

Loretto Housing

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended

31 March 2019

Loretto Housing Association Limited

(Co-operative & Community Benefit Society No. 1920RS)
(Scottish Housing Regulator Registration No. 154)
(Scottish Charity No. SC07241)

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2019.

Principal activities

The principal activities are the provision and management of affordable rented accommodation and the provision of care and support services. Loretto Housing Association Limited and its subsidiary, Loretto Care, together the "Loretto Group", is a wholly owned subsidiary of The Wheatley Housing Group Limited ("WHG" or "Wheatley Group").

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 No.1920RS. The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC07241.

The Association's wholly owned subsidiary, Loretto Care, is a charitable company (charity number SC034584) incorporated as a company limited by guarantee (company number SC252526). Loretto Care is governed by a Memorandum and Articles of Association under the Companies Act.

The principal office of Loretto Housing is Lipton House, 2nd Floor, 170 Crown Street, Glasgow, G5 9XD.

OPERATING REVIEW

Looking back over the year 2018/19 there is much to be proud of at Loretto Housing.

Our new-build housing programme went from strength to strength as we completed more affordable homes in Glasgow and Lanarkshire. We also modernised and improved more of our existing homes and continued our work to engage and involve tenants ever more closely in decision-making. We built 86 new homes, began work on over one hundred more and carried out over £1,140,000 of planned improvements on existing homes.

Loretto Housing was named one of the UK's best when it comes to leadership and management by Investors in People ("IIP"), winning the Excellence in Leadership and Management award at the IIP Awards in London in November 2018.

The roll-out of Universal Credit continued to present new challenges and hardship for many. We supported our customers and their families through this and many other challenges with personalised help delivered by our housing officers. Our wraparound services, from money, benefits and fuel advice to help with furnishing their homes, became more important than ever, particularly for those making the transition on to the new benefit.

We offered people from our homes opportunities to get into work or training through our investment and new-build contracts and our employability schemes such as our Modern Apprenticeships. We also provided bursaries to help tenants and their children go to university. Despite the economic challenges our communities continue to face, we can once again report a strong and improving performance in 2018/19 in many of the areas we measure. Overall customer satisfaction improved from 88% to 89%, satisfaction with our repairs service remained steady at 91% and the number of tenants satisfied with opportunities for participating in decision-making increased from 86% to 92%, reflecting our absolute commitment to engage and listen more closely to our customers.

You can read about some of the highlights for 2018/19 here.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (Continued)

Homes and communities

Loretto Housing built 86 new homes over the year for social rent in Glasgow and North Lanarkshire. The new affordable homes which were completed for people to move into included:

- 28 flats in Coatbridge designed for people over 55 with mobility issues.
- 42 new homes at Shawbridge Street in Glasgow, one of the Transformational Regeneration Areas ("TRA") in the city.

Loretto is building more homes over the next few years with 56 planned in 2019/20 and a further 57 the following year.

Investing in our homes

In 2018/19, Loretto invested £1,142,000 improving its homes and communities. Tenants at Smyllum Place, near Lanark, Keppochhill Road in Springburn, Glasgow, and Broomlands Court in Paisley, benefited from new bathroom upgrades. Showers were also installed in homes which didn't have one ensuring all Loretto homes now benefit from modern bathing facilities.

Tenants at Broomlands Court received a new controlled entry system and we improved fire safety further across our sites including improving fire stopping measures.

Improving our neighbourhoods

Creating clean, green and safe neighbourhoods where people are proud to live remained one of our priorities.

Through our pioneering partnership with Keep Scotland Beautiful, we developed, with our partners in Wheatley a way of assessing our environments which involves both staff and customers. We were pleased that Loretto's neighbourhoods achieved a 4-star award and we are now working on reaching five-star standard.

Wheatley's Community Improvement Partnership ("CIP") – made up of seconded police and fire officers and our own staff – continued to work with Loretto's communities to tackle anti-social behaviour, crime and fire safety.

Our *Stay Safe* campaign encourages our tenants to get a home safety visit. The visits are carried out by an officer from Scottish Fire and Rescue Service and are key to helping prevent fires in our homes. Across Wheatley there was an 81% increase in the uptake of home safety visits – up from 1550 in 2017-18 to 2812 in 2018-19 – with the total number of fires in our homes falling by 11%.

We resolved 98.4% of all anti-social cases reported to us within timescales agreed locally, up from 94.5% the previous year.

Overall tenants were happier with the management of their neighbourhood with satisfaction rising from 86% to 88%.

Our repairs service

We continued our mission to improve our repairs and maintenance service and are pleased tenant satisfaction with the service remained high at 91% for the second year in a row.

Our average time taken for emergency repairs to be carried out remained at around three hours. This is significantly less than the average 5.2 hours reported in 2015/16.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (Continued)

The time taken to complete non-emergency repairs reduced slightly on the previous year, down from an average of 4.4 working days to 4.1 working days.

We kept 100% of repairs appointments and 96% of repairs were completed right first time.

We continued working with City Building (Glasgow) LLP, jointly owned since 2017 by our parent company Wheatley Housing Group Limited, on further improving and modernising the service to make the overall customer experience even better over the next year.

Rents and value for money

In 2018/19 the percentage of tenants who felt the rent for their home represented good value for money was 80%, which is less than the 86% reported last year. Nevertheless, it is significantly higher than 2014/15 when only 68% of tenants were positive about the value their home brought them. We will continue to work with customers over the next year to ensure they get as much value from their home and our services as they can.

Universal Credit caused unprecedented challenges for many of our customers and we worked hard to help them access support available and to pay their rent. Our gross rent arrears rose slightly to 5%, up from 4.8% the previous year. Supporting tenants through the difficulties of welfare reform will remain our focus in the year ahead.

Rent collection at Loretto (98.8%) remains high despite the challenges faced by people in our communities.

Engaging with customers

Engaging more effectively with our communities was high on our agenda as Wheatley commissioned international research into how organisations can best involve their customers and communities. The study – carried out by The Democratic Society and published in January 2019 – drew on best practice from around the world – from Antwerp to Oldham; Oslo to Estonia; and Rio de Janeiro to Vienna. The resulting report outlined fresh approaches, tools and techniques for how organisations across the UK, particularly the housing sector, can better engage with people in the communities they serve.

We now have a renewed focus on engaging with our communities in new and innovative ways following the research.

Loretto Housing continued to engage with customers through a wide range of local events throughout 2018 including a well-attended Community Garden event in Blantyre and a joint event with our CIP team and Housing officers in Craigneuk. Loretto Housing also partnered with the Google bus in South and North Lanarkshire as well as in Falkirk to bring digital skills to a wide range of customers in the summer of 2018.

Our customer forums, including the scrutiny panel, African Forum, Polish Forum and our new Welfare Reform Forum continue to meet and shape what we do.

In April 2018 our housing officers began working with new tablet computers which gives them much more scope to be out and about in their communities, engaging directly with customers in their homes, helping them access services and supporting them to get online.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (Continued)

We also reached out to more tenants through online channels, with over 1,370 people following us on our social media channels – up more than 370 on last year – and our website audience growing steadily with around 2,220 visitors a month. We introduced new sections on the website, including our *Stay Safe* campaign, Universal Credit advice and support and a new Community News section.

