



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2018

Loretto Care

(Registered Company No. SC252526)

(Registered Charity No. SC034584)

TRUSTEES' ANNUAL REPORT

DIRECTORS' REPORT

Principal activities

Loretto Care ("the Company" or "Care") is a charity incorporated as a company limited by guarantee and is a subsidiary of Loretto Housing Association Limited. Loretto Care is governed by a Memorandum and Articles of Association under the Companies Act.

Loretto Care and Loretto Housing Association Limited, together as The Loretto Group, have been delivering high quality, person centred housing and social care services to individuals and families in need since 1977. Loretto Care was established on 8 July 2003 as a subsidiary of Loretto Housing Association Limited to provide care and support services to a variety of service user groups.

On 6 January 2014, Loretto Housing Association Limited and its subsidiary, Loretto Care, became members of the Wheatley Housing Group Limited ("Wheatley Group"). The Wheatley Housing Group Limited is a company limited by guarantee and registered in Scotland under the Companies Act (company registration number SC426094), having its registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL. It is registered with the Scottish Housing Regulator as a registered social landlord (number 363).

The principle office of the Company is Lipton House, 2nd Floor, 170 Crown Street, Glasgow, G5 9XD.

The Trustees serving during the year and since the year end are detailed on page 6.

STRATEGIC REPORT

It was another successful year for Loretto Care as we grew and improved our services to the people we work for and performed well against all our business targets.

Our strong relationship and reputation for excellence with local authority commissioners, meant we were able to negotiate extensions to contracts in two local authority areas without the need for retender. Our approach of providing truly personalised services earned praise from commissioners of our Glasgow Self Directed Support Service ("SDS") and meant more referrals from all over the city, increasing our income and service capacity.

We redesigned our services, working in partnership with local authority commissioners, and our colleagues in Wheatley Group, to offer added value to purchasers.

We supported over 6500 people over the year, helping them get the most out of their lives and achieve their own personal outcomes. One focus was introducing technology in our services and, in particular, using it to help people remain safe and well in their homes.

All of this helped us end the year with a good performance against our business plan targets. You can read about highlights for 2017/18 [here](#).

Awards and accreditations

Loretto Care, and our dedicated staff, continued to be recognised externally from a number of leading business accreditation schemes for the work we do.

We were awarded the European Foundation Quality Management's Recognised for Excellence 5-star award in June 2017 and went on to secure a Best Practice Award for "Succeeding through the Talent of People".

STRATEGIC REPORT (continued)

We were also awarded Investors in People ("IiP") platinum, the highest IiP level available to employers, in December 2017.

Our Fullarton Service in Tollcross in Glasgow, which provides support for people with alcohol related brain damage, won a Scottish Social Services Award for thought leadership while our 415 Project in Nitshill, set up to explore new ways of supporting older people live active and independent lives through technology, scooped a prestigious Laing Buisson Innovation in Care award.

The Tenancy Support Service was shortlisted for a CIH Excellence in Health and Wellbeing Award and for the CIH Housing Heroes Frontline Team of the Year award.

Our Fordneuk Service in Glasgow and our Alcohol Outreach service were both shortlisted for the Scottish Care Awards Care Home Carer of the Year while Fordneuk was also a finalist in the Scottish Social Services Council Awards, Head above the Parapet category.

Supporting people achieve their outcomes

Throughout the year Loretto Care supported 6510 people, an increase of 1,897 people on the previous year.

Progress made by people we work for with the support they receive is measured through their view of whether they have travelled a 'positive distance' on their individual outcomes.

This is measured through the use of Outcome Star, an assessment tool which focuses on specific outcomes individuals want to achieve in their lives.

At the end of the financial year, 68.6% of the people we work for reported a positive distance travelled in relation to their mental health with 65.3% reporting a positive distance travelled in relation to their physical health. This is against targets of 62% in these areas.

The percentage of people who either travelled a positive distance – or maintained previous levels – for employability, further education or volunteering was 50.76%, against a target of 40%. This reflects the focus Loretto has put on volunteering and the number of projects available through Wheatley's charitable trust Wheatley Foundation.

Staff recruitment

Working in partnership with colleagues in human resources we adopted a new approach to recruiting staff which saw us offer more flexible working hours to fit in with people's lifestyles. We also promoted the benefits of working at Wheatley Group and of a career in care. Our new approach saw us successfully recruit the right people into a number of vacancies during the year, substantially reducing our reliance on agency staff and leading to cost savings as well as a much better quality of services for the people we work for.

