



**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

for the Year Ended

31 March 2023

Lowther Homes Limited

Registered number SC402836

Lowther Homes Limited
Annual report and financial statements for the financial year ended 31 March 2023

STRATEGIC REPORT

The Board of Director's present their strategic report for the year ended 31st March 2023.

Principal activities

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

It owns a portfolio of 1,172 mid and full market rent ("MMR") homes in communities from Inverkip to Leith and manages a further 1,319 mid-market and 13 full market rent homes owned by fellow Wheatley Group subsidiaries, Wheatley Homes Glasgow Limited ("WH Glasgow"), Wheatley Homes East Limited ("WH East"), Wheatley Homes South Limited ("WH South") and Loretto Housing Association Limited ("Loretto" or "LHA").

We provide property management services to almost 29,000 homeowners across the Central Belt and Dumfries and Galloway.

Lowther Homes annual highlights

This year, the second year of Wheatley's 'Your Home, Your Community, Your Future' strategy, saw us consolidate our new operating model and rise to the challenge of supporting our customers through the cost-of-living crisis.

Many of our customers were still coping with the aftermath of the pandemic, and the associated financial hardship that created. We supported them in every way we could through the challenges caused by the growing economic crisis over the year, from the rising price of food to higher energy costs. Our customer-focused way of working, and the range of ways we engage, help us understand the needs of our customers and respond to them effectively.

The year saw the launch of our 'Here for You' campaign to help alleviate the hardship experienced by so many of our customers delivered on our behalf by the Wheatley Foundation our charitable trust.

This was the first full year of our Customer First Centre, providing 24/7 expert support for customers allowing housing officers to spend more time helping people in our communities. We launched our new *MyRepairs* specialist team, towards the end of the year, which helped us further improve our repairs service.

We grew our mid-market portfolio and our customer base this year and encouraged more of our customers to engage and transact with us digitally.

Lowther contributed £3.1 million in Gift Aid to the Wheatley Foundation, Wheatley's charitable trust, to fund projects which tackle poverty and disadvantage in our communities.

Here are some of the highlights of the year.

Our homes

By the end of the financial year, Lowther's portfolio had grown to 2,504 mid and full-market rent homes, an increase of 209 from the year before, across 12 local authority areas.

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STRATEGIC REPORT (CONTINUED)

From 1st April 2022 the management of 101 Wheatley Homes South properties for mid-market rent transferred to Lowther.

A further 125 new build homes completed for mid-market rent, all leased from fellow Wheatley subsidiaries and included:

- 46 at Watson Street in the Merchant City, 27 at Hurlford Avenue in Knightswood, and 20 at Sighthill, all in Glasgow;
- 6 at Blackness Road, Linlithgow; and 26 at Almondvale Court, Livingston.

During the year Lowther and Wheatley subsidiaries disposed of 10 properties. Lowther invested £1,219k in upgrading our homes and communities over the year. That included new gas heating for 38 homes across Glasgow; new windows for 39 homes in Berkeley Street and Kent Road, Glasgow; and bin store improvements at Ferry Village, Braehead.

By the end of 2022/23, 74% of Lowther's portfolio was made up of homes for mid-market rent, and we remain one of the largest providers in this sector.

	Lowther Homes owned	Leased from Group subsidiaries
Mid market properties	534	1,319
Full market properties	638	13
Total	1,172	1,332

Lowther also managed a further 422 mid-market rent properties across eight sites for Edinburgh Living and under contract with City of Edinburgh Council.

During 2022/23 our portfolio of factored homeowners grew with the addition of 121 properties at the Queen's Quay development in Clydebank, and the flatted developments, comprising 130 properties, at Sighthill in Glasgow.

New business developments

Lowther anticipates growth next year, with the completion of our Victory Lane development providing 24 homes for mid-market rent. In addition to this the Wheatley subsidiaries are expected to deliver a further 65 homes to be managed by Lowther.

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

Our performance

Our void performance improved from 4.0% to 1.3% against a target of 3%. Rent lost due to voids improved from £639k to £239k. At the end of the year our average days-to-let was 4 days for full-market rent properties and 5.9 days for mid-market rent properties.