The number of tenants registered for online services increased significantly, growing from 125 in 2017/18 to 409 in the last financial year. Around £283,500 was paid online by customers using a *MyLoretto* online account.

The percentage of tenants who felt Loretto was good at keeping them informed about their services and decisions rose from 92% to 95% while the percentage of tenants satisfied with opportunities to participate in decision-making increased from 86% to 92%.

Supporting our customers

As Universal Credit was rolled out in our communities, affecting thousands of households, it became more important than ever to support tenants and their families.

We brought the delivery of all our support and wraparound services together in a new division – *Wheatley 360*. This makes it easier for people to access the right package of services for them at any one time, including benefits, money and fuel advice, help with furniture or support to put food on the table.

In November we launched *MyHousing*, our new online advice, information and letting service, which gives people tailored help with their housing and an improved website for people to apply for housing, view available homes and note interest.

Through our *Livingwell* services, delivered by our sister organisation Loretto Care, we supported our older tenants to live independently at home. Through our Wheatley Works service, run by our charitable trust the Wheatley Foundation, we supported more customers into work and training.

Working with Wheatley Foundation and *Wheatley 360*, we:

- Created opportunities for four Loretto Housing customers to get into work or training.
- Helped 58 new tenants with household budgeting, running a home and settling into their community through *My Great Start*.
- Put food on the table in eight homes through our *EatWell* service.
- Gave 17 tenants upcycled furniture through our *Home Comforts* service.
- Awarded one young person a bursary to go to university or college.
- Provided 33 under-fives with free books every month through the Dolly Parton Imagination Library initiative.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (Continued)

Loretto Care

It was a strong and steady year for Loretto Care as we further improved our services, achieved excellent results in inspections carried out by the Care Inspectorate and supported the people we work for to achieve positive outcomes in their lives. Care saw growth across all its Self Directed Support Services and became a key partner in Housing First, an approach which sees rough sleepers given a home with all the support they need to stay there, in Stirling and Glasgow.

We supported 6,197 people over the year, helping them get the most out of their lives and achieve their own personal ambitions.

We ended the year with a good performance against our business plan targets. This included:

- Total income and surplus at the end of the year exceeding our target
- Income from Self Directed Support funding coming in significantly above our projected target

Staff in Loretto Care worked ever more closely with Barony, our sister organisation, sharing experience, expertise and resources. In 2019, we began exploring how we could work together more formally so that we can continue to be resilient and respond to external challenges.

Awards and accreditations

Loretto Care and Loretto Housing celebrated success at the Investors in People Awards 2018. Loretto was a finalist in the Platinum Employer of the Year Award narrowly missing out on taking the award home. We were however successful in winning the Excellence in Leadership and Management Awards.

Loretto was involved in the Wheatley Group Customer Service Excellence ("CSE") Assessment in February 2019. The assessor commented all parts of the group demonstrated a passionate commitment to the delivery of customer focused services and that the Group was to be particularly congratulated for achieving full compliance in all aspects of the standard with 23 elements rated as Compliance Plus. This is considered an outstanding performance.

Supporting people achieve their outcomes

One of the ways we measure the success of our care and support is through measuring outcomes for the people we work for. We do this by using an assessment tool called Outcome Star which focuses on specific outcomes individuals want to achieve in their lives.

In 2018/19 we tailored the way we track outcomes for individuals to ensure they were specific to each service, replacing the generic measures across all service types. This has seen an improvement in personal outcomes across our services. For example, in our Falkirk and Grangemouth Flexible Housing Support Service a high percentage of people we work for reported a positive or maintained distance travelled across all areas including:

Housing and tenancy – 95%
Money and rent – 97%
Looking after your home – 95%
Health and wellbeing – 95%

A similar pattern was seen across our other services which use the Outcome Star tool.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (Continued)

We used 32 external volunteers and 82 peer volunteers in 2018/19 over a wide range of activities in our services. This equates to 8,833 volunteer hours.

Managing complaints

We listen carefully to complaints and use the feedback to further improve our services. There were only 10 complaints received throughout the year compared with 20 the previous year. Four of the complaints were upheld.

Care inspections

Of our 14 services registered with the Care Inspectorate, 12 have received grades of very good (5) and excellent (6) in all areas inspected which equates to 86%. If this was further broken down in quality themes this would show 27 out of 31 quality themes inspected received grades of five or better, equating to 87%. Of all quality themes graded, there were four excellent grades, 22 very good grades and two good.

Looking at Care Inspectorate grades for similar services, the national picture shows 47% of services receiving grades of five or six. We are therefore performing significantly better than the sector average.

Loretto Care did not receive any requirements from the Care Inspectorate throughout 2018/19.

All care staff who require to be are compliant with Scottish Social Services Council ("SSSC") registration requirements.

Engaging Online

Our online channels continue to prove popular with people interested in our services, social and healthcare professionals and service users. The average number of monthly visitors to our website increased to 1459 – up from 1,371 in the previous financial year and the number of online enquiries through www.lorettocare.co.uk almost increased to 100 last year.

Our social media numbers continued to grow steadily, with around 990 people following Loretto Care on Twitter.

Independent Auditor

A resolution for the reappointment of KPMG as auditor is to be proposed at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (Continued)

FINANCIAL REVIEW

Income

The Group's turnover for the year ended 31 March 2019 totalled £28.5m (2018 £25.2m). The main source of income for the Group includes the provision of care and support services of £13.0m (2018: £13.5m). The remainder of the Group's income is primarily derived from the social rental of housing property, with net rental income of £5.6m (2018: £5.5m).

Expenditure

Operating costs of the Group in the year totalled £20.6m (2018: £19.6m), largely comprising of the following:

- Care and support activity costs of £12.6m (2018: £12.9m), which are primarily employee costs.
- Management and maintenance administration costs associated with affordable letting activities totalling £0.8m (2018: £0.8m).
- £0.7m of reactive maintenance costs to our social letting properties (2018: £0.6m).
- £0.7m of planned and cyclical maintenance costs including major repair costs to improve our social housing properties (2018: £0.6m)
- Depreciation expenditure for social and non-social housing assets of £2.8m (2018: £2.6m).

The Group generated an operating surplus of £7.8m or 28% (2018: £4.6m or 18%) after a £0.2m loss on investment properties (2018: £1m loss), relating to the valuation of mid-market rent units.

Other expenditure in the year includes £0.8m of interest due on loan funding (2018: £1.2m).

Total comprehensive income for the year of £2.4m (2018: expenditure of £2.1m) includes a decrease in valuation of social housing properties of £3.7m (2018: decrease of £5.4m), an increase in valuation of office properties of £0.2m (2018: nil) and a loss of £1.1m (2018: loss of £0.2m) in respect of the annual actuarial valuation of the SHAPS pension scheme.