Managing complaints

We listen carefully to complaints and use the feedback to further improve our services. There were 20 complaints received throughout the year compared with 22 last year. Five complaints made at a local level were partially upheld.

There were three complaints made to the Care Inspectorate with none of these upheld.

STRATEGIC REPORT (continued)

Leaders use learning from complaints to promote continuous best practice throughout our workforce.

Care inspections

There were nine Care Inspections carried out with eight of them achieving grades of very good (5) and excellent (6) across each theme inspected.

Of all themes inspected, there were three excellent grades, 15 very good grades awarded and one good. The picture nationally is that 50% of services receive very good grades and only 8% excellent.

Loretto Care's Fordneuk Service received Grade 6 in both Quality of Care and Support and Quality of Staffing. The Care Inspectorate said: "The service rigorously focuses on positive outcomes achieved daily to an excellent standard. Service users are enthusiastic about how staff support them with for example, finances, physical and mental health issues and accessing alternative accommodation. External agencies provided many additional excellent examples why this service is exemplary."

Tenancy support service

The Tenancy Support Service ("TSS") has been established to provide support to Wheatley tenants in maintaining their tenancy. The number of tenants across the Wheatley Group who have received the Tenancy Support Service in the year was 2,215 against a target of 1,950.

At the end of the financial year, 80% of people had sustained their tenancy for over 12 months after using the service, in line with our target.

The 327 people who did not sustain their tenancy for at least the 12-month period included over 100 people who moved on to another home in Wheatley Group and 58 who passed away.

Reshaping services for older people

We worked closely with our partners in Wheatley Group to redesign services for older people living in sheltered complexes in Glasgow. The new Livingwell services were designed after consultation with tenants and started on 1 April 2018. Aimed at supporting people to live independently in their home, they involve a mix of personal, face-to-face support from housing staff and Livingwell teams, a range of social activities and volunteering opportunities and the use of technology.

STRATEGIC REPORT (continued)

Financial Performance

The Statement of Financial Activities shows net income for the year of £165k (2017: £105k) before actuarial losses of £91k (2017: actuarial losses of £159k) in respect of defined benefit pension schemes. This is a significant achievement in a climate of reducing margins on care services and our commitment to fairly reward our employees for their contribution through the Living Wage and Wheatley benefits package.

A total of £1,497k was retained in accumulated funds at the year-end (2017: £1,423k).

Income

Total income for the year ended 31 March 2018 was £12,877k (2017: £13,904k). This is £1,027k, or 7.4%, lower than the previous year. This decrease is as a result of our Tenancy Support Service ("TSS"), which is delivered internally to Group Registered Social Landlords ("RSLs"), being transferred to operate out of our parent entity, Loretto Housing Association Limited at the start of the 2017/18 financial year. Under a like for like basis, income has increased by £152k. In a sector with on-going downward pressures on funding, achieving a small increase in income is a positive result.

Expenditure

Total expenditure for the year of £12,712k is £1,087k lower than in 2016/17 (2017: £13,799k). On a like for like basis after accounting for the transfer of TSS, expenditure reports a decrease of £79k compared to the prior year. In real terms, staff costs have increased due to higher salary awards for the lowest paid staff to meet the on-going payment of the Living Wage to all employees. The overall decrease in expenditure is a result of savings and efficiencies made on non staff costs, where there has been focus on ensuring services are operating sustainably in the environment of continued funding cuts.

Principal funding sources

The charity's principle funding sources are the Glasgow City Council's Homelessness Services, Learning Disability and Mental Health. In addition the charity received funding from Falkirk, North Lanarkshire, Renfrewshire, South Lanarkshire and Stirling local authorities.

Reserves policy

The Trustees have set a target of a minimum of one month's operating costs as a desired level of a general revenue reserve, recognising the support available from the Group structure. At the Statement of Financial Position date the Company had 1.30 months' worth of reserves, of which all related to Unrestricted Funds.

Trustees

The Directors of the charitable company are its trustees for the purpose of charity law and throughout this report are collectively referred to as the Trustees.

TRUSTEES' REPORT

The Trustees present their annual report and the audited financial statement of the charity for the year ended 31 March 2018.

Result for the year

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

Structure

We said farewell to Marco Guidi, Alison McDonald and Gordon MacKay Findlay, all of whom stepped down during the year. Both Marco and Alison have been trustees with Loretto Care for 9 years, and Gordon has been a trustee for 6 years.

