CONSOLIDATED RSL BORROWER GROUP FINANCIAL STATEMENTS

For the Year Ended

31 March 2023

Wheatley Housing Group
RSL Borrower Group:

Wheatley Homes Glasgow Limited
Cube Housing Association Limited (up to 28 July 2021)
West Lothian Housing Partnership Limited (up to 4 September 2022)
Loretto Housing Association Limited
Wheatley Homes East Limited (formely Dunedin Canmore Housing Limited)
Wheatley Homes South Limited (formely Dumfries and Galloway Housing Partnership Limited) (from 1 April 2022)
Wheatley Development Scotland Limited (from 1 April 2022)
Wheatley Funding No. 1 Limited
Wheatley Group Capital plc

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £ 000	2022 £ 000
Turnover	3	382,185	319,019
Operating expenditure	3	(302,735)	(252,656)
Other gains / (losses)	8	251,214	(15,109)
Operating surplus		330,664	51,254
Gain on disposal of fixed assets	9	394	1,158
Finance income	10	1,806	29
Finance charges	11	(62,680)	(54,540)
Movement in fair value of financial instruments	12	760	(11,739)
Surplus/ (deficit) on ordinary activities before taxation		270,944	(13,838)
Taxation	13	(5)	(1)
Surplus / (deficit) for the financial year		270,939	(13,839)
Unrealised surplus / (deficit) on the valuation of housing properties		42,794	(32,094)
Unrealised deficit on the valuation of office properties		(3,897)	(3,363)
Actuarial (loss) / gain in respect of pension schemes		(50,520)	70,003
Total comprehensive income for the year		259,316	20,707

All amounts relate to continuing operations.

The notes on pages 6 to 40 form part of these financial statements

GROUP STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2023

	Revenue Reserve £ 000	Revaluation Reserve £ 000	Total Reserves £ 000
Balance at 1 April 2021	555,993	351,870	907,863
Total comprehensive income for the year	20,707	-	20,707
Transfer of reserves for the revaluation of housing properties	32,094	(32,094)	-
Transfer of reserves for the revaluation of office properties	3,363	(3,363)	-
Balance at 31 March 2022	612,157	316,413	928,570
Total comprehensive income for the year	259,316	-	259,316
Transfer of reserves for the revaluation of housing properties	(42,794)	42,794	-
Transfer of reserves for the revaluation of office properties	3,897	(3,897)	-
Transfer of reserves for Wheatley Homes South opening revaluation	(151,144)	151,144	-
Dividend received from Novantie	180	-	180
Balance at 31 March 2023	681,612	506,454	1,188,066

The notes on pages 6 to 40 form part of these financial statements.

GROUP STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2023

	Notes	2023 £000	2022 £000
Fixed assets			
Social housing properties	16	2,594,648	2,085,407
Other tangible fixed assets	17	71,323	62,063
Investment property	18	122,499	97,331
Investments other	19	12,073	12,073
		2,800,543	2,256,874
Pension asset	25	2,505	58,166
Current assets			
Stock	20	1,713	717
Trade and other debtors	21	58,378	62,797
Cash and cash equivalents		24,736	12,880
		84,827	76,394
Creditors: amounts falling due within one year	22	(142,795)	(161,413)
Net current liabilities		(57,968)	(85,019)
Total assets less current liabilities		2,745,080	2,230,021
Creditors: amounts falling due after more than one year	23	(1,552,012)	(1,298,919)
		1,193,068	931,102
Provisions for liabilities			
Pension liability	25	(3,042)	(383)
Provision for other liabilities	24	(1,960)	(2,149)
Total net assets		1,188,066	928,570
Reserves			
Share capital		-	-
Revenue reserve		681,612	612,157
Revaluation reserve		506,454	316,413
Total reserves		1,188,066	928,570

The notes on pages 6 to 40 form part of these financial statements.
Company registration number SC426094.

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £000	2022 £000
Net cash generated from operating activities	27	135,817	126,091
Cash flow from investing activities			
Improvement of properties		(74,017)	(69,457)
Acquisition and improvement of investment properties	18	(524)	(342)
Construction of new properties		(94,361)	(84,994)
Purchase of other fixed assets	17	(21,699)	(19,721)
Proceeds from sale of properties	9	1,480	2,635
Grants received	23	51,959	40,035
Grants transferred	23	(345)	-
Finance income		399	-
		(137,108)	(131,844)
Cash flow from financing activities			
Finance charges		(61,743)	(55,461)
Dividend received		180	-
Cash received on introduction of Wheatley Homes South		42,534	-
Cash received on introduction of Wheatley Developments Scotland		333	-
Bank loan drawn down		60,000	28,000
Repayments of bank loans		(25,440)	(7,539)
Taxation		(1)	(1)
		15,863	(35,001)
Net change in cash and cash equivalents		14,572	(40,754)
Cash and cash equivalents at 1 April		10,164	50,918
Cash and cash equivalents at 31 March		24,736	10,164
Cash and cash equivalents at 31 March			
Cash		24,736	12,880
Bank overdraft		-	(2,716)

The notes on pages 6 to 40 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. Legal status

The financial statements report the consolidated results of Wheatley Homes Glasgow, Cube Housing Association Limited (up to 28 July 2021), West Lothian Housing Partnership Limited (up to 4 September 2022), Loretto Housing Association Limited, Wheatley Homes East Limited (formerly known as Dunedin Canmore Housing Limited), Wheatley Funding No. 1 Limited and Wheatley Group Capital plc ("RSL Borrower Group"). From 1 April 2022, Wheatley Housing South Limited (formerly known as Dumfrise and Galloway Housing Partnership) and Wheatley Development Scotland Limited joined the RSL Borrower Group. All are subsidiaries of the Wheatley Housing Group Limited. The financial statements do not report the full consolidated Group results for the Wheatley Housing Group Limited.

The principal activities of the RSL Borrower Group is the provision of social housing and associated housing management services. The registered office of all the RSL Borrower Group subsidiaries is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

2. Accounting policies

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

Basis of accounting

The financial statements of the RSL Borrower Group are prepared in accordance with the Companies Act 2006, applicable accounting standards, the accounting requirements included within the Determination of Accounting Requirements 2019, and under the historical cost accounting basis, modified to include the revaluation of derivative financial investments, properties held for letting, investment properties and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 ("SORP 2014"), issued by the National Housing Federation and under FRS 102.