Lowther Homes Limited
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STRATEGIC REPORT (CONTINUED)

Our gross rent arrears stood at 3.76% against a target of 4%.

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

Factoring arrears, as a percentage of common charge, increased from 13.3% to 14.8% this year, which was above our target of 12%. We improved the collection of these charges in the final quarter of the year, with a reduction of £61k. This is expected to continue into next year.

Engaging with customers

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

There were 169,154 visits to the Lowther website over the year. The number of followers on our social media channels this year was 2,493, an increase of 1,102 from the year before. We received 321 enquiries from customers on social media, down 98 from last year.

As we grew our mid-market portfolio and our customer base we encouraged more of our customers to engage and transact with us digitally. A total of 43.4% of our customers who own their home, and 51% of tenants, are using these services.

Supporting our customers

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

Working with the Wheatley Foundation, we:

- created 55 opportunities for Lowther customers to get into work or training;
- helped 88 young people take part in diversionary activities through Youth Projects East;
- supported a customer with a bursary to go to university or college;
- helped households put food on the table by distributing supermarket vouchers through our EatWell service; and
- supported one of our customers with household budgeting, running a home and settling into their community through 'My Great Start'.

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STRATEGIC REPORT (CONTINUED)

FINANCIAL REVIEW

Lowther generated a gross margin of £13.2m (2022: £11.1m) for the year the increase attributable to growth of the letting business. An operating profit of £5.1m was generated in 2023 (2022: £20.8m). The decrease in operating surplus of £15.7m is driven by non-cash accounting adjustments in other gains and losses. These are for:

- the downward movement of £1.4m (2022: £7.6m gain) on the revaluation of owned investment property; and
- a fair value adjustment of £nil (2022: £7.5m gain) on the intra-group loan from WH Glasgow representing the adjustment to the carrying value arising from the extension of the term to 2043.

Statement of Comprehensive Income

Turnover

Total turnover of £28.5m (2022: £24.4m) is reported for the year, the increase of £4.1m attributable to growth of the letting business and increasing costs necessitating an uplift to factoring charges. Turnover generated in the letting business was £18.7m of which £17.6m was generated from rental income net of void losses for the year ended 31 March 2023 (2022: £15.1m). The year on year increase of £2.5m was largely driven by additional rental income from the growth in the number of newly built mid-market rent properties leased from fellow Wheatley Group subsidiaries and improved letting performance.

Operating expenditure and finance charges

Operating expenditure in the year totalled £22.0m (2022: £18.7m), with costs to deliver factoring activities, and repairs, and the lease of newly managed properties driving the increase. Operating expenditure comprised:

- £15.2m cost of sales (2022: £13.3m) relating to the maintenance and lease costs of the property portfolio associated with the full and mid-market letting activities as well as the direct costs of delivering the factoring service; and
- £6.8m of administrative costs (2022: £5.5m) relating to the staffing structure which was reconfigured during the year, and business overheads including central services costs.

Operating expenditure and finance charges (continued)

Finance charges totalled £3.1m (2022: £3.2m). Of this £2.9m (2022: £2.9m) is in relation to the loan facility provided through the Group's commercial funding subsidiary Wheatley Funding No. 2 Limited ("WFL2") which is secured against our properties and the intragroup loan provided to Lowther by Wheatley Homes Glasgow ("WH Glasgow").

A charge of £0.2m (2022: £0.2m) is included within finance charges as required under FRS 102 in respect of unwinding of the deemed discount on the convertible loan instrument with Wheatley Homes Glasgow. The Wheatley Foundation has agreed to deliver certain charitable community programmes on the Wheatley Group's behalf and under this arrangement, these programmes were funded in part during the year by WH Glasgow agreeing that the interest receipt due from Lowther would be paid directly to the Wheatley Foundation. This payment has been recognised as gift aid in the financial statements of Lowther.

Lowther made a total gift aid payment of £3.1m (2022: £2.6m) to the Wheatley Foundation during the year.

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Statement of Financial Position

Properties held for investment at 31 March 2023 were valued at £151.5m (2022: £152.0m). Whilst the underlying letting performance has been strong, weaker market conditions caused by the higher interest rate environment and statutory intervention on rent levels has resulted in a downward movement on valuation of investment properties. Properties were valued at 31 March 2023 by an independent valuer, Jones Lang LaSalle Limited.