Cashflows

The cash flow statement of the Group is shown on page 22. Loretto Group generated £1.5m from operating activities (2018: £3.0m). Cash and cash equivalents in the year decreased by £1.2m (2018: increased by £2.6m), primarily due to the timing of intra-group loan drawdowns and settlement of intra-group balances.

Rental debtors

At the statement of financial position date, the Group had rent arrears of £0.4m offset by bad debt provisions of £0.2m (2018: £0.3m and £0.2m respectively).

Liquidity

The Group's net current liability at 31 March 2019 totalled £4.1m, a decrease of £0.2m in the year. The Association has access to funding through a Group facility with Wheatley Funding No1 Limited ("WFL1") which ensures the Group does not default on liabilities as they fall due and enables the Group to further invest in its existing stock and on its new build programme.

Capital structure and treasury

The Group's activities are funded on the basis of a Business Plan which is updated annually. Loretto Housing Association's long-term funding is provided through the Group financing subsidiary Wheatley Funding No. 1 Limited, as detailed in note 18. The Association has access to an intra-group facility of £34.0m. Interest rate risk is managed at a group level by WFL1.

DIRECTORS' REPORT (Continued)

FINANCIAL REVIEW (continued)

Investment in tenants' homes

During the year we invested £1.1m in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £59.8m (2018: £52.9m).

New Build

During the financial year we completed 86 new build properties for social rent across two developments. Our new build programme invested £12.1m in the year. The Business Plan includes a further projected spend of £30.8m on the new build programme in Loretto Housing Association over the next five years.

Reserves policy

Under the Statement of Recommended (Accounting) Practice ("SORP") 2014 and Financial Reporting Standard ("FRS") 102, the Association may operate with up to three principal reserves; a revenue reserve, a revaluation reserve and a pension reserve.

Revenue reserve

Revenue reserve includes historic grant received in respect of the following:

- new build housing properties
- specific projects for which subsidy has been received, such as investment in the energy efficiency of our homes

These grants have been invested for the specific purposes prescribed in the related grant conditions, with this activity typically resulting in an increase in the value of housing properties in the Association's Statement of Financial Position. The Association has no ability to realise new cash from this element of reserves, since selling the related assets which were constructed or improved with the grant funds would trigger clawback conditions and require repayment of grant to the Scottish Government or other grant providers. Furthermore, it is not the Association's policy to sell social housing assets; on the contrary, continuing to own and support these while providing excellent services to customers is core to the Association's charitable purpose.

The residual amount of revenue reserves, not represented by grant, may be invested by the Association in line with its 30-year business plan financial projections. Such investment is subject to the Association maintaining a viable financial profile over the life of its business plan, as well as approval by the Wheatley Group Board. In approving the Association's business plan annually, the Wheatley Group Board will take into account projected compliance with the loan covenants which apply to the Wheatley RSL Borrower Group, as well as the impact of sensitivity analysis and other risk factors which may apply.

Revaluation reserve

The revaluation reserve represents, to the extent applicable, the increase in valuation which has occurred over and above the cost of additions to the Association's property. This reserve is therefore also not realisable, on the basis that to do so would involve selling social housing assets and would therefore undermine the Association's core charitable purpose.

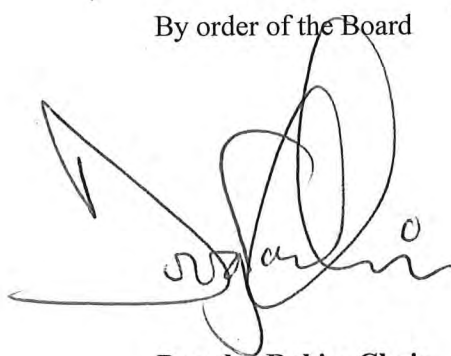
DIRECTORS' REPORT (Continued)

FINANCIAL REVIEW (continued)

Principal risks facing the Association

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

By order of the Board

A handwritten signature in black ink, appearing to read 'Douglas Robin', is written over the text 'By order of the Board'.

Douglas Robin, Chair
19 August 2019

Wheatley House
25 Cochrane Street
Glasgow G1 1HL

DIRECTORS' REPORT (Continued)

LORETTO HOUSING ASSOCIATION BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

Directors and Directors' interests

The Directors of the Association who held office during the year and up to the signing of the financial statements were:

Name	First Joined Board	Re-elected/ re-appointed	Left Board	Committees/Group Directorships
Douglas Robin (chair)	31 October 2012	19 September 2016	-	Wheatley Solutions
Alex McKay*	15 June 2015	21 September 2015	-	-
Alex Robertson	15 June 2015	21 September 2015	-	-
Allan McGinness*	10 August 2015	21 September 2015	-	-
Eric Gibson	10 August 2015	21 September 2015	17 September 2018	Wheatley Foundation
Cecil Buekor*	18 September 2017	-	-	-
Jean Fyfe	18 September 2017	-	-	-
Nesta Gilliland	18 September 2017	-	-	-
Jacqui Mallin	18 September 2017	-	-	-
Pauline Gilmore*	18 September 2017	-	-	-

* tenant of the Association

No directors who held office during the year held any disclosable interest in the shares of the company.

The Directors are also trustees of the charity and are appointed by the members of the Association at its Annual General Meeting. Loretto Care is governed by a separate Board, although certain Directors participate in both Boards. A full list of Loretto Care Trustees is available in its annual financial statements.

Creditor payment policy

Loretto Group agrees payment terms with its suppliers when it enters into contracts. The average creditor payment period for the year was within 30 days.

Disclosure of information to auditor

The Board members who held office at the date of approval of these statements confirm that, so far as they are each aware, there is no relevant information of which the Company's auditor is unaware; and each Board member has taken all the steps that he/she ought to have taken as a Board member to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT (Continued)

DIRECTORS' STATEMENT ON INTERNAL FINANCIAL CONTROL

The Directors acknowledge their responsibility for ensuring that the company has in place systems of control that are appropriate to its business environment. These controls are designed to give reasonable assurance with respect to:

- The reliability of financial information within the Association, or for publication;
- The maintenance of proper accounting records;
- The safeguarding of assets against unauthorised use or disposition.

The systems of internal financial control, which are under regular review, are designed to manage rather than to eliminate risk. They can only provide reasonable and not absolute assurance against material misstatement or loss.

The key procedures which have been established are as follows:

- Detailed standing orders covering Board structure, election, membership and meetings;
- Financial regulations and procedures with clear authorisation limits;
- Regular Board meetings, focusing on areas of concern, reviewing management reports;
- Audit and Compliance reporting focussing on areas of concern and reviewing management reports;
- Regular review of cashflow and loan portfolio performance;
- Regular review of tendering process, rent accounting, arrears control and treasury management;
- Segregation of duties of those involved in finance;
- Identification and monitoring of key risks by the management committee; and
- Monitoring the operation of the internal financial control system by considering regular reports from management, internal and external auditors and ensuring appropriate corrective action is taken to address any weaknesses.

The Directors confirm that they have reviewed the effectiveness of the systems of internal control. No weaknesses have been found which would have resulted in material losses, contingencies or uncertainties which require to be disclosed in the financial statements.