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

The RSL Borrower Group prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in February 2023 by the RSL Boards. 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 the emerging cost of living crisis. These updated scenarios 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.

The RSL Boards, after reviewing the Group budgets for 2023/24 and the Group's financial position as forecast in the 30-year business plan, including changes arising from the cost of living crisis , is of the opinion that, taking account of severe but plausible downsides, the Group 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:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. Accounting policies (continued)

- Rent and service charge receivable – arrears and bad debt assumptions have been increased to allow for customer difficulties in making payments and budget and business plan scenarios updated to take account of potential future changes in rent increases;

- The property market – budget and business plan scenarios have taken account of delays, rising costs, productivity and labour shortages, and reprofiled new build handovers;

- Maintenance costs – budget and business plan scenarios have been modelled to take account revised profiles of repairs and maintenance expenditure, with major works being rephased into future years;

- Development activity – forecast development expenditure has been modelled to take account of revised investment profiles;

- Liquidity – current available cash of £24.7m and unutilised loan facilities of £270.3m which gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;

- The RSL Borrower Group's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

The RSL Boards believe the RSL Borrowers have sufficient funding in place and expect the RSL Borrower Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the RSL Boards are confident that the RSL Borrower Group will have sufficient funds to continue to meet its 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.

The RSL Borrower Group contains companies which are public benefit entities.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. Accounting policies (continued)

Basis of consolidation
The RSL Borrower Group financial statements consolidate those of the Companies in the Borrower Group drawn up to 31 March 2023. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

New companies joining the RSL Borrower Group are accounted for under section 19.6 of FRS 102, as combinations that are in substance a gift. Any gain on acquisition is recognised through the Statement of Comprehensive Income as a gain on business combination. Companies are fully consolidated from the date on which the join the RSL Borrower Group.

Related party disclosures
The RSL Borrower Group has taken advantage of the exemption, available under FRS 102, from disclosing related party transactions with wholly owned entities that are part of the Wheatley Housing Group.

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

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

Grant income
Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is recognised as income using the performance model in accordance with the SORP 2014. Prior to satisfying the performance conditions (e.g. on completion of new build properties), such grants are held as deferred income on the Statement of Financial Position. In 2021/22 grant income claimed under the UK Government's Coronavirus Job Retention Scheme is reported as income through the Statement of Comprehensive Income in line with the performance model.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. Accounting policies (continued)

Financial instruments

Financial assets

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

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

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

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

Financial liabilities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. Accounting policies (continued)

Any movement in the value of financial instruments recognised in the Statement of Comprehensive Income relates to any in-year adjustments for changes in the value of payment arrangement in place with customers, and the Scottish Government loan.

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

Pensions
Wheatley Homes Glasgow participates in a defined benefit pension scheme arrangement with the Strathclyde Pension Fund ("SPF"). The Strathclyde Pension Fund is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. Wheatley Homes South participated in a defined benefit pension scheme arrangement with the Dumfries and Galloway Council Pension Fund ("DGCPF") which is administered by Dumfries and Galloway Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. On 28 February 2022, all assets and liabilities held on behalf of Wheatley Homes South in DGCPF were transferred to Strathclyde Pension Fund and the employment contracts of active members of WH South were transferred to WH Glasgow on the same date.

The SPF ("the Fund") provides benefits based on final pensionable pay, which is contracted out of the State Second Pension. Assets and liabilities of the Fund are held separately from those of the participating Association.

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

The defined benefit fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The respective share of WH Glasgow in the SPF, the pension fund surplus (to the extent that it is recoverable) or deficit are recognised in full. The assumptions used in valuing the defined benefit pension arrangements result in a pension asset being recognised on the Statement of Financial Position, on the basis that the future level of employers contributions so as to match the required funding level for the scheme. The pension asset would be realised in line with the assumptions relating to longevity. The movement in the Fund's surplus or deficit is split between operating charges, finance items and in the Statement of Comprehensive Income under actuarial gain or loss on pension schemes.

West Lothian Housing Partnership, Loretto Housing Association, and Wheatley Homes East (previously known as Dunedin Canmore Enterprise) previously participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS") Defined Benefit Pension Scheme. Loretto members transferred to the SHAPS Defined Contribution Scheme on 1 July 2013 with Wheatley Homes East members transferring on 1 April 2014 and West Lothian members transferring on 1 September 2014, with the respective sections of the SHAPs defined benefit scheme operated by those Group subsidiaries closed from the dates noted. Following the West

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. Accounting policies (continued)

Lothian Housing Partnership transfer of engagements on 4 September 2022, Wheatley Homes East assumed WLHP's obligations in the SHAPs defined benefit scheme.

Retirement benefits to employees in SHAPs defined benefit pension scheme are funded by contributions from all participating employers and employees in the Scheme. In respect of the defined benefit element of the scheme, payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. In accordance with FRS 102, the RSL Borrower Group's share of the scheme assets and liabilities has been separately identified and included in the RSl Borrower Group's Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The RSL Borrower Group's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the Statement of Comprehensive Income as actuarial gain or loss on pension schemes.

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

A defined contribution scheme arrangement administered by the Salvus Master Trust is available to employees in certain subsidiaries of the RSL Borrower Group. Wheatley Homes East operates a separate defined contribution scheme administered by Friends Life.

Fixed assets – social housing properties

In accordance with SORP 2014, the RSL Borrower Group operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

- **Valuation of social housing stock**

All social housing properties owned by RSL Borrower Group's companies are valued annually on an Existing Use Value for Social Housing ("EUV-SH") basis by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation. Housing stock has been split into two streams of property for valuation purposes, namely housing retained for letting and demolition programme properties. This separation into categories is on the basis of the RSL Borrower Group's 30-year Business Plan which identifies the core stock which will be the subject of the RSL Borrower Group's investment expenditure going forward and the stock which forms part of the demolition programme, and consequently has limited investment expenditure attached to it.

The cost of properties is their purchase price together with the cost of capitalised improvement works that result in incremental future benefits to the landlord from the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. Accounting policies (continued)

- **Valuation of social housing stock (continued)**

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

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

- **Depreciation and impairment**

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the RSL Borrower Group's asset management strategy and the requirement of the Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the RSL Borrower Group has taken account of views provided by both internal and external professional sources. Freehold land is not subject to depreciation.