Lowther reported net current liabilities as at 31 March 2023 of £1.2m (2022: net current assets of £1.0m). This is mainly linked to deferred grant receipts with £0.4m reported as due for release within one year in 2022 compared to £1.6m in 2023. Deferred grant receipts can vary year to year and is dependant on the size of the new build programme and the anticipated date of completion of each development at the respective year end.

By order of the Board

DocuSigned by:

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Eric Gibson, Director

21 September 2023

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

Lowther Homes Limited
Annual report and financial statements for the financial year ended 31 March 2023

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the financial year ended 31 March 2023.

Directors

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

Eric Gibson (Chair)

John Blackwood

Neal Greer

David Rockliff

Paula Sharp

William Coghill

Kerri McGuire

Jacqueline Mallin

Appointed 29th September 2022

Disclosure of information to auditor

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

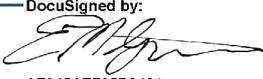
Independent auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

Principal risks facing the Company

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

By order of the Board

DocuSigned by:


AF345AE795B2401...
Eric Gibson, Director

21 September 2023

Wheatley House
25 Cochrane Street
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Lowther Homes Limited
Annual report and financial statements for the financial year ended 31 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board

DocuSigned by:

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Eric Gibson, Director

21 September 2023

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

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

Opinion

We have audited the financial statements of Lowther Homes Limited ("the Company") for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

As required by auditing standards, taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that entity management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to income recognition because of the limited opportunity and incentive for fraudulent revenue recognition and the limited judgement in respect of revenue recognition.

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

We did not identify any additional fraud risks.

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

We also performed procedures including:

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

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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

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

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

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statements items.

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

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

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

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

Strategic report and Directors' report

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

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Michael Wilkie (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP
319 St Vincent Street,
Glasgow,
G2 5AS

26 September 2023

Lowther Homes Limited
Annual report and financial statements for the financial year ended 31 March 2023

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

	<i>Note</i>	2023 £'000	2022 £'000
Turnover	2	28,489	24,407
Cost of sales		(15,244)	(13,269)
Gross profit		13,245	11,138
Admin expenses		(6,781)	(5,461)
Other (losses)/ gains	4	(1,412)	15,102
Operating profit	3	5,052	20,779
Loss on disposal of fixed assets	5	(119)	(5)
Finance charges	6	(3,082)	(3,158)
Profit before taxation		1,851	17,616
Tax charge	7	(615)	(3,812)
Profit for the financial year		1,236	13,804

All amounts relate to continuing operations.

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

	Revenue Reserve £'000	Investors' Equity £'000	Total £'000
Balance at 1st April 2021	29,313	8,363	37,676
Profit for the year	13,804	-	13,804
Movement in equity component of intragroup convertible loan	-	3,687	3,687
Gift aid payment	(2,640)	-	(2,640)
Tax Credit	502	-	502
Balance at 31 March 2022	40,979	12,050	53,029
Profit for the year	1,236	-	1,236
Movement in equity component of intragroup convertible loan	-	1	1
Gift aid payment	(3,128)	-	(3,128)
Current tax credit	594	-	594
Balance at 31 March 2023	39,681	12,051	51,732

The notes on pages 15 to 25 form part of these financial statements.

Lowther Homes Limited
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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	<i>Note</i>	2023 £'000	2022 £'000
Fixed Assets			
Property, plant and equipment	8	229	90
Investment properties	9	156,635	152,365
Investment in subsidiary undertakings	9	250	250
Total Fixed Assets		157,114	152,705
Current Assets			
Trade and other debtors	10	9,081	6,742
Cash at bank and in hand		2,036	3,157
Total Current Assets		11,117	9,899
Creditors: amounts falling due within one year	11	(12,375)	(8,868)
Net Current (Liabilities)/Assets		(1,258)	1,031
Total Assets less Current Liabilities		155,856	153,736
Creditors: amounts falling due after one year	12	(104,124)	(100,707)
Net Assets		51,732	53,029
Equity			
Investors' Equity		12,051	12,050
Revenue reserve		39,681	40,979
Equity and reserves		51,732	53,029

The financial statements were approved by the Board of Directors on 23 August 2023 and signed on its behalf on 21 September 2023 by:

DocuSigned by:

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Eric Gibson, Director

The notes on pages 15 to 25 form part of these financial statements.