The Trustees serving on the Board and up to the date of signing the financial statements were:

Trustees	First Appointed	Left Board
Marco Guidi	5 March 2008	24 April 2017
Alison MacDonald	9 April 2008	24 April 2017
James Muir	22 August 2011	
Gordon MacKay Findlay	22 August 2011	18 September 2017
Lindsey Cartwright	25 October 2016	
Marc Fairclough	25 October 2016	13 August 2018
Allison Forrest	25 July 2016	
George Fraser	26 October 2016	13 August 2018
Onyekachi Michael Okafor	25 October 2016	
Stephen Owens	25 October 2016	
Elizabeth Reid	25 October 2016	
Kenneth Simpson	25 October 2016	

Governance

The governing body of the charity is known as the Board and has spaces for up to fifteen trustees. It meets six to eight times a year.

Methods to appoint & recruit new charity trustees

The Wheatley Group has sole responsibility for appointing and recruiting new charity trustees. The proposal to appoint new trustees requires two board members to provide signed approval as outlined in the Articles of Association.

Induction and training of trustees

Trustees undertake the Wheatley Group induction programme when first appointed and attend regular training and development thereafter as part of the Wheatley Group governance arrangements for Board members induction and training.

Setting pay and remuneration of key management personnel

Pay and remuneration of key management personnel is set with reference to the Wheatley Group remuneration policy.

Management

The Trustees have delegated day to day management of Loretto Care to Cathy Fallon, Director of Loretto, and Martin Glackin, Head of Care.

TRUSTEES' REPORT (continued)

Principal risks facing the Company

The most significant risks facing the Company are as follows:

Care and Support Services

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

Comments and mitigation: the implementation of new legislation and budget cuts, in particular the introduction of self-directed support, can have a significant financial and service impact on the standard of care.

Self-Directed Support legislation, together with the policy direction of supporting people in their own home, offers increased choice and control to people in how they receive their services, as individuals manage their own budgets. This impact has been managed through robust risk assessment, review and improvement of existing care services and working with people to produce a range of innovative support solutions, for example the introduction of telecare for our overnight support services.

While there are challenges around our existing customer base of people at risk of mental health issues and homelessness, we have identified opportunities around the growth in the number of older people requiring support. Our aim is to ensure that Loretto Care, as part of the Wheatley Group, drives the provision of care services across Scotland to raise the standards in care. As a result of our approach, Loretto Care, for example, was successfully appointed during the year to care and support frameworks with major local authorities such as Glasgow City Council and Falkirk Council.

Business Continuity and Disaster Recovery:

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

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

Independent auditor

In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG as auditors is to be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditor

The Trustees who held office at the date of approval of this trustees' 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 Trustee has taken all the steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company and charity law requires the trustees to prepare financial statements for each financial year. Under that law they have are required 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 trustees 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 charitable company and of the excess of income over expenditure for that period. In preparing these financial statements, the trustees 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; and
- assess the charitable 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 charitable company or to cease operations, or have no realistic alternative but to do so.

The trustees are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). 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 charitable company and to prevent and detect fraud and other irregularities.



James Muir
Trustee
12 September 2018

Wheatley House
25 Cochrane Street
Glasgow G1 1HL

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF LORETTO CARE

Opinion

We have audited the financial statements of Loretto Care ("the charitable company") for the year ended 31 March 2018 which comprise the Statement of Financial Activities, Statement of Financial Position, Cash Flow Statement 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 charitable company's affairs as at 31 March 2018 and of its incoming resources and application of resources, including its income and expenditure, 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, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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 charitable 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.

Other information

The directors are responsible for the other information, which comprises the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information;
- in our opinion the information given in the Trustees' Annual Report, which constitutes the strategic report and the directors' report 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 TRUSTEES AND MEMBERS OF LORETTO CARE (CONTINUED)

Matters on which we are required to report by exception

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended), we are required to report to you if in our opinion:

- the charitable company has not kept adequate and proper accounting records 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 trustees' 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.