DIRECTORS' REPORT (Continued)

STATEMENT OF BOARD'S RESPONSIBILITIES FOR A REGISTERED SOCIAL LANDLORD THAT IS A CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETY

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standard FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

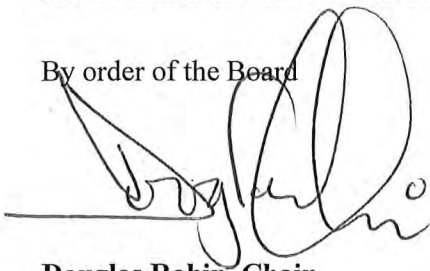
In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the association'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 it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board


Douglas Robin, Chair
19 August 2019

Wheatley House
25 Cochrane Street
Glasgow G1 1HL

INDEPENDENT AUDITOR'S REPORT TO LORETTO HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Loretto Housing Association Limited ("the group") for the year ended 31 March 2019 which comprise the Group Statement of Comprehensive Income, Association Statement of Comprehensive Income, Group Statement of Changes in Reserves, Association Statement of Changes in Reserves, Group Statement of Financial Position, Association Statement of Financial Position, Group Statement of Cash Flows, Association Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and the association as at 31 March 2019 and of the group's and the association's income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

Going concern

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

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 a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the group and association's business model, including the impact of Brexit, and analysed how those risks might affect the group and association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the association will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO LORETTO HOUSING ASSOCIATION LIMITED (continued)

Other information

The association's Board is responsible for the other information, which comprises the Directors' Report and the Directors' Statement on Internal Financial Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or 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.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Directors' Statement on Internal Financial Control on page 12 does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- in our opinion, the Directors' Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the group has not kept proper books of account; or
- the group has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 13, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group's and association'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 it either intends to liquidate the group or the association or to cease operations, or has 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.

**INDEPENDENT AUDITOR'S REPORT TO LORETTO HOUSING ASSOCIATION
LIMITED (continued)**

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 association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 association as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Shaw

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006.

KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS

17 September 2019

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31
MARCH 2019 - GROUP**

	Notes	Total 2019 £'000	Total 2018 £'000
Turnover	3	28,507	25,166
Operating expenditure	3	(20,552)	(19,552)
Other losses	15	(165)	(992)
Operating surplus		7,790	4,622
Finance income	9	1	1
Finance charges	10	(813)	(1,163)
Decrease in valuation of housing properties		(3,691)	(5,412)
Increase in valuation of office properties		199	-
Surplus/(deficit) for the year		3,486	(1,952)
Actuarial loss in respect of pension schemes	20	(1,070)	(185)
Total comprehensive income/(expenditure) for the year		2,416	(2,137)

All amounts relate to continuing operations.

The notes on pages 24 to 48 form part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31
MARCH 2019 – ASSOCIATION**

	<i>Note</i>	Total 2019 £'000	Total 2018 £'000
Turnover	3	15,982	12,582
Operating expenditure	3	(8,296)	(7,148)
Other losses	15	(165)	(992)
Operating surplus		<u>7,521</u>	<u>4,442</u>
Finance income	9	1	1
Finance charges	10	(799)	(1,149)
Decrease in valuation of housing properties		(3,691)	(5,412)
Increase in valuation of office properties		<u>199</u>	<u>-</u>
Surplus/(deficit) for the year		3,231	(2,118)
Actuarial loss in respect of pension schemes	20	<u>(701)</u>	<u>(94)</u>
Total comprehensive income/(expenditure) for the year		<u><u>2,530</u></u>	<u><u>(2,212)</u></u>

All amounts relate to continuing operations.

The notes on pages 24 to 48 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2019 – GROUP

	Total Reserves £'000
Balance at 1 April 2017	21,187
Total comprehensive expenditure	(2,137)
Balance at 1 April 2018	<u>19,050</u>
Total comprehensive income	<u>2,416</u>
Balance at 31 March 2019	<u>21,466</u>

All amounts relate to continuing operations.

The notes on pages 24 to 48 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2019 – ASSOCIATION

	Total Reserves £'000
Balance at 1 April 2017	19,763
Total comprehensive expenditure	(2,212)
Balance at 1 April 2018	<u>17,551</u>
Total comprehensive income	<u>2,530</u>
Balance at 31 March 2019	<u>20,081</u>


All amounts relate to continuing operations.

The notes on pages 24 to 48 form part of these financial statements.

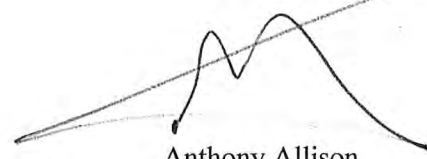
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019 – GROUP

	<i>Notes</i>	2019 £'000	2018 £'000
Fixed assets			
Social housing properties	13	59,752	52,877
Other tangible fixed assets	14	1,343	1,238
Investment properties	15	1,150	1,315
		<u>62,245</u>	<u>55,430</u>
Current assets			
Trade and other debtors	16	1,982	1,586
Cash and cash equivalents		3,012	4,233
		<u>4,994</u>	<u>5,819</u>
Creditors: amounts falling due within one year	17	(9,064)	(10,168)
Net current liabilities		<u>(4,070)</u>	<u>(4,349)</u>
Total assets less current liabilities		58,175	51,081
Creditors: amounts falling due after more than one year	18	(33,751)	(29,667)
Provisions for liabilities			
Pension liability	20	(2,958)	(2,364)
Total net assets		<u>21,466</u>	<u>19,050</u>
Reserves			
Share capital	19	-	-
Revenue reserve including pension reserve		21,466	19,050
Total reserves		<u>21,466</u>	<u>19,050</u>

These financial statements were approved by the Board on 19 August 2019 and were signed on its behalf on 19 August 2019 by:


Douglas Robin
Chair


Jean Fyfe
Board Member

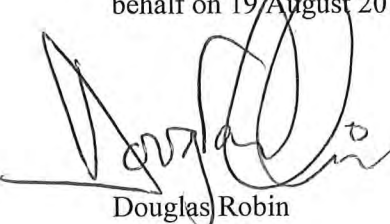

Anthony Allison
Secretary

The notes on pages 24 to 48 form part of these financial statements.