Company Registration Number SC402836.

Lowther Homes Limited
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	<i>Notes</i>	2023 £000	2022 £000
Net cash generated from operating activities	15	<u>3,396</u>	<u>2,027</u>
Cash flow from investing activities			
Improvement of investment properties	9	(1,219)	(1,096)
Construction of new properties	9	(4,777)	(388)
Purchase of other fixed assets	8	(232)	(112)
Proceeds from disposal of properties	5	195	50
Grants received	11	4,479	373
Grants repaid		-	(28)
		<u>(1,554)</u>	<u>(1,201)</u>
Cash flow from financing activities			
Finance charges		(2,886)	(2,894)
Taxation		(77)	(28)
		<u>(2,963)</u>	<u>(2,922)</u>
Net change in cash and cash equivalents		<u>(1,121)</u>	<u>(2,096)</u>
Cash and cash equivalents at beginning of the year		3,157	5,253
Cash and cash equivalents at end of the year		2,036	3,157
Cash and cash equivalents at 31 March			
Cash		<u>2,036</u>	<u>3,157</u>
		<u>2,036</u>	<u>3,157</u>

The notes on pages 15 to 25 form part of these financial statements

Lowther Homes Limited
Annual report and financial statements for the financial year ended 31 March 2023

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

1. Accounting policies

Lowther Homes Limited (the “Company”) is a private company incorporated, domiciled and registered in Scotland in the UK. The registered number is SC402836 and the registered address is Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Company’s financial statements to all periods presented in these financial statement.

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards in United Kingdom including Financial Reporting Standard 102, under the historical cost convention modified to include the revaluation of properties held for letting and commercial properties. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s ultimate parent undertaking, Wheatley Housing Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Wheatley Housing Group are available to the public and may be obtained from Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period; and

As the consolidated financial statements of the ultimate parent undertaking include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.
- The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

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

Going concern

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

The Company prepares a 10-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in February 2023 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan which included updated scenarios in recognition of financial risks to the business which include severe but plausible downsides. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

Lowther Homes Limited
Annual report and financial statements for the financial year ended 31 March 2023

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

1. Accounting policies (continued)

The Board, after reviewing the Company budgets for 2023/24 and the Company's financial position as forecast in the 10-year business plan, is of the opinion that, taking account of severe but plausible downsides, the Company has adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). In reaching this conclusion, the Board has considered the following factors:

- Rent and service charge receivable – arrears and bad debt assumptions have been increased to allow for customer difficulties in making payments and budget and business plan scenarios have been updated to take account of potential future changes in rent increases and factoring price increases;
- The property market – budget and business plan scenarios have taken account of delays the re-profiled development programme and timing of new build handovers in other Wheatley Group subsidiaries and the associated impact on the number of properties available for rent by the Company;
- Maintenance costs – budget and business plan scenarios have been modelled to take account revised profiles of repairs and maintenance expenditure, with major works being phased into future years;
- Liquidity – current available cash of £2.0m gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- The Group and Company's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

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

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

Accounting judgements and estimations

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

Judgements have been made in:

- Determining the appropriate discount rates used in the valuation of investment properties;
- The assessment of useful lives for other fixed assets; and
- The assessment of the fair value of financial instruments.

Related party disclosures

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies (continued)****Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Value Added Tax

The Company is registered for VAT and is a member of the Wheatley VAT Group. Expenditure is shown net of VAT.

Turnover

Turnover relates to rental of residential properties and to the factoring management activities carried out in the UK. Both income from rental and income from factoring management activities is recognised when it is receivable.

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of an acquisition, it is recognised as income using the performance model in accordance with FRS 102. Prior to satisfying the performance conditions, capital grant is held as deferred income on the statement of financial position.

Valuation of investment property

The directors consider that the interests in land and/or buildings are held for their investment potential rather than for consumption in the business operations. These are treated under FRS 102 as investment properties at fair value through the Statement of Comprehensive Income.