Major components are treated as separate assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following rates:

	Economic Life
Land	not depreciated
Bathrooms	25 yrs
External environment	20 yrs
External wall finishes	35 yrs
Heating system boiler	12 yrs
Internal works and common areas	20 yrs
Kitchens	20 yrs
Mechanical, Electrical and Plumbing	25 yrs
Structure and roofs	50 yrs
Windows and doors	30 yrs

Housing assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion.

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

- **New Build**

Housing properties in the course of construction and land for future development is held at cost and are not depreciated. Completed new build units are transferred to completed properties when ready for letting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. Accounting policies (continued)

- **New Build (continued)**

The RSL Borrower Group's policy is to capitalise the following:

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

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

- **Properties held for demolition**

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

Investment properties

Housing for mid-market and market-rent is valued on an open market value subject to tenancies basis ("MV-T") at 31 March. The valuation is carried out by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation. The properties are held as investment properties not subject to depreciation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised improvement works.

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

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

New Build Grant and other capital grants

New Build Grant is received from central government and local authorities and is utilised to subsidise the costs of housing properties. New Build Grant is recognised as income in the Statement of Comprehensive Income under the performance model. In the case of new build this will be when the properties are completed. 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. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. Accounting policies (continued)

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

	Economic Life
Office premises (valuation)	40 yrs
District heating (cost)	30 yrs
Furniture, fittings and office equipment (cost)	5-7 yrs
Computer equipment (cost)	3-7 yrs
Community Infrastructure (cost)	20 yrs

Office premises are held at valuation, and are depreciated, on a straight line basis, over a useful life of 40 years. Valuations are made at the end of each reporting period.

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

Taxation
As charities, Wheatley Homes Glasgow, Cube Housing Association Limited, West Lothian Housing Partnership Limited, Loretto Housing Association Limited, Wheatley Homes East and Wheatley Homes South are exempt from corporation tax on their charitable activities by virtue of Section 478 Corporation Tax Act 2010 and from capital gains tax by virtue of Section 256 Capital Gains Tax Act 1992. A charge for taxation is made in the RSL Borrower Group's non-charitable companies, based on their taxable profit for the year.

Value Added Tax
The RSL Borrower Group is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT. VAT on Wheatley Homes Glasgow refurbishment works expenditure included in the development works agreement with Glasgow City Council is substantially recoverable. Expenditure on these works is shown net of VAT.

Development Agreement
WH Glasgow entered into agreements with Glasgow City Council whereby the undertaking of catch-up repairs and improvement works remained with the City Council, with that obligation sub-contracted to WH Glasgow. This has historically been shown on the Group's Statement of Financial Position as a debtor offset by a provision of an equal amount. As work has progressed, both amounts have been reduced by the appropriate amount with the completion of all works due under the agreement completed during 2021/22.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

3. Particulars of turnover, operating costs and operating surplus

Group

	2023				2022
	Turnover	**Operating Costs**	**Other losses**	**Operating surplus/ (deficit)**	**Operating surplus/ (deficit)**
	£ 000	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Social lettings (note 4)	357,818	(266,323)	-	91,495	62,196
Other activities (note 5)	24,367	(36,412)	-	(12,045)	4,167
Gain on business combination (note 8)	-	-	258,939	258,939	-
Other losses (note 8)	-	-	(7,725)	(7,725)	(15,109)
Total	382,185	(302,735)	251,214	330,664	51,254
Total for previous reporting period	319,019	(252,656)	(15,109)	51,254	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

Group	General Needs	Supported Housing	Other	2023 Total	2022 Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Rent receivable net of service charges	281,178	10,461	1,093	292,732	241,909
Service charges	4,477	1,257	273	6,007	5,708
Gross income from rents and service charges	285,655	11,718	1,366	298,739	247,617
Less rent losses from voids	(3,107)	(331)	(1)	(3,439)	(2,779)
Net income from rents and service charges	282,548	11,387	1,365	295,300	244,838
Grants released from deferred income – new build	54,440	364	3	54,807	32,400
Revenue grants from Scottish Ministers	3,581	489	-	4,070	362
Other revenue grants	3,567	73	1	3,641	937
Total turnover from social letting activities	344,136	12,313	1,369	357,818	278,537
Management and maintenance administration costs	(62,374)	(2,780)	(288)	(65,442)	(57,339)
Service costs	(6,941)	(415)	(109)	(7,465)	(7,594)
Planned and cyclical maintenance including major repairs costs	(30,910)	(1,083)	(198)	(32,191)	(27,464)
Reactive maintenance costs	(63,115)	(1,876)	(359)	(65,350)	(43,607)
Bad debts – rents and service charges	(2,924)	(95)	(17)	(3,036)	(2,584)
Depreciation of social housing	(89,036)	(3,217)	(586)	(92,839)	(77,753)
Operating costs from social letting activities	(255,300)	(9,466)	(1,557)	(266,323)	(216,341)
Operating surplus/ (deficit) from social lettings	88,836	2,847	(188)	91,495	62,196
Operating surplus/ (deficit) from social lettings for the previous reporting period	59,970	2,481	(255)	62,196	

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

Group

	Grants From Scottish Ministers	Other Income	Supporting People Income	Total Turnover	Total Operating	2023 Operating Surplus /(Deficit)	2022 Operating Surplus /(Deficit)
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Wider role activities to support the community	-	961	-	961	(13,754)	(12,793)	(5,014)
Care activities	-	-	-	-	-	-	-
Factoring	-	11	-	11	-	11	95
Investment Property	-	11,156	-	11,156	(1,336)	9,820	7,717
Support activities	-	3,009	-	3,009	(2,193)	816	81
Owners' improvement activities	-	-	-	-		-	(190)
Demolition activities	-	-	-	-	(1,316)	(1,316)	(370)
Other income	-	6,669	-	6,669	(3,094)	3,575	4,687
Depreciation – Non Social Housing	-	-	-	-	(9,390)	(9,390)	(12,085)
Organisation Restructuring	-	-	-	-	(3,173)	(3,173)	(3,315)
Development & Construction of Property Activities	-	2,561	-	2,561	(2,156)	405	12,561
Total from other activities	-	24,367	-	24,367	(36,412)	(12,045)	4,167
Total from other activities for the previous reporting period	-	40,482	-	40,482	(36,315)	4,167	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

6. Officers' emoluments

	2023	2022
	£ 000	£ 000
Aggregate emoluments payable to key management (excluding pension contributions)	1,106	1,132

Emoluments payable to the Chief Executive:

2022:	**2022**
Martin Armstrong	**£ 000**
Emoluments payable	358
Employer pension contributions	60
Total Martin Armstrong	418

2023:	**2023**
Martin Armstrong	**£ 000**
Emoluments payable	282
Employer pension contributions	53
Total Martin Armstrong	335

	2023
Steven Henderson	**£ 000**
Emoluments payable	29
Employer pension contributions	6
Donations made by Steven Henderson to The Wheatley Foundation	(20)
Total Steven Henderson	15

Steven Henderson was appointed to the post of Chief Executive during the year, which was previously held by Martin Armstrong. The donation by Steven Henderson to the Wheatley Foundation was used to support tenants with food, fuel and rent costs during the year.