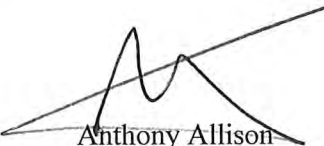
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019 -
ASSOCIATION**

	<i>Notes</i>	2019 £'000	2018 £'000
Fixed assets			
Social housing properties	13	59,752	52,877
Other tangible fixed assets	14	1,343	1,238
Investment properties	15	1,150	1,315
		<u>62,245</u>	<u>55,430</u>
Current assets			
Trade and other debtors	16	1,062	470
Cash and cash equivalents		862	2,411
		<u>1,924</u>	<u>2,881</u>
Creditors: amounts falling due within one year	17	(8,115)	(9,189)
Net current liabilities		<u>(6,191)</u>	<u>(6,308)</u>
Total assets less current liabilities		56,054	49,122
Creditors: amounts falling due after more than one year	18	(33,751)	(29,667)
Provisions for liabilities			
Pension liability	20	(2,222)	(1,904)
Total net assets		<u>20,081</u>	<u>17,551</u>
Reserves			
Share capital	19	-	-
Revenue reserve including pension reserve		20,081	17,551
Total reserves		<u>20,081</u>	<u>17,551</u>

These financial statements were approved by the Board on 19 August 2019 and were signed on its behalf on 19 August 2019 by:


Douglas Robin
Chair


Jean Pyfe
Board Member


Anthony Allison
Secretary

The notes on pages 24 to 48 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019 - GROUP

	<i>Notes</i>	2019 £'000	2018 £'000
Net cash generated from operating activities	22	<u>1,461</u>	<u>2,984</u>
Cash flow from investing activities			
Improvement of properties – housing stock		(1,376)	(2,241)
New build		(12,012)	(8,787)
Purchase of other fixed assets	14	(96)	(14)
Grants received		5,385	5,547
Finance income		<u>1</u>	<u>1</u>
		(8,098)	(5,494)
Cash flow from financing activities			
Finance charges		(1,384)	(1,096)
Financing draw down		<u>6,800</u>	<u>6,158</u>
		5,416	5,062
Net change in cash and cash equivalents		(1,221)	2,552
Cash and cash equivalents at 1 April		4,233	1,681
Cash and cash equivalents at 31 March		<u>3,012</u>	<u>4,233</u>

The notes on pages 24 to 48 form part of these financial statements.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019 -
ASSOCIATION**

	<i>Notes</i>	2019 £'000	2018 £'000
Net cash generated from operating activities	22	<u>1,214</u>	<u>2,442</u>
Cash flow from investing activities			
Improvement of properties – housing stock		(1,376)	(2,241)
New build		(12,012)	(8,787)
Purchase of other fixed assets	14	(96)	(14)
Grants received		5,304	5,470
Finance income		<u>1</u>	<u>1</u>
		(8,179)	(5,571)
Cash flow from financing activities			
Finance charges		(1,384)	(1,094)
Financing draw down		<u>6,800</u>	<u>6,158</u>
		5,416	5,064
Net change in cash and cash equivalents		(1,549)	1,935
Cash and cash equivalents at 1 April		2,411	476
Cash and cash equivalents at 31 March		<u>862</u>	<u>2,411</u>

The notes on pages 24 to 48 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. Legal status

Loretto Housing Group Limited (“Loretto” or “the Company”) is a wholly owned subsidiary of The Wheatley Housing Group (“WHG”). The Association is registered under the Co-operative and Community Benefit Societies Act 2014 No.1920RS and is a registered Scottish Charity No.SC07241. Loretto is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The principal activity of the Group is the provision of social housing and associated housing management and care services.

The Company and its subsidiary Loretto Care are referred to as “Loretto Group”. The registered office is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

Loretto Housing Group Limited is a public benefit entity.

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 Loretto Group and the Company are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Determination of Accounting Requirements 2014, and under the historical cost accounting rules, modified to include the revaluation of properties held for letting and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for social housing providers 2014 (“SORP 2014”), issued by the National Housing Federation and under FRS 102. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000. The results of Loretto Care are prepared under the Charities SORP 2015.

The financial statements have been prepared on a going concern basis after consideration of the future prospects for the Group and the preparation of long terms financial forecasts and plans which include an assessment of the availability of funding, the certainty of cash flow from the rental of social housing stock and care contracts. Whilst the Statement of Financial Position shows net current liabilities, a loan facility is in place which allows the Loretto Group to borrow sufficient funds to meet its current liabilities as they fall due.

Discount rates have been used in the valuation of housing properties and in the assessment of the fair value of financial instruments. The rates used are subject to change and are influenced by wider economic factors over time.

Accounting judgements and estimations

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors.

Judgements have been made in:

- Determining the appropriate discount rates used in the valuation of housing properties,
- Component accounting and the assessment of useful lives.
- The assessment of the fair value of financial instruments;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

- Determining the value of the 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.
- 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.

Basis of Consolidation

The Loretto Group Financial Statements incorporate the financial statements of the Group's parent Loretto Housing Association Limited and its subsidiary, Loretto Care. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

Related party disclosures

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

Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fees receivable, revenue grants and other income. Turnover is 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 received in advance is treated as deferred income.

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a 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 Statement of Recommended Practice for social housing providers 2014 ("SORP 2014"). Prior to satisfying the performance conditions, capital grants are held as deferred income on the statement of financial position.

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.

Financial Instruments

Loans provided by Wheatley Funding Number 1 Limited ("WFL1"), are classed as basic financial instruments under the requirements of FRS 102, and are measured at amortised cost. In the case of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

Deposits and liquid resources

Cash, for the purpose of the cash flow statement, 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

Loretto Housing Association and Loretto Care previously participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS") Defined Benefit Pension Scheme. The scheme is now closed. Members transferred to the SHAPS Defined Contribution Scheme on 1 July 2013. 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 Associations taken as a whole. In accordance with FRS 102, the Loretto Group's share of the scheme assets and liabilities have been separately identified and are included in the Loretto 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 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.

Fixed assets - housing properties

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

- **Valuation of housing of properties**

Housing properties are valued annually on an Existing Use Value for Social Housing ("EUV-SH") basis by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation.

The cost of properties is their purchase price together with the cost of capitalised improvement works and repairs that result in enhancement of the economic benefits of the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

- **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 Group's asset management strategy and the requirement of Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Loretto Group has taken account of views provided by both internal and external professional sources. Freehold land is not subject to depreciation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

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

	Economic life
Bathrooms	25
External environment	20
External wall finishes	35
Heating system boiler	12
Internal works and common areas	20
Kitchens	20
Mechanical, electrical and plumbing	25
Structure and roofs	50
Windows and doors	30

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 recoverable amount and any write down would be charged to operating surplus.

• New Build

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

The Group's policy is to capitalise the following:

- Cost of acquiring land and buildings,
- Interest costs directly attributable;
- Development expenditure, including staff costs attributable to the delivery of the capital investment programme;
- The cost of packages of work completed on void properties; 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.

Housing Association Grant and other capital grants

Housing Association Grant ("HAG") is received from central government and local authorities and contributes to the costs of housing properties.

HAG received is recognised as income in the Statement of Comprehensive Income when new build properties are completed or the capital work is carried out. HAG 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

Properties are disposed of under the appropriate legislation and guidance. 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 abated and the grant is removed from the financial statements. 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.

Other tangible fixed assets

For other tangible assets with the exception of office premises, 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
Furniture, fittings and office equipment (cost)	5 years
Computer equipment (cost)	3 years
Office Improvements (cost)	10 years
Community infrastructure (cost)	20 years

Office premises are held at valuation, and are depreciated, on a straight line basis, over a useful life of 40 years. Valuations are made on a regular basis to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. Valuations are carried out at each reporting date.

Provisions

The Loretto Group only provides for liabilities at the date of the Statement of Financial Position where there is a legal or constructive obligation incurred which will probably result in the outflow of resources.