Investment properties in the course of construction are stated at cost. Those properties are transferred to completed properties when they are ready for letting. Investment properties are valued at market value subject to tenancies at the date of the Statement of Financial Position by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation. Where it is considered that there has been any impairment in value this is recognised in profit or loss in the period it arises. The cost of properties is their purchase price together with capitalised improvement works. No depreciation is provided in respect of investment properties applying the fair value model.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies (continued)****Improvements to investment properties**

Improvement expenditure on investment properties is capitalised in circumstances where it is expected to provide incremental future benefits to the organisation, such as higher rent, reduced on-going maintenance costs or reduced re-let times for the properties.

New Build

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

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

New Build Grant

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

New Build Grant is recognised as income in the statement of comprehensive income when new build properties are completed. New Build Grant due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the statement of comprehensive income within turnover.

Investment in subsidiary undertakings

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

Valuation of property, plant and equipment

Furniture & Fittings and Computer Equipment are stated at cost and depreciated on a straight-line basis as detailed below.

Depreciation

Property, plant and equipment depreciation is charged to the statement of comprehensive income on a straight-line basis over the expected useful lives of fixed assets to write off the cost, or valuation, less estimated residual values at the following annual rates. Assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion, at the following rates:

Furniture, fittings and equipment (cost)	20%
Computer hardware and software (cost)	33.33%

Convertible debt and investors' equity

Proceeds of convertible loans are allocated between liability and equity components. The carrying value of the liability component is determined as the fair value of a similar liability that does not possess a conversion feature. For the purpose of determining an appropriate discount rate, advice was obtained from independent property and investment consultants in relation to the market rate of return on a similar unsecured loan instrument. The discount rate used was 10.8%. The residual amount once the liability component has been established is treated as an equity element, and transaction costs are allocated pro rata against the liability and equity components. This allocation shall not be revised in subsequent periods. The liability component is treated as a basic financial instrument.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Analysis of turnover

	2023	2022
	£'000	£'000
Analysis by class of business:		
Letting income	18,722	15,559
Factoring income	9,767	8,848
	<u>28,489</u>	<u>24,407</u>

3. Operating profit

	2023	2022
	£'000	£'000
Operating profit is stated after charging:		
Auditor's remuneration in respect of the audit of these financial statements (excl. VAT)	50	18
Depreciation on fixed assets	93	24

The Company has no employees (2022: nil) as staff are employed by another group company and recharged.

4. Other gains and losses

	2023	2022
	£'000	£'000
(Loss)/Gain on revaluation of investment property (note 9)	(1,412)	7,641
Fair value adjustment – convertible debt	-	7,461
	<u>(1,412)</u>	<u>15,102</u>

Fair value of convertible debt with Wheatley Homes Glasgow

During 2022, a £7.5m gain was recognised in the Statement of Comprehensive Income in relation to the revaluation of the convertible debt with Wheatley Housing Glasgow. This was a direct result of the extension of the term of the loan to November 2043.

5. Loss on disposal of fixed assets

	2023	2022
	£'000	£'000
Proceeds from disposal of properties	195	50
Value of properties disposed	(314)	(55)
Loss on sale of fixed assets	<u>(119)</u>	<u>(5)</u>

6. Finance charges

	2023	2022
	£'000	£'000
Interest and related charges on intra-group loan	2,920	2,918
Amortisation of discount on fair value of convertible loan	162	240
	<u>3,082</u>	<u>3,158</u>

Lowther Homes Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Tax charge

	2023	2022
	£'000	£'000
Total tax expense recognised in the profit and loss account		
<u>Current Tax:</u>		
Current tax on income for the year	672	528
Adjustment in respect of prior periods	-	-
	672	528
<u>Deferred Tax:</u>		
Origination and reversal of timing differences	(43)	1,643
Adjustments in respect of prior periods	-	1
Effects of changes in tax rates	(14)	1,640
	(57)	3,284
Total tax	615	3,812

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. The Finance Bill 2021 was substantively enacted on 24 May 2021 and given Royal Assent on 10 June 2021. Deferred taxes on the balance sheet have been measured at rates between 19% and 25% being the corporation tax rates enacted at the balance sheet date of 31 March 2023.