At the request of Steven Henderson his gross annual salary was reduced to £80,000 per annum with effect from 8 March 2023.

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

More than £10,000 but not more than £20,000	-	1
More than £130,000 but not more than £140,000	2	-
More than £140,000 but not more than £150,000	2	-
More than £150,000 but not more than £160,000	1	-
More than £170,000 but not more than £180,000	-	1
More than £180,000 but not more than £190,000	-	2
More than £190,000 but not more than £200,000	1	-
More than £200,000 but not more than £210,000	1	1
More than £350,000 but not more than £360,000	-	1

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

6. Officers' emoluments (continued)

The key management are defined for this purpose as the Chief Executive and the Group Executive team in post at 31 March 2023.

The senior officers are eligible to join the Strathclyde Pension Fund and employer's contributions are paid on the same basis as other members of staff. Pension contributions of £204k (2022: £210k) were paid for the Chief Executive and the Group Executive team in post at 31 March 2023. Emoluments of £739k including pension contributions and compensation payments for loss of office of £658k were paid to three former key management personnel. Pension payments including associated strain on the fund are shown in note 26.

There were seven senior officers in post at 31 March 2023.

Steven Henderson	Group Chief Executive
Hazel Young	Group Director of Housing and Property Management
Laura Pluck	Group Director of Communities
Paulline Turnock	Group Director of Finance
Anthont Allison	Group Director of Governance and Business Solutions
Graham Isdale	Group Director of Corporate Affairs
Frank McCafferty	Group Director of Repairs and Assets

7. Employees

In the year to 31 March 2023, the average full time equivalent number of employees of the Group, including senior officers, was 2,307 (2022: 1,977). The total number of staff employed was 2,323 (2022: 2,060). No staff are directly employed by the Company.

Group	**2023**	**2022**
	£ 000	**£ 000**
Staff costs (for the above persons)		
Wages and salaries	85,031	57,194
Holiday pay accrual movement	(372)	(1,280)
Social security costs	8,988	6,640
Employer's pension costs	10,155	9,714
FRS 102 Pension adjustment	9,148	7,216
	112,950	79,484

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

8. Other losses

	2023 £'000	2022 £'000
Revaluation of investment properties:		
Valuation movement (note 18)	(7,725)	(12,110)
Actuarial loss on transfer of pension asset and obligations		
Loss on transfer	-	(2,999)
Gain on business combination:		
Gain on business combination – Strathclyde Camphill	466	-
Gain on business combination – Wheatley Housing South	257,692	-
Gain on business combination – Wheatley Development Scotland	781	-
Other losses	251,214	(15,109)

Loss on revaluation of investment properties:
A loss of £7,725k (2022: £12,110k) has been recognised on the annual revaluation of investment properties. On completion of new-build investment properties, which are held on the Statement of Financial Position at valuation, FRS 102 requires the grant income relating to the properties to be recognised through profit or loss under the performance model. On the first formal annual valuation after completion, the results of the initial valuation are compared against the gross new-build development costs held in the Statement of Financial Position; this requirement results in an initial non-cash accounting loss being reported on investment properties.

Actuarial loss on transfer of pension assets and obligations
As part of a pension restructure, the employment contracts of Dumfries & Galloway Housing Partnership ("DGHP") staff who were active members of Dumfries and Galloway Council Pension Fund were transferred to WH Glasgow on 28 February 2022 and their pension membership was transferred from Dumfries and Galloway Council Pension Fund ("DGCPF") to Strathclyde Pension Fund ("SPF") with a corresponding transfer of DGHP's pension assets and obligations from DGPF to SPF. An actuarial loss of £2,999k noted in the financial year ending 31 March 2022 resulted from the difference between the actuarial valuation at 28 February 2022 of the DGHP's assets and obligations transferred. Under FRS 102 Section 28 the movement is recognised in reporting operating surplus in the Statement of Comprehensive Income.

Gain on business combination
Recognised in the Statement of Comprehensce Income in the financial year ending 31 March 2023 is the following :

The 16 units at Strathclyde (Camphill) Housing Society Limited were transferred to Wheatley Homes Glasgow, along with all related asset and liabilities, on 16 January 2023 realising a gain of £0.5m.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)**

8. Other losses (continued)

Wheatley Homes South and Wheatley Developments Scotland both joined the RSL Borrower Group on 1 April 2022 resulting in a gain on the recognition of the net assets of Wheatley Homes South activities of £257.7m and £0.8m respectively.

9. Gain on disposal of fixed assets

This represents net income from the sale of properties under tenants' Right-to-Buy ("RTB") entitlement and from other property disposals including Shared Ownership sales.

	2023	2022
	£ 000	£ 000
Proceeds from disposal of properties	1,480	2,635
Value of properties disposed	(1,086)	(1,477)
Surplus on sale of fixed assets	394	1,158

10. Finance income

	2023	2022
	£ 000	£ 000
Bank interest receivable on deposits in the year	363	-
Net return on pension asset	1,443	29
Total	1,806	29

11. Finance charges

	2023	2022
	£ 000	£ 000
Interest payable	59,619	51,616
Other financing costs	1,269	1,205
Amortisation of discount on convertible loan	(162)	(236)
Amortisation of interest on contingent efficiencies grant	1,919	1,834
Net cost on pension	35	121
Total	62,680	54,540

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

Interest of £2.4m (2022: £2.0m) has been capitalised at a weighted average interest rate of 3.90% (2022: 4.08%). The rate is specific to the funding drawn in the year and invested in housing under construction.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

12. Movement in fair value of financial instruments

	2023 £ 000	2022 £ 000
Movement in the Scottish Government loan	769	(4,226)
Movement in Unsecured subordinated convertible loan	-	(7,461)
Movement in discount to arrears balances (note 21)	(9)	(52)
	760	(11,739)