Taxation

The Group 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 Group 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

Loretto Housing Association and Loretto Care are registered for VAT and are members of the Wheatley VAT group. The majority of its income, including rental receipts, is exempt for VAT purposes, giving rise to no VAT liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

3. Particulars of turnover, operating costs and operating surplus - Group

	Turnover	Operating Costs	Loss on Investment properties	2019 Operating surplus/ (deficit)	2018 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	11,875	(5,438)	-	6,437	5,619
Other activities (note 5)	16,632	(15,114)	-	1,518	(5)
Loss on investment properties (note 14)	-	-	(165)	(165)	(992)
Total	28,507	(20,552)	(165)	7,790	4,622
Total for previous reporting period	25,166	(19,552)	(992)	4,622	

Particulars of turnover, operating costs and operating surplus – Association

	Turnover	Operating Costs	Loss on Investment properties	2019 Operating surplus/ (deficit)	2018 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	11,875	(5,438)	-	6,437	5,619
Other activities (note 5)	4,107	(2,858)	-	1,249	(185)
Loss on investment properties (note 14)	-	-	(165)	(165)	(992)
Total	15,982	(8,296)	(165)	7,521	4,442
Total for previous reporting period	12,582	(7,148)	(992)	4,442	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

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

	General Needs £'000	Supported Housing £'000	Shared Ownership £'000	2019 Total £'000	2018 Total £'000
Rent receivable net of service charges	3,242	1,772	7	5,021	4,948
Service charges	455	272	-	727	705
Gross income from rents and service charges	3,697	2,044	7	5,748	5,653
Less rent losses from voids	(131)	(26)	-	(157)	(159)
Net income from rents and service charges	3,566	2,018	7	5,591	5,494
Grants released from deferred income	6,284	-	-	6,284	4,873
Other revenue grants	-	-	-	-	102
Total turnover from affordable letting activities	9,850	2,018	7	11,875	10,469
Management and maintenance administration costs	(540)	(215)	(2)	(757)	(813)
Service costs	(299)	(178)	-	(477)	(372)
Planned and cyclical maintenance including major repairs costs	(479)	(190)	-	(669)	(607)
Reactive maintenance costs	(508)	(202)	-	(710)	(605)
Bad debts – rents and service charges	(127)	(51)	-	(178)	(91)
Depreciation of affordable let properties	(1,892)	(752)	(3)	(2,647)	(2,362)
Operating costs from social letting activities	(3,845)	(1,588)	(5)	(5,438)	(4,850)
Operating surplus from social lettings	6,005	430	2	6,437	5,619
Operating surplus/(deficit) from social lettings for the previous reporting period	5,737	(123)	5		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

5. Particulars of turnover, operating costs and operating surplus from other activities - Group

	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2019 Operating Surplus / (Deficit) £'000	2018 Operating Surplus / (Deficit) £'000
Care activities	82	10,325	2,599	13,006	(12,633)	373	351
Depreciation – non social housing	-	-	-	-	(190)	(190)	(230)
Development & construction of property activities	-	-	148	148	(259)	(111)	(4)
Investment property activities	-	-	78	78	-	78	-
Organisation restructuring	-	-	-	-	(304)	(304)	(48)
Other income	-	-	1,559	1,559	(3)	1,556	-
Support activities	-	-	650	650	(376)	274	175
Wider role activities to support the community	-	-	1,191	1,191	(1,349)	(158)	(249)
Total from other activities	82	10,325	6,225	16,632	(15,114)	1,518	(5)
Total from other activities for the previous reporting period	88	10,583	4,026	14,697	(14,702)	(5)	

Particulars of turnover, operating costs and operating surplus from other activities - Association

	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2019 Operating Surplus / (Deficit) £'000	2018 Operating Surplus / (Deficit) £'000
Corporate services	-	-	481	481	(485)	(4)	144
Depreciation – non social housing	-	-	-	-	(190)	(190)	(230)
Development and construction of property activities	-	-	148	148	(259)	(111)	(4)
Investment property activities	-	-	78	78	-	78	-
Organisation restructuring	-	-	-	-	(93)	(93)	(21)
Other income	-	-	1,559	1,559	(3)	1,556	-
Support activities	-	-	650	650	(376)	274	175
Wider role activities to support the community	-	-	1,191	1,191	(1,452)	(261)	(249)
Total from other activities	-	-	4,107	4,107	(2,858)	1,249	(185)
Total from other activities for the previous reporting period	-	-	2,113	2,113	(2,298)	(185)	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

6. Board members' emoluments – Group and Association

No Board members received remuneration or any reimbursed expenses (2018: nil).

7. Key Management Emoluments – Group

	2019 £'000	2018 £'000
Aggregate emoluments payable to key management (including pension contributions and benefits in kind)	185	277
Pension contributions made on behalf of key management	13	17
Emoluments payable to highest paid key management	107	105
Employer pension contribution	5	5
Total emoluments payable to highest paid key management	112	110

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

	No.	No.
£60,001 to £70,000	1	2
£90,001 to £100,000	-	-
£100,001 to £110,000	1	1

The senior officers are defined for this purpose as the Managing Director and any person reporting directly to the Managing Director earning at the rate of over £60,000 per annum. Emoluments include relocation expenses where appropriate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2019 (continued)**

7. Key Management Emoluments – Association

	2019	2018
	£'000	£'000
Aggregate emoluments payable to key management (including Pension Contributions and benefits in kind)	129	128
Pension contributions made on behalf of key management	10	10
Emoluments payable to highest paid key management	65	65
Employer pension contribution	8	8
Total emoluments payable to highest paid key management	73	73

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

	No.	No.
£60,001 to £70,000	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

8. Employees - Group

	2019	2018
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	524	487
The average total number of employees employed during the year was	590	599
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	11,421	11,143
Social security costs	907	879
Pension costs	887	840
Pension service credit	(548)	(533)
Temporary, agency and seconded staff	368	920
	<u>13,035</u>	<u>13,249</u>

Employees - Association

	2019	2018
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	76	73
The average total number of employees employed during the year was	82	81
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	1,982	1,851
Social security costs	176	164
Pension costs	523	493
Pension service credit	(441)	(442)
	<u>2,240</u>	<u>2,066</u>

9. Finance income – Group and Association

	2019	2018
	£'000	£'000
Bank interest receivable on deposits in the year	<u>1</u>	<u>1</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

10. Finance charges

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Interest on intra group loans	754	1,139	754	1,094
Net interest charges on pension liability	59	24	45	55
	<u>813</u>	<u>1,163</u>	<u>799</u>	<u>1,149</u>

11. Auditor's remuneration

The remuneration of the auditor (excluding VAT) is as follows:

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Audit of these financial statements	<u>27</u>	<u>27</u>	<u>15</u>	<u>15</u>

12. Financial commitments

Capital commitments – Group and Association

All capital commitments were as follows:

	2019	2018
	£'000	£'000
Expenditure contracted for, but not provided in the financial statements	350	10,871
Expenditure authorised by the Board but not contracted	90	-
	<u>440</u>	<u>10,871</u>

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

Operating leases – Group and Association

At 31 March 2019 the Group had no annual commitments under non-cancellable operating leases (2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