Trustees' responsibilities

As explained more fully in their statement set out on page 8, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 charitable 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 charitable 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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and the charity's trustees 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 charity, its members as a body and its trustees 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

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
319 St Vincent Street
Glasgow G2 5AS
19 September 2018

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING THE INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 MARCH 2018

	<i>Notes</i>	Unrestricted funds £'000	Restricted funds £'000	2018 Total funds £'000	2017 Total funds £'000
Income from:					
Charitable activities	6	12,790	87	12,877	13,904
Total		12,790	87	12,877	13,904
Expenditure on:					
Charitable activities	7	(12,625)	(87)	(12,712)	(13,799)
Total		(12,625)	(87)	(12,712)	(13,799)
Net income		165	-	165	105
Transfers between funds	14	-	-	-	-
Other recognised losses:					
Actuarial losses on defined benefit pension schemes		(91)	-	(91)	(159)
Net movement in funds		74	-	74	(54)
Reconciliation of funds:					
Total funds brought forward	14	1,423	-	1,423	1,477
Total funds carried forward	14	1,497	-	1,497	1,423

The Statement of Financial Activities includes all gains and losses in the year and there is no material difference between the incoming resources for the financial year stated above and their historical cost equivalents. All incoming resources and resources expended derive from continuing activities.

The notes on pages 14 to 24 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

		2018	2017
	<i>Notes</i>	£'000	£'000
Current assets			
Debtors	9	1,196	1,299
Cash at bank and in hand	10	1,822	1,205
Total current assets		3,018	2,504
Creditors: amounts falling due within one year	11	(1,061)	(620)
Net current assets		1,957	1,884
Total assets less current liabilities		1,957	1,884
Defined benefit pension scheme liability	12	(460)	(461)
Net assets		1,497	1,423
The funds of the charity			
Unrestricted income funds	14	1,497	1,423
Total charity funds		1,497	1,423

The financial statements were approved and authorised for issue by the Trustees on 13 August 2018 and signed on their behalf on 12 September 2018 by:



James Muir
Trustee

The notes on pages 14 to 24 form part of these financial statements.

Company Registration Number SC252526.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

	2018 £'000	2017 £'000	
Reconciliation of operating surplus to net cash inflow from operating activities			
Net incoming resources	165	105	
(Increase)/decrease in debtors	(242)	252	
Increase/(decrease) in creditors	201	(72)	
Decrease in amount due from Group Companies	585	699	
Difference between cash contributions and pension charge	(92)	(76)	
Net cash outflow from operating activities	617	908	
Increase in cash in the year	617	908	
Reconciliation of net cashflow to movement in net funds			
Increase in cash in the year	617	908	
Net funds at 1 April	1,205	297	
Net funds at 31 March	1,822	1,205	
Analysis of changes in net funds			
	Opening balance	Cashflows	Closing balance
	£'000	£'000	£'000
Cash at bank and in hand	1,205	617	1,822
Net funds	1,205	617	1,822

The notes on pages 14 to 24 form part of these financial statements.

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

1. Legal status

Loretto Care (the "Company") is a private company incorporated, domiciled and registered in Scotland in the UK. The registered number is SC252526 and the registered address is Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

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 to all period presented in these financial statement.

Basis of accounting

The financial statements have been prepared on a going concern basis, under the historical cost convention, in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2015), the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006, the Companies Act 2006, Financial Reporting Standard 102 (FRS 102) and applicable accounting standards in United Kingdom. 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.

As the consolidated financial statements of the ultimate parent undertaking include the disclosures equivalent to those required by FRS 102, the Company has 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

Operational cash generation provides sufficient funds to allow the Company to meet its current liabilities and fund the on-going provision of care services. 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 FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

2. Accounting policies (continued)

Related party disclosures

The company is a wholly-owned subsidiary of Loretto Housing Association Limited (itself 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.

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:

- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

Income

Basis for recognition of income

Income from charitable activities and other income are recognised when there is entitlement, any performance conditions attached have been met, it is probable income will be received and the amount can be realised reliably.

Income from charitable activities

The charity receives income from service contracts and grant funding, which are included in income from charitable activities. These types of income are subject to specific performance conditions and entitlement is earned as the related services are provided. Income is deferred where performance conditions have not been met. Income from charitable activities also includes contributions received from service users for staff to accompany them on holidays and contributions from Loretto Housing Association Limited (LHA) towards property related costs where Loretto Care provides support from premises owned by LHA.

Expenditure

Resources are expended in the period to which they relate and when a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates.