13. Tax on surplus on ordinary activities

	2023 £000	2022 £000
Total tax expense recognised in the Statement of Comprehensive Income:		
Current tax:		
Current tax on income for the year	1	1
Adjustment in respect of prior periods	-	-
	1	1
Deferred tax:		
Origination and reversal of timing differences	-	-
Effects of changes in tax rates	-	-
Adjustment in respect of prior periods	-	-
	-	-
Total Tax	1	1

The charitable status of Wheatley Homes Glasgow, Wheatley Homes East, Cube Housing Association, West Lothian Housing Partnership, Loretto Housing Association and Wheatley Homes East means that no corporation tax is payable on their activities. Tax is payable on the profits from the activities of the RSL Borrower Group’s other non-charitable subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

13. Tax on surplus on ordinary activities (continued)

Factors affecting the tax charge for the current period

	2023 £000	2022 £000
Reconciliation of effective tax rate		
Surplus / (deficit) for the year	270,939	(13,839)
Transfer of Wheately Homes South	(257,692)	-
Transfer of Wheatley Developments Scotland	(781)	
Total tax expense	1	1
Surplus / (deficit) excluding taxation	12,467	(13,838)
Tax using the UK corporation tax rate of 19% (2022:19%)	2,369	(2,629)
Effects of:		
Charitable (profits) / losses not subject to tax	(2,368)	2,628
Qualifying charitable donations	-	-
Under provision in prior year	-	-
Expenses not deductible	-	-
Tax rate changes	-	-
Gain on disposal of chargeable assets	-	-
Effect of indexation allowance on chargeable gains	-	-
Total tax expense included in Statement of Comprehensive Income	1	1

14. Auditor's remuneration

The remuneration of the auditor (excluding VAT) is as follows:	2023 £'000	2022 £'000
Audit of financial statements of subsidiaries pursuant to legislation	420	169

15. Financial commitments

Capital commitments

All capital commitments of the RSL Borrower Group were as follows:

	2023 £000	2022 £000
Expenditure contracted for, but not provided in the financial statements	117,636	106,898
Expenditure authorised by the Board but not contracted	52,398	44,062
	170,034	150,960

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

15. Financial commitments (continued)

Operating leases

At 31 March the RSL Borrower Group had commitments under non-cancellable operating leases as follows:

	2023 Land and Buildings	2023 Other	2022 Land and Buildings	2022 Other
	£000	£000	£000	£000
Operating lease payments due:				
Within one year	529	140	325	182
In the second to fifth years inclusive	1,186	235	120	258
Over five years	1,185	-	50	-
	2,900	375	495	440

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

16. Fixed assets – Social Housing Properties

	Core Stock £ 000	Housing Under Construction £ 000	Shared Owner-ship £ 000	Total £ 000
At Valuation				
At 1 April 2022	1,952,369	114,082	18,956	2,085,407
Acquired	397,266	14,132	-	411,398
Additions	75,210	93,168	-	168,378
Disposals	(2,356)	-	(125)	(2,481)
Transfers	86,138	(106,023)	(15)	(19,900)
Revaluation	(48,673)	-	519	(48,154)
At 31 March 2023	2,459,954	115,359	19,335	2,594,648
Depreciation				
At 1 April 2022	-	-	-	-
Acquired	(28)	-	-	(28)
Charge for year	(91,667)	-	(431)	(92,098)
Disposals	1,174	-	4	1,178
Revaluation	90,521	-	427	90,948
At 31 March 2023	-	-	-	-
Net Book Value - valuation				
At 31 March 2023	2,459,954	115,359	19,335	2,594,648
At 31 March 2022	1,952,369	114,082	18,956	2,085,407
Net Book Value – historic cost equivalent				
At 31 March 2023	2,477,505	115,359	17,532	2,610,396
At 31 March 2022	2,163,477	114,082	18,099	2,295,658

Total expenditure on repairs and capital improvements in the year on existing properties was £172.7m (2022: £140.6m). Of this, repair costs of £97.5m (2022: £71.1m) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £75.2m (2022: £69.5m) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £75.2m (2022: £69.5m) in the year include:

- £35.2m for component additions including:
    - £1.9m on external wall finishes;
    - £0.3m on external environment;
    - £8.7m on heating system boilers;
    - £3.0m on internal works and common areas;
    - £4.9m on kitchens and bathrooms;
    - £7.5m on mechanical, electrical and plumbing;
    - £1.8m on structure and roofs; and
    - £7.1m on windows and doors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

16. Fixed assets – Social Housing Properties (continued)

- The remaining balance of £40m of additions to existing properties not associated with a specific component includes £20.1m on void improvements and £6.4m of medical adaptations.

Of the £35.2m of component additions, £22.5m formed part of a major strategic investment projects during the year. All subsidiaries in the RSL Borrower Group account for social housing properties at valuation. Additions to housing under construction include capitalised interest costs of £2.4m (2022: £2.0m). Interest has been capitalised at the weighted average interest cost for the RSL Borrower Group of 3.90% (2022: 4.08%).

The valuation of social housing properties is separated into two categories, namely those retained for letting and those properties which form part of the RSL Borrower Group's demolition programme, as detailed in the RSL Borrower Group's 30-year Business Plan for 2022/23. The demolition programme identifies 793 (2022: 613) properties for demolition over the next few years, with no long term investment expenditure associated with these properties.

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

The RSL Borrower Group's social housing properties, have been valued by Jones Lang LaSalle Limited, an independent professional advisers qualified by the Royal Institution of Chartered Surveyors ("RICS") to undertake valuations. The valuations were prepared in accordance with the appraisal and valuation manual of the RCIS at 31 March 2023 on an Existing Use Valuation for Social Housing ("EUV-SH"). Discount rates between 5.75 – 7.00% have been used depending on the property archetype (2022:5.75 - 7.00 % retained stock). The valuation assumes real rental income increase of 0.5% for the first three years followed by real long-term growth of 1.0% thereafter for retained stock, in line with the Group's 30-year Business Plan (2023/24). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

Included in core stock are 966 garages and 1,200 parking sites owned by Wheatley Homes South held at a value of £3.9m. These have been valued at market value subject to tenancy ("MV-T"), the Directors consider the difference between EUV-SH and MV-T for these properties to be immaterial.