13. Social Housing Properties – Group and Association

	Social Housing Properties £'000	Shared Ownership Properties £'000	Housing Under Construction £'000	Total £'000
Valuation				
At 1 April 2018	44,990	113	7,774	52,877
Additions	1,076	-	12,138	13,214
Disposals	(42)	-	-	(42)
Transfer	12,600	-	(12,600)	-
Revaluation	(6,356)	59	-	(6,297)
At 31 March 2019	52,268	172	7,312	59,752
Accumulated Depreciation				
As at 1 April 2018	-	-	-	-
Charge for year	2,616	3	-	2,619
Disposals	(13)	-	-	(13)
Revaluation	(2,603)	(3)	-	(2,606)
At 31 March 2019	-	-	-	-
Net Book Value - Valuation				
At 31 March 2019	52,268	172	7,312	59,752
At 31 March 2018	44,990	113	7,774	52,877
Net Book Value – Cost				
At 31 March 2019	110,383	386	7,312	118,081
At 31 March 2018	99,302	386	7,774	107,462

Total expenditure on repairs and capital improvements in the year on existing properties was £2,389k (2018: £3,453k). Of this, repair costs of £1,379k (2018: £1,212k) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £1,076k (2018: £2,241k) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £1,076k (2018: £2,241k) in the year include:

- £186k for the improvement of components including £76k in relation to medical adaptations and £110k for other strategic projects; and
- £890k on the replacement of components including capitalised void costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

13. Tangible fixed assets (continued)

Additions to housing under construction include capitalised interest costs of £350k (2018: £350k). Interest has been capitalised at the weighted average interest cost for the Association of 4.68% (2018: 5.50%)

Social housing properties have been valued by Jones Lang LaSalle Limited, an independent professional adviser qualified by the Royal Institution of Chartered Surveyors ("RICS") to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RICS at 31 March 2019 on an Existing Use Valuation for Social Housing ("EUV-SH").

Discount rates between 5.75-7.50% have been used depending on the property archetype (2018: 5.75-6.50 % retained stock). The valuation assumes a rental income increase of inflation + 0.9% in 2019/20 and +0.5% thereafter for retained stock, in line with the Association's 30 year Business Plan (2019/20). 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.

During 2018/19 the Association did not dispose of any properties to tenants under Right to Buy entitlements (2017/18: nil).

The number of units of accommodation (excluding unlettable voids) held by the Group and Association at 31 March 2019 is shown below:

	2019 – number				2018 – number			
	Owned and managed	Owned and managed by others	Managed only	Total	Owned and managed	Owned and managed by others	Managed only	Total
General Needs	1,027	-	-	1,027	941	-	-	941
Supported Housing	188	171	50	409	188	171	72	431
Shared Ownership	4	-	-	4	4	-	-	4
Total Social Housing	1,219	171	50	1,440	1,133	171	72	1,376

The Association leases a number of properties to other providers (local authorities, RSLs or charitable bodies) who manage the properties on their behalf. No funding is payable by the Association to the other providers in respect of these units.

The housing valuation excludes properties that the Association manages on behalf of others but does not own. The Association owns and manages 31 office properties within supported housing developments and these are included in the valuation and reported in supported housing units above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

14. Other Tangible Fixed Assets – Group and Association

	Community Infra- structure £'000	Office Premises £'000	Office Improvements £'000	Furniture, fittings & Equipment £'000	Computer Equipment £'000	Total £'000
Cost or valuation						
At 1 April 2018	-	475	1,092	128	501	2,196
Additions	96	-	-	-	-	96
Revaluation	-	115	-	-	-	115
At 31 March 2019	<u>96</u>	<u>590</u>	<u>1,092</u>	<u>128</u>	<u>501</u>	<u>2,407</u>
Accumulated Depreciation						
At 1 April 2018	-	42	412	31	473	958
Charge for year	5	42	109	24	10	190
Revaluation	-	(84)	-	-	-	(84)
At 31 March 2019	<u>5</u>	<u>-</u>	<u>521</u>	<u>55</u>	<u>483</u>	<u>1,064</u>
Net Book Value						
At 31 March 2019	<u>91</u>	<u>590</u>	<u>571</u>	<u>73</u>	<u>18</u>	<u>1,343</u>
At 31 March 2018	<u>-</u>	<u>433</u>	<u>680</u>	<u>97</u>	<u>28</u>	<u>1,238</u>

Office premises were valued by an independent professional adviser, Jones Lang LaSalle, on 31 March 2019 in accordance with the appraisal and valuation manual of the RICS.

15. Investment Properties – Group and Association

	Properties held for market rent £'000
Valuation	
At 1 April 2018	1,315
Revaluation taken to operating surplus	(165)
At 31 March 2019	<u>1,150</u>
Net Book Value	
At 31 March 2019	<u>1,150</u>
At 31 March 2018	<u>1,315</u>

Market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Jones Lang LaSalle, on 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

15. Investment Properties – Group and Association (continued)

The number of properties held for market rent by the Association at 31 March was:

	2019	2018
Mid Market Rent Properties		
Total Units	17	17

16. Debtors

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Arrears of rent & service charges	376	326	376	326
Adjustment to discount arrears balances with payments plans to NPV	(1)	(2)	(1)	(2)
Less: Provision for bad and doubtful debts	(201)	(162)	(201)	(121)
	<u>174</u>	<u>162</u>	<u>174</u>	<u>203</u>
Prepayments and accrued income	-	62	-	-
Other Debtors	1,107	1,159	523	226
Due from other group companies	701	203	365	41
	<u>1,982</u>	<u>1,586</u>	<u>1,062</u>	<u>470</u>

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

17. Creditors: amounts falling due within one year

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade creditors	553	126	438	52
Accruals	2,365	3,066	1,922	2,721
Deferred income	4,989	4,977	4,907	4,856
Rent and service charges received in advance	413	424	413	424
Tax and social security	265	311	46	91
Other creditors	212	72	150	12
Due to other group companies	267	1,192	239	1,033
	<u>9,064</u>	<u>10,168</u>	<u>8,115</u>	<u>9,189</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

18. Creditors: amounts falling due after more than one year – Group and Association

	2019	2018
	£'000	£'000
Deferred Income	-	2,562
Amount due to group company	33,751	27,105
	<u>33,751</u>	<u>29,667</u>

Bank lending facility

Borrowing arrangements are in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility was made up of a committed facility of £662.4m from a syndicate of commercial banks, a committed facility of £285.3m from the European Investment Bank, £300.0m raised through the issue of a public bond, £150.0m private placement loan notes with BlackRock Real Assets and £100.0m facility with HSBC. This provided total facilities of £1,497.7m for RSLs within the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Limited, with Loretto having access to an intra-group facility of £34m, secured on its housing stock. Interest in the year has been charged at 4.68% (2018: 5.50%).

Loretto Housing Association Limited has secured a major portion of its housing stock against this facility, however the remainder of its housing stock and any future new build properties will remain unsecured.