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Activity based reporting

The Trustees are of the opinion that the charity has a single activity and there is no requirement to provide further analysis within the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

2. Accounting policies (continued)

Financial Instruments

All financial assets and liabilities are held initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

Pensions

Pensions Trust Scottish Housing Association Pension Scheme – Defined Benefit

Loretto Care previously participated in the Pensions Trust Scottish Housing Association Pension Scheme (SHAPS) Defined Benefit Pension Scheme. Retirement benefits to employees are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating bodies taken as a whole.

In accordance with FRS 102, the Company's share of the scheme assets and liabilities have been separately identified and are included in the Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The Company's share of the deficit is recognised in full in the Statement of Financial Position and the movement is split between operating costs, finance items and actuarial gain or loss on pension schemes in the Statement of Financial Activities.

The scheme closed on 1 July 2013, with members transferring to the SHAPS Defined Contribution Scheme

Pensions Trust Scottish Housing Association Pension Scheme – Defined Contribution

Employer contributions are recognised in the Statement of Financial Activities in the period to which they relate and when a liability is incurred. They are allocated between restricted and unrestricted funds where the expenditure is directly attributable.

Taxation

The company is considered to pass the tests as set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part II Corporation Tax Act 1992 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Value Added Tax

The Company is registered for VAT and is a member of the Wheatley VAT group. The majority of its income is exempt for VAT purposes, giving rise to no VAT liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

3. Employees

Number of employees	2018 Number	2017 Number
The average number of employees during the year were:		
Headcount	518	500
Full time equivalent	414	387

All staff are employed by the charity with costs being recharged to other group entities where appropriate.

Employment costs	2018 £000	2017 £000
Staff costs (for the above persons)	9,292	9,626
Social security costs	715	771
Employer's pension costs	243	252
Pensions past service deficit	104	91
Agency Staff Costs	920	841
	<u>11,274</u>	<u>11,581</u>

The number of employees who received emoluments (excluding employer pension contributions) over £60,000 split into the following ranges were:-

	2018	2017
£60,000 to £70,000	1	-
£70,000 to £80,000	-	1
	£000	£000
Pension contributions made on behalf of employees with emoluments > £60,000 were:	3	3

The salary of Loretto Group's Director is split equally between Loretto Housing Association Limited and Loretto Care.

4. Trustees' emoluments

None of the trustees received any remuneration for their services or reimbursement of expenses directly from Loretto Care (2017 – nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

5. Net incoming resources for the year

	2018 £'000	2017 £'000
Net incoming resources is stated after charging:		
Auditors' remuneration – audit services	12	12

6. Incoming resources from charitable activities

	2018 £'000	2017 £'000
<i>Unrestricted income:</i>		
Local authority contract income	10,583	10,212
Care service contribution from Loretto Housing Association Limited	723	717
Contribution from service users	188	177
Services provided to Registered Social Landlords	1,177	2,587
Other income	119	44
	<u>12,790</u>	<u>13,737</u>
<i>Restricted income:</i>		
Grant income	87	167
	<u>12,877</u>	<u>13,904</u>

7. Charitable activities

	2018 £'000	2017 £'000
<i>Unrestricted expenditure:</i>		
Management charges payable	264	320
Staff costs	10,735	11,551
Premises costs	563	635
Running costs	1,051	1,114
Pension finance costs	12	12
	<u>12,625</u>	<u>13,632</u>
<i>Restricted expenditure:</i>		
Staff costs	19	30
Premises Costs	-	14
Running costs	68	123
	<u>87</u>	<u>167</u>
	<u>12,712</u>	<u>13,799</u>

8. Auditor's remuneration

	2018 £'000	2017 £'000
External audit fees	12	12
	<u>12</u>	<u>12</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

9. Debtors

	2018 £'000	2017 £'000
Amounts owed by group undertakings	241	586
Other debtors	955	713
	1,196	1,299

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

10. Cash at bank and in hand

	2018 £'000	2017 £'000
Cash at bank	1,822	1,205
	1,822	1,205

11. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	74	25
Taxation and social security costs	221	189
Other creditors	61	61
Accruals and deferred income	465	345
Amounts due to group undertakings	240	-
	1,061	620

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

12. Pensions

Pensions Trust Scottish Housing Association Pension Scheme – Defined Benefit

Loretto Care participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS"), and all active employee members transferred to the SHAPS Defined Contribution scheme with effect from 1 July 2013. SHAPS is a multi-employer defined benefit scheme and is funded and contracted out of the State Pension Scheme.

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

The scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. FRS 102 requires the disclosure of the Company's share of the assets and liabilities of the scheme within the financial statements where this is available. An evaluation of the scheme assets and liabilities has been instructed by Loretto Care and carried out by an independent actuary as at 31 March 2018.