During the year the RSL Borrower Group did not dispose of any properties (2022: nil) to tenants under Right to Buy entitlements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

16. Fixed assets – Social Housing Properties (continued)

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

	2023	2022
Social Housing		
General needs	59,457	49,177
Shared ownership	359	360
Supported housing	1,887	1,607
Housing held for long-term letting	61,703	51,144
Housing approved/planned for demolition	793	613
Total Units	62,496	51,757

17. Fixed assets - other tangible fixed assets

	Community Infra-structure	Office Premises £ 000	District Heating £ 000	Furniture, fittings and equipment £ 000	Computer Equipment £ 000	Total £ 000
Cost						
At 1 April 2022	17,024	18,962	11,235	36,939	64,272	148,432
Acquired	-	300	-	4,380	-	4,680
Additions	5,191	3,288	352	5,735	7,133	21,699
Disposals	,	-	-	(109)	,	(109)
Revaluation	,	(4,624)	-	-	,	(4,624)
At 31 March 2023	22,215	17,926	11,587	46,945	71,405	170,078
Depreciation						
At 1 April 2022	(3,039)	-	(3,950)	(31,829)	(47,551)	(86,369)
Acquired	-	-	-	(3,779)	-	(3,779)
Charge for year	(1,059)	(727)	(402)	(2,122)	(5,080)	(9,390)
Disposals	-	-	-	56	-	56
Revaluation	-	727	-	-	-	727
At 31 March 2023	(4,098)	-	(4,352)	(37,674)	(52,631)	(98,755)
Net Book Value						
At 31 March 2023	18,117	17,926	7,235	9,271	18,774	71,323
At 31 March 2022	13,985	18,962	7,285	5,110	16,721	62,063

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

18. Investments

Investment properties

Group	Properties held for market rent £ 000	Commercial properties £'000	Total £'000
Valuation			
At 1 April 2022	84,504	12,827	97,331
Acquired	12,390	550	12,940
Additions	306	218	524
Transfer from core stock	19,900	-	19,900
Disposals	(471)	-	(471)
Revaluation	(8,300)	575	(7,725)
At 31 March 2023	108,329	14,170	122,499
Net Book Value			
At 31 March 2023	108,329	14,170	122,499
At 31 March 2022	84,504	12,827	97,331

Market rent properties, were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Jones Lang LaSalle, on 31 March 2023.

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

	2023	2022
Market Rent Properties		
Total Units	1,309	1,086

The RSL Borrower Group's commercial properties, were valued by an independent professional advisor, Jones Lang LaSalle, on 31 March 2023 in accordance with the appraisal and valuation manual of the RICS.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

19. Investments –other

	2023 £'000	2022 £'000
Investment in Wheatley Group undertaking	12,073	12,073

20. Stock

Group	2023 £ 000	2022 £ 000
Stock at maintenance depot	1,713	717

Stock at maintenance depot relates to consumable parts held at our workshop in Edinburgh in relation to our repairs and investment service for our subsidiaries in the east of the country.

21. Debtors

	2023 £ 000	2022 £ 000
Due in more than one year:		
Unsecured subordinated convertible loan	18,325	18,163
	18,325	18,163
Due within one year:		
Arrears of rent and service charges	17,859	21,218
Adjustment to discount arrears balances with payment plans (note 12)	(133)	(119)
Less: provision for bad and doubtful debts	(9,782)	(7,881)
	7,944	13,218
Prepayments and accrued income	7,007	3,085
Other debtors	17,811	19,729
Due from Wheatley Group undertakings	7,291	8,602
Total	58,378	62,797

Within debtors net rent arrears were £7.9m (2022: £13.2m), after taking account of the bad debt provision of £9.8m (2022: £7.9m). The value of rent arrears reported at the financial year end varies depending on the timing gap between the end of the four-weekly rental billing period and the year end date. The rent arrears reported at 31 March can include technical arrears for amounts due which are associated with the timing of direct payment for housing benefit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

22. Creditors: amounts falling due within one year

	2023	2022
	£ 000	£ 000
Amounts falling due within one year:		
Trade creditors	5,168	3,795
Accruals	55,869	49,821
Deferred income (note 23)	34,541	56,419
Rent and service charges received in advance	14,250	13,308
Salaries, wages, other taxation and social security	3,191	2,109
Corporation tax	5	1
Bank overdraft	-	2,716
Housing loans	16,384	16,480
Other creditors	12,570	10,617
Due to Wheatley Group undertakings	817	6,147
Total	142,795	161,413

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

	2023	2022
	£000	£000
Scottish Government loan	47,914	46,764
Housing loans	1,453,805	1,226,152
Deferred income	50,293	26,003
Total	1,552,012	1,298,919

The Scottish Government made available to Wheatley Homes Glasgow £100.0m of contingent efficiencies grant over an eight year period. Under this agreement £100.0m (2022: £100.0m) has been received and this is an interest-free loan with repayment due in 2040/41. The amount due of £47.9m at 31 March 2023 is the measurement of the liability after discounting for an equivalent interest bearing arrangement with the same repayment date. This treatment is consistent with FRS 102 which requires financial instruments to be measured at amortised cost. The movement in the balance in the year relates to:

- interest costs £1.9m (2022: £1.9m)
- fair value movement gain of £0.8m (2022: loss of £4.2m)

Interest costs are reported within finance charges (note 11). The movement in the fair value is reported on the face of the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

Housing Loans
Registered Social Landlord's borrowing arrangements are in place via a Group funding structure which consists of bank and capital markets debt, secured on charged properties owned by RSLs within the Wheatley Housing Group. RSL Group funding was made up of a committed facility of £685.0m from a syndicate of commercial banks, two committed facilities totalling £270.8m from the European Investment Bank, £300.0m raised through the issue of a public bond, £264.0m private placement loan notes with BlackRock Real Assets and M & G Investment Management, a £50.0m facility with Barclays, a £35.0m facility with RBS, and a £35m charitable bond via Allia Social Impact Investments. This provided total facilities of £1,639.8m for RSLs through Wheatley Funding No.1 Limited, a wholly owned subsidiary of the Wheatley Housing Group Limited. At 31 March 2023, the RSL borrowing group comprises Wheatley Homes Glasgow, Wheatley Homes South, Wheatley Homes East and Loretto Housing Association.

