024	2023
	£'000	£'000
Carrying value of investment in GBG Enterprises Limited	133	250

12. Trade and other debtors

Due within one year:	2024	2023
	£'000	£'000
Trade debtors	1,478	1,637
Other debtors	5,432	7,081
Amounts owed by group undertakings	196	363
	7,106	9,081

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

13. Creditors: amounts falling due within one year

	2024	2023
	£'000	£'000
Trade creditors	2,654	1,055
Accruals	1,689	1,855
Amounts owed to group undertakings – trading	2,375	2,853
Other creditors	5,201	4,913
Deferred income	2,103	1,575
Corporation Tax	79	124
	14,101	12,375

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

Lowther Homes Limited

Annual report and financial statements for the financial year ended 31 March 2024

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Creditors: amounts falling due within one year (continued)

Deferred income

The deferred income balance is made up as follows:

	New Build Grant	Other	Total deferred income
	£'000	£'000	£'000
Deferred income as at 1 April 2023	4,838	14	4,852
Grant received in year	3,149	-	3,149
Released to Statement of Comprehensive Income	(1,335)	(14)	(1,349)
Deferred income as at 31 March 2024	<u>6,652</u>	<u>-</u>	<u>6,652</u>

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

Deferred income to be released to the Statement of Comprehensive Income:	2024	2023
	£'000	£'000
In less than one year	2,103	1,575
In more than one year but less than five years	4,549	3,277
In more than five years	-	-
	<u>6,652</u>	<u>4,852</u>

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

	2024	2023
	£'000	£'000
Financial liability component of intra-group convertible loan	18,416	18,234
Amounts owed to group undertakings	75,868	75,836
	<u>94,284</u>	<u>94,070</u>
Deferred income	4,549	3,277
Deferred tax	9,374	6,777
	<u>108,207</u>	<u>104,124</u>

Intra-group convertible loan

The convertible loan with Wheatley Homes Glasgow (“WH Glasgow”) is not secured, the term of the loan has been extended and is now due to mature in November 2043, this has reduced the fair value of the loan compared to the prior year. The Wheatley Foundation has agreed to deliver certain charitable community programmes on the WH Glasgow’s behalf. Under this arrangement, these programmes were funded in part during the year by the WH Glasgow agreeing that the interest receipt due from Lowther Homes Limited would be paid directly to the Wheatley Foundation on its behalf.

Amounts owed to group undertakings

Lowther has access to a £76.5m facility administered by WFL2 with Bank of Scotland. Interest on the facility is charged at a rate of 3.77%.

Lowther Homes Limited

Annual report and financial statements for the financial year ended 31 March 2024

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Borrowings are repayable as follows:

	2024	2023
	£'000	£'000
In less than one year	-	-
In more than one year but less than two years	-	-
In more than two years but less than five years	601	-
In more than five years	93,683	94,070
	<hr/> 94,284	<hr/> 94,070
	<hr/> <hr/>	<hr/> <hr/>

15. Financial instruments

	2024	2023
	£'000	£'000
Financial assets:		
<u>Measured at amortised cost:</u>		
Debtors and accrued income	7,106	9,081
Total	<hr/> 7,106	<hr/> 9,081
	<hr/> <hr/>	<hr/> <hr/>
Financial liabilities:		
<u>Measured at amortised cost:</u>		
Creditors, accruals and amounts owed to group undertakings	103,892	98,265
<u>Measured at fair value through income and expenditure:</u>		
Intra-group convertible loan	18,416	18,234
Total	<hr/> 122,308	<hr/> 116,499
	<hr/> <hr/>	<hr/> <hr/>

Expenses payable on the financial liabilities is disclosed in note 7.

16. Called up share capital

	2024	2023
	£	£
Authorised		
Equity: 100 (2023: 100) Ordinary shares of £1 each	<hr/> 100	<hr/> 100
	<hr/> <hr/>	<hr/> <hr/>
Allotted, called up and fully paid		
Equity: 100 (2023: 100) Ordinary share of £1 each	<hr/> 100	<hr/> 100
	<hr/> <hr/>	<hr/> <hr/>

Lowther Homes Limited

Annual report and financial statements for the financial year ended 31 March 2024

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Cash Flow Analysis

Cash flow from operating activities	2024	2023
	£'000	£'000
Surplus for the year	11,227	1,236
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	85	93
Decrease/(increase) in trade and other debtors	1,975	(2,394)
Increase in trade and other creditors	1,225	2,361
<u>Adjustments for investing or financing activities:</u>		
Loss from sale of fixed assets	-	119
Grants utilised in the year	(1,335)	-
(Gain)/loss on revaluation of fixed assets	(10,382)	1,412
Impairment of investment in subsidiary undertakings	117	-
Amortisation of discount on convertible debt	183	162
Interest paid	2,925	2,920
Interest received	(59)	-
Taxation	3,412	615
Gift Aid paid	(2,676)	(3,128)
Net cash inflow from operating activities	6,697	3,396

18. Ultimate parent organisation and subsidiary undertakings

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

The Company has one immediate wholly owned subsidiary, GBG Enterprises Limited, which is a company registered in Scotland and limited by shares with 10,000 x £1 shares issued.

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.

Lowther Homes Limited

Annual report and financial statements for the financial year ended 31 March 2024

SUPPLEMENTARY INFORMATION

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