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

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

12. Pensions (continued)

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

	31 March 2018	31 March 2017
Discount rate	2.7%	2.8%
Future salary increases	*2.1%	2.0%
Inflation	2.2%	2.3%

* Salary increases are assumed to be 2.1% until 31 March 2019, 2.0% p.a. thereafter.

In valuing the liabilities of the pension fund at 31 March 2018, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the date of the Statement of Financial Position are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.1 years (male) (2017: 22.1 years), 23.6 years (female) (2017: 23.6 years).
- Future retiree upon reaching 65: 24.8 years (male) (2017: 24.8 years), 26.2 years (female) (2017: 26.2 years).

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

12. Pensions (continued)

Movements in present value of defined benefit obligation:

	2018	2017
	£ 000	£ 000
Opening defined benefit obligation	3,191	2,471
Interest cost	88	92
Actuarial losses	524	713
Estimated benefits paid	(106)	(85)
Closing defined benefit obligation	3,697	3,191

Movements in fair value of plan assets:

	2018	2017
	£ 000	£ 000
Opening fair value of plan assets	2,730	2,093
Expected return on plan assets	76	80
Actuarial gains	433	554
Contributions by the employer	107	91
Estimated benefits paid	(106)	(85)
Administration costs	(3)	(3)
Closing fair value of plan assets	3,237	2,730
Net liability	(460)	(461)

Expense recognised in the statement of financial activities:

	2018	2017
	£ 000	£ 000
Interest on net defined benefit obligation	12	12
Administration costs	3	3
	15	15

The expense is recognised in the following line items in the statement of financial activities:

	2018	2017
	£ 000	£ 000
Expenditure on charitable activities	12,712	13,799

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

12. Pensions (continued)

The total amount recognised on the Statement of Financial Position is £460k liability (2017: £461k liability).

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

	2018 £ 000	2017 £ 000
Equities	583	956
Corporate bonds	1,457	956
Property	129	109
Alternatives	1,036	654
Cash	32	55
	<u>3,237</u>	<u>2,730</u>
Actual return on plan assets	509	634

13. Analysis of net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	Total £'000
Fund balance at 31 March 2017	1,423	-	1,423
as represented by:			
Current assets	3,018	-	3,048
Current liabilities	(1,061)	-	(1,061)
Provision – pension liability	(460)	-	(460)
	<u>1,497</u>	<u>-</u>	<u>1,497</u>
At 31 March 2018	<u>1,497</u>	<u>-</u>	<u>1,497</u>

14. Unrestricted income funds

	1 April 2017 £'000	Incoming £'000	Outgoing £'000	Other Losses £'000	31 March 2018 £'000
General funds	1,694	12,790	(12,717)	-	1,767
<i>Designated funds</i>					
Pension reserve	(461)	-	92	(91)	(460)
Living wage	190	-	-	-	190
	<u>1,423</u>	<u>12,790</u>	<u>(12,625)</u>	<u>(91)</u>	<u>1,497</u>
At 31 March 2018	<u>1,423</u>	<u>12,790</u>	<u>(12,625)</u>	<u>(91)</u>	<u>1,497</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

14. Unrestricted Funds (continued)

Purposes of designated funds

Pension Reserve

The charity has elected to produce full FRS 102 disclosures.

Living Wage

The charity is committed to paying the Living Wage and has designated £190,000 within Unrestricted Funds to support its implementation.

15. Company limited by guarantee

The charity has no share capital and is a company limited by guarantee. The sole member is Loretto Housing Association Limited, which has undertaken to contribute such amount not exceeding £1 as may be required in the event of the charity winding up.

16. Ultimate parent organisation

The charity is a subsidiary undertaking of Loretto Housing Association Limited, a Co-operative & Community Benefit Society (Registered Housing Association number L2620) and registered Scottish charity (SC07241).

Loretto Housing Association Limited is a subsidiary undertaking of the Wheatley Housing Group Limited, a company limited by guarantee and registered in Scotland. The Wheatley Housing Group Limited is the ultimate parent organisation of Loretto Care.

The results of the charity are consolidated into the group financial statements of Loretto Housing Association Limited and the Wheatley Housing Group Limited. The consolidated financial statements of the Wheatley Housing Group Limited may be obtained from the registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

SUPPLEMENTARY INFORMATION

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