Additional separate facilities are provided through direct loans to Wheatley Homes East comprising of a committed facility from The Housing Finance Corporation of £16.5m and a £16.0m unsecured Scottish Government Charitable Bond with Allia Limited. Wheatley Homes South also has and a facility of £40.0m with The Housing Finance Corporation. The loan premium of £1,602k received on drawdown is being amortised over the life of the loan and at the 31 March 2023 stood at £1,030k (2022: £1,082k). A further £35.0m facility is in place with Allia under the Scottish Government Charity Bonds Programme.

Bond finance is repayable in 2044/45, and has a coupon rate of 4.375%.

Following successful discussions, Wheatley Homes South joined the WFL1 funding arrangements on 1 April 2022, with its facility with M&G and RBS transferring to WFL1 on that date, aligning the funding arrangements for all RSLs in the Group through WFL1.

Borrowings are repayable as follows:	**2023** **£ 000**	**2022** **£ 000**
In less than one year	16,384	16,480
Between one and five years	135,103	184,954
In more than five years	1,318,702	1,041,198
	1,470,189	1,242,632

The deferred income balance is made up as follows:

	Housing Association Grant **£ 000**	**Other** **£ 000**	**Total Deferred Income** **£ 000**
Deferred income as at 1 April 2022	72,854	9,568	82,422
Transfers	9,199	502	9,701
Transferred to Wheatley Foundation	-	(345)	(345)
Additional income received	50,999	960	51,959
Released to the Statement of Comprehensive Income	(54,682)	(4,221)	(58,903)
Deferred income as at 31 March 2023	78,370	6,464	84,834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

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:	**2023 £ 000**	**2022 £ 000**
In less than one year (note 22)	34,541	56,419
In more than one year but less than five years	50,293	26,003
In more than five years	-	-
	84,834	82,422

Financial instruments

	2023 £'000	**2022 £'000**
Financial assets:		
Measured at amortised cost:		
Debtors and accrued income	40,053	44,634
Measured at fair value:		
Unsecured subordinated convertible loan	18,325	18,163
Total	58,378	62,797

	2023 £ 000	**2022 £ 000**
Financial liabilities:		
Measured at amortised cost:		
Creditors, accruals and deferred income	176,704	170,936
Bank loans	1,470,189	1,242,632
	1,646,893	1,413,568
Measured at fair value:		
Scottish Government loan	47,914	46,764
Total	1,694,807	1,460,332

Income earned and expense payable on the financial assets and liabilities is disclosed in note 10 and 11 respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

24. Provisions for liabilities and charges

	Insurance £ 000	Dilapidation Provision £'000	Total £ 000
At 1 April 2022	435	1,714	2,149
Provided in the year	87	88	175
Utilised	-	(364)	(364)
At 31 March 2023	522	1,438	1,960

Insurance
A provision has been made in respect of the excess arising on all outstanding insurance claims.

Dilapidation provision
This provision represents the estimated costs of dilapidation works required under lease contracts for office properties leased by group entities.

25. Pensions

Strathclyde Pension Fund
The funds are part of the wider Local Government Pension Scheme ("LGPS") in Scotland. The Group subsidiary Wheatley Homes Glasgow Limited participates in the Strathclyde Pension Fund ("SPF") which is administered by Glasgow City Council and is a defined benefit scheme.

The latest SPF full actuarial valuation was carried out as at 31 March 2020. In preparing the formal valuation at 31 March 2020, an allowance for full GMP indexation and the estimated impact of the McCloud judgement was included based on the eligibility criteria for inclusion of members in the agreed remedy

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

25. Pensions (continued)

TPT Retirement Solutions - Scottish Housing Association Pension Scheme (continued)
As part of the transfer of engagements of West Lothian Housing Partnership to Wheatley Homes East which took place during the year, the assets and liabilities of West Lothian Housing Partnership in the SHAPs Defined Benefit scheme transferred to Wheatley Homes East. The transfer took place on 31 August 2022.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2021. This valuation revealed a deficit of £27m a reduction from a deficit of 121m at the previous triennial valuation carried out on 30 September 2018. It was previously agreed by the Trustees to extend the period under which additional contributions were payable under the Recover Plan by twelve months up to 30 September 2022 to eliminate any remaining deficit.

The Scheme is classified as a “last-man standing arrangement”. Therefore, the company is potentially liable for other participating employers’ obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figure from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 29 February 2024 inclusive.

The liabilities are compared, at the relevant accounting date, with the company’s fair share of the Scheme’s total assets to calculate the company’s net deficit or surplus.

The TPT Benefits Review is ongoing, with legal opinion being sought on whether pre-2003 benefits should have continued to receive pension increases in line with RPI inflation, rather than being switched to CPI inflation from 2011 onwards. The choice of inflation measure can have an impact on members’ benefits because RPI is generally expected to be higher than CPI. Guidance from the Court, and therefore whether any increases to members benefits will be needed, is not expected before late 2024.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

25. Pensions (continued)

Wheatley Housing Group Defined Contribution Scheme

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

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

Group Defined Benefit assets and obligations

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

	31 March 2023	**31 March 2022**
Discount rate	4.75%	2.70%
Future salary increases	2.60%*	2.20%*
Inflation	2.95%	3.20%

***** Salary increases are assumed to be 7.0% for 2023/24, 3.0% for 2024/25 and 2.0% thereafter.

As at 30 March 2023, Hymans Robertson's CPI assumption methodology has been updated. This adjustment has resulted in the CPI assumption being 0.1% p.a. higher compared to the assumption that would have been derived using the methodology adopted at 31 March 2022. The rationale for this is to include an allowance for high inflation since 30 September 2022.

In valuing the liabilities of the pension fund at 31 March 2023, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future changes 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: 19.3 years (male) (2022: 19.6 years), 22.2 years (female) (2022: 22.4 years).
- Future retiree upon reaching 65 20.5 years (male) (2022: 21.0 years), 24.2 years (female) (2022: 24.5 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

25. Pensions (continued)

Group Defined Benefit assets and obligations (continued)
The information disclosed below is in respect of the whole of the plans for which the RSL Borrower Group has been allocated a share of cost under an agreed policy throughout the periods shown.