Borrowings are repayable as follows

	2019	2018
	£'000	£'000
In less than one year	-	52
In more than one year but less than five years	1	118
In more than five years	33,750	26,935
	<u>33,751</u>	<u>27,105</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

Deferred income

Analysis of deferred income - Group

	Housing association grants £'000	Other grants/ income £'000	Total £'000
Deferred income as at 1 April 2018	5,861	1,678	7,539
Additional income received	5,330	43	5,373
Released to Statement of Comprehensive Income	(6,284)	(1,639)	(7,923)
Deferred income as at 31 March 2019	4,907	82	4,989

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:	2019 £'000	2018 £'000
In less than one year (note 17)	4,989	4,977
In more than one year but not less than five years	-	2,562
In more than five years	-	-
	4,989	7,539

Analysis of deferred income – Association

	Housing association grants £'000	Other grants/ income £'000	Total £'000
Deferred income as at 1 April 2018	5,861	1,557	7,418
Additional income received	5,330	-	5,330
Released to Statement of Comprehensive Income	(6,284)	(1,557)	(7,841)
Deferred income as at 31 March 2019	4,907	-	4,907

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:	2019 £'000	2018 £'000
In less than one year (note 17)	4,907	4,856
In more than one year but not less than five years	-	2,562
In more than five years	-	-
	4,907	6,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

19. Share Capital

Shares of £1 each issued and fully paid	£
At 1 April	282
Issued in year	17
Cancellations	(38)
At 31 March	262

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association.

20. Pensions

Pensions Trust Scottish Housing Association Pension Scheme – Defined Benefit

Loretto Housing Association and Loretto Care participated in the Pensions Trust Scottish Housing Association Pension Scheme (“SHAPS”), a multi-employer defined benefit scheme. It is funded and contracted out of the State Pension Scheme. With effect from 1 July 2013 Loretto Housing Association and Loretto Care ceased to offer membership of the defined benefit scheme, with all active employee members transferred to the SHAPS Defined Contribution 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 2018.

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 Group's share of the assets and liabilities of the scheme within the financial statements and an evaluation of the scheme assets and liabilities has been carried out by an independent actuary as at 31 March 2019.

Following consideration of the results of the last valuation at 30 September 2018, the shortfall in the scheme reduced from £198m to £121m. 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 8 years with the scheme expected to reach a fully funded position by 2022. The next formal valuation of the scheme is due to be carried out at 30 September 2021 and to ensure the ongoing funding of the scheme whilst the valuation is prepared, the Trustees have agreed to extend the period over which additional contributions are payable by one year to March 2023. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

20. Pensions (continued)

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out 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.

Defined Benefit assets and obligations

The assumptions that have the most significant effect on the results of the valuation of the 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 2019	31 March 2018
Discount rate	2.60%	2.70%
Future salary increases	2.20% in the first year and 2.00% thereafter	2.10% in the first year and 2.00% thereafter
Inflation (RPI)	3.35%	3.20%
Inflation (CPI)	2.35%	2.20%

In valuing the liabilities of the pension fund at 31 March 2019, mortality assumptions are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions in 2019 and 2018 are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: male 21.7 years, female 23.4 years (2018: 23.5 and 25.4 years, respectively)
- Future retiree upon reaching 65: male 23.1 years, female 24.7 years (2018: 25.7 and 27.4 years, respectively)

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 Loretto Group has been allocated a share of cost under an agreed policy throughout the periods shown.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

20. Pensions (continued)

Movements in present value of defined benefit obligation

	Group Association		Group Association	
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Opening defined benefit obligation	19,014	15,317	18,318	15,127
Interest cost	504	402	505	417
Actuarial losses	1,891	1,393	736	212
Estimated benefits paid	(884)	(844)	(545)	(439)
Administration costs	13	13	-	-
Closing defined benefit obligation	20,538	16,821	19,014	15,317

Movements in fair value of plan assets

	Group Association		Group Association	
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Opening fair value of plan assets	16,650	13,413	15,673	12,943
Interest income	445	357	438	362
Expected return on plan assets	821	692	551	118
Contributions by the employer	548	441	549	442
Estimated benefits paid	(884)	(844)	(545)	(439)
Administration costs	-	-	(16)	(13)
Closing fair value of plan assets	17,580	14,059	16,650	13,413
Net liability	(2,958)	(2,222)	(2,364)	(1,904)

Expense recognised in the statement of comprehensive income

	Group Association		Group Association	
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Current service cost	-	-	-	-
Losses on settlements or curtailments	-	-	-	-
Net interest on defined benefit obligation	59	45	67	55
Administration costs	16	13	16	13
	75	58	83	68

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is Group: £1,070k loss, Association £701k loss (Group 2018: £185k loss, Association £94k loss).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2019 (continued)**

20. Pensions (continued)

The major categories of scheme assets were as follows:

Group	2019 £'000	2018 £'000
Equities	4,317	4,972
Corporate bonds	7,939	7,560
Property	349	658
Alternatives	4,742	3,426
Cash	233	34
	<u>17,580</u>	<u>16,650</u>

Association	2019 £'000	2018 £'000
Equities	3,453	4,005
Corporate bonds	6,349	6,091
Property	279	530
Alternatives	3,792	2,761
Cash	186	26
	<u>14,509</u>	<u>13,413</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

21. Related party transactions – Group and Association

Members of the Management Board are related parties of the Association as defined by FRS 102.

The Association retains a register of members' interests. The following interests in related parties are required to be declared:

Tenant Board Members

The following members are tenants of the Association and have tenancy agreements that are on the Association's normal terms and they cannot use their positions to their advantage.

Alex McKay
Allan McGinness
Cecil Bueker
Pauline Gilmore

Transactions entered into with members, and rent arrear balances outstanding at 31 March 2019 are as follows:

	2019 £'000
Rent charged during the year	18
Arrear balances outstanding at 31 March 2019	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

22. Cash flow analysis

Cash flow from operating activities – Group

	2019 £'000	2018 £'000
Surplus/(deficit) for the year	3,486	(1,952)
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	2,837	2,592
Increase in trade and other receivables	(355)	(429)
(Decrease)/Increase in trade and other creditors	(2,075)	671
Pension costs less contributions payable	(535)	(533)
<u>Adjustments for investing or financing activities:</u>		
Government grants utilised in the year	(6,366)	(4,930)
Interest payable	813	1,163
Interest received	(1)	(1)
Decrease in valuation of properties	3,657	6,403
Net cash inflow from operating activities	1,461	2,984

Cash flow from operating activities – Association

	2019 £'000	2018 £'000
Surplus/(deficit) for the year	3,231	(2,118)
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	2,837	2,592
Increase in trade and other debtors	(566)	(47)
(Decrease)/Increase in trade and other creditors	(2,031)	363
Pension costs less contributions payable	(428)	(429)
<u>Adjustments for investing or financing activities:</u>		
Government grants utilised in the year	(6,284)	(5,470)
Interest payable	799	1,149
Interest received	(1)	(1)
Decrease in valuation of properties	3,657	6,403
Net cash inflow from operating activities	1,214	2,442

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2019 (continued)**

23. Ultimate parent organisation

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

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

SUPPLEMENTARY INFORMATION

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