Movements in present value of defined benefit obligation

	SPF 2023 £ 000	SHAPS 2023 £ 000
Opening defined benefit obligation	**566,579**	**65,946**
Current service cost	20,375	-
Interest cost	15,439	1,861
Loss on curtailment	-	-
Actuarial gains	(195,991)	(20,188)
Contributions by members	2,498	-
Estimated benefits paid	(11,505)	(1,802)
Expenses	-	59
Transfers in/(out)	**-**	**-**
Closing defined benefit obligation	**397,395**	**45,876**

Movements in fair value of plan assets

	SPF 2023 £ 000	SHAPS 2023 £ 000
Opening fair value of plan assets	**624,745**	**65,563**
Expected return on plan assets	16,882	1,825
Actuarial gains	(26,706)	(23,072)
Contributions by the employer	10,931	296
Contributions by the members	2,498	-
Estimated benefits paid	(11,505)	(1,802)
	616,845	42,810
Effects of changes in surplus not Recoverable	**(216,945)**	24
Closing fair value of plan assets	**399,900**	**42,834**

	SPF Value at 31 March 2023 £000	SHAPS Value at 31 March 2023 £ 000
Present value of funded defined benefit obligations	(396,451)	(45,876)
Present value of unfunded defined benefit obligations	(944)	-
Fair value of plan assets	399,900	42,834
Net asset/(liability)	2,505	(3,042)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

25. Pensions (continued)

Expense recognised in the Statement of Comprehensive Income

	SPF 2023 £ 000	SHAPS 2023 £ 000
Current service cost	16,318	375
Past service cost	4,057	-
Net interest on defined benefit obligation	(1,443)	35
Administration costs	-	59
	18,932	469

The total amount recognised in the Statement of Comprehensive Income in respective of actuarial gains and losses is a £50,520k loss (2022: £70,003k gain).

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

	2023 £ 000	2022 £ 000
Equities	379,211	409,967
Corporate bonds	174,886	171,955
Property	64,905	72,316
Alternatives	27,120	23,288
Cash	13,639	12,888
	659,761	690,414
Actual return on plan assets	(31,153)	48,449

During the year pension contributions of £1,080k (2022: £nil) were paid to Strathclyde Pension Fund on behalf of key management personnel who retired.

26. Related party transactions

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

Tenant and factored homeowners Directors

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

Bernadette Hewitt

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

26. Related party transactions (continued)

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

	2023
	£ 000
Rent charged during the year	5
Arrears balances outstanding at 31 March 2023	-

Other related parties

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

	Invoiced/paid in the year £ 000	Year end balance £ 000
2023		
City Building (Glasgow) LLP	111,567	(2,368)
Strathclyde Pension Fund	10,931	-
TPT Retirement Solutions – Scottish Housing Association Pension Fund	375	-
Bernadette Hewitt - Transforming Communities Glasgow	-	-
Bernadette Hewitt - Barmulloch Community Development	-	-
Steven Henderson - Scotcash CIC	-	-

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

The Wheatley Housing Group Limited has a 50:50 share in City Building (Glasgow) LLP with Glasgow City Council. The joint venture provides repairs and investment services to the Group subsidiaries in the west of Scotland.

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

During the year Wheatley Housing Glasgow held nomination rights to a directorship of Scotcash CIC. These rights allow Wheatley Housing Glasgow to nominate up to two directors to the board of Scotcash with Steven Henderson and David Rockliff serving on the board during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

27. Cash Flow Analysis

Reconciliation of surplus/ (deficit) to net cash inflow from operating activities

	2023 £ 000	2022 £ 000
Surplus / (deficit) for the year	270,939	(13,839)
Depreciation of tangible fixed assets	102,229	89,838
Increase in stock	(301)	(212)
Increase in debtors	14,798	(6,708)
Increase in creditors and provisions	(10,659)	3,511
Pensions costs less contributions payable	9,207	7,653
Adjustment for investing or financing activities:		
Gain from the sale of tangible fixed assets	(394)	(1,158)
Taxation	1	1
Grants utilised in the year	(58,903)	(34,354)
Interest receivable	(1,806)	(29)
Interest payable	62,680	54,540
Movement in fair value of financial instruments	(760)	11,739
Loss on investment activities	7,725	12,110
Gain on business combination - Wheatley Homes South	(257,692)	-
Gain on business combination – Strathclyde Camphill	(466)	-
Gain on business combination – Wheatley Developments Scotland	(781)	-
Loss on transfer of DGPF	-	2,999
Net cash inflow from operating activities	135,817	126,091

28. Subsidiary and associated undertakings

The ultimate parent company of the companies in the RSL Borrower Group is Wheatley Housing Group Limited. The RSL Borrower Group is comprised of, Wheatley Homes Glasgow Limited, West Lothian Housing Partnership Limited (until 4 September 2022), Loretto Housing Association Limited, Wheatley Housing East Limited, Wheatley Funding No.1 Limited, and Wheatley Group Capital plc. Wheatley Homes South Limited and Wheatley Development Scotland Limited joined The RSL Borrower Group on 1 April 2022. The immediate parent of Wheatley Group Capital plc is Wheatley Funding No.1 Limited.

Wheatley Housing Group Limited retains constitutional control of all subsidiary undertakings.

The objective of Wheatley Funding No.1 Limited is the provision of finance to the Registered Social Landlords in RSL Borrower Group. Wheatley Funding No.1 Limited is the parent of Wheatley Group Capital plc, the vehicle for raising bond financing.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

28. Subsidiary and associated undertakings (continued)

The legal form and share capital of each RSL Borrower Group subsidiary of the Wheatley Housing Group Limited is as follows:

Subsidiary	Legal status	Issued share capital
Wheatley Homes Glasgow	Co-operative and Community Benefit Society	12 x £1 shares
Wheatley Homes East	Co-operative and Community Benefit Society	129 x £1 shares
Loretto Housing Association Limited	Co-operative and Community Benefit Society	73 x £1 shares
West Lothian Housing Partnership Limited (until 5 September 2022)	Company Limited by Guarantee	No share capital
Wheatley Housing South (from 1 April 2022)	Company Limited by Guarantee	No share capital
Wheatley Development Scotland Limited (from 1 April 2022)	Company Limited by shares	2 x £1 shares
Wheatley Funding No.1 Limited	Company Limited by Guarantee	No share capital
Wheatley Group Capital plc	Public Company Limited by shares	12,500 x £1 shares

The immediate parent company exercises its functions as parent of the entities listed above through ownership of 100% of the share capital in all Companies Limited by Shares, through the ownership of a parent share with controlling rights in all Co-operative and Community Benefit Societies, and through a controlling interest as a member of the Companies Limited by Guarantee.

Transactions between wholly-owned RSL Borrower Group companies and closing balances do not require to be disclosed under FRS 102.

SUPPLEMENTARY INFORMATION

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