Deferred Tax	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
	£'000	£'000	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	-	-	-	-	-
Arising on business combinations	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Unused tax losses	-	-	-	-	-	-
Property revaluations	-	-	6,777	6,833	6,777	6,833
Tax liabilities	-	-	6,777	6,833	6,777	6,833
Net of tax liabilities	-	-	-	-	-	-
Net tax liabilities	-	-	6,777	6,833	6,777	6,833

Lowther Homes Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Tax charge (continued)

Factors affecting the tax charge for the current period

	2023	2022
	£000	£000
Reconciliation of effective tax rate		
Surplus for the year	1,236	13,804
Total tax expense	<u>615</u>	<u>3,812</u>
Surplus excluding taxation	1,851	17,616
Tax using the UK corporation tax rate of 19% (2022: 19%)	352	3,347
Effects of:		
Qualifying charitable donations	-	-
Income not taxable	-	(1,180)
Expenses not deductible	277	-
Deferred tax movement on revaluations	-	-
Tax rate changes	(14)	1,641
Prior year adjustments	-	4
Effect of indexation allowance on chargeable gains	-	-
Recognised in equity	-	-
Total tax expense included in Statement of Comprehensive Income	<u>615</u>	<u>3,812</u>

8. Property, plant and equipment

	2023
	£'000
Cost	
At 31 March 2022	254
Additions	232
At 31 March 2023	<u>486</u>
Accumulated Depreciation	
At 31 March 2022	164
Charge for financial year	93
At 31 March 2023	<u>257</u>
Net Book Value	
At 31 March 2023	<u>229</u>
Net Book Value	
At 31 March 2022	<u>90</u>

Lowther Homes Limited
Annual report and financial statements for the financial year ended 31 March 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Investments

Investment properties

	Core Investment Stock £'000	Housing Under Construction £'000	Total £'000
Cost or Valuation			
At 1 April 2022	151,977	388	152,365
Additions	1,219	4,777	5,996
Disposals	(314)	-	(314)
Revaluation	(1,412)	-	(1,412)
At 31 March 2023	151,470	5,165	156,635
Net Book Value - valuation			
At 31 March 2023	151,470	5,165	156,635
At 31 March 2022	151,977	388	152,365
Net Book Value – historic cost			
At 31 March 2023	106,328	5,165	111,493
At 31 March 2022	106,568	388	106,956

The valuation of investment properties as at 31 March 2023 shown above of £151.5m (2022: £152.0m) is the market value subject to tenancies, between a willing buyer and willing seller in an arm's length transaction. The valuation was carried out by Jones Lang LaSalle, a qualified professional valuer.

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

	2023 No.	2022 No.
Total Units	1,172	1,177

Investment in subsidiary undertaking

There has been no change to the carrying value of the investment in GBG Enterprises Limited in the year ended 31 March 2023.

	2023 £'000	2022 £'000
Carrying value of investment in GBG Enterprises Limited	250	250

Lowther Homes Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Trade and other debtors

Due within one year:	2023	2022
	£'000	£'000
Trade debtors	1,637	1,818
Other debtors	7,081	4,382
Corporation tax	-	56
Amounts owed by group undertakings	363	486
	<u>9,081</u>	<u>6,742</u>

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

11. Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Trade creditors	1,055	530
Accruals	1,855	2,058
Amounts owed to group undertakings – trading	2,343	1,429
Amounts owed to group undertakings – use of IT assets	510	484
Other creditors	4,913	3,994
Deferred income	1,575	373
Corporation Tax	124	-
	<u>12,375</u>	<u>8,868</u>

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

Deferred income

The deferred income balance is made up as follows:

	New Build Grant	Other	Total deferred income
	£'000	£'000	£'000
Deferred income as at 1 April 2022	373	-	373
Grant received in the year	4,465	14	4,479
Deferred income as at 31 March 2023	<u>4,838</u>	<u>14</u>	<u>4,852</u>

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

Deferred income to be released to the Statement of Comprehensive Income:	2023	2022
	£'000	£'000
In less than one year	1,575	373
In more than one year but less than five years	3,277	-
In more than five years	-	-
	<u>4,852</u>	<u>373</u>

Lowther Homes Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2023	2022
	£'000	£'000
Financial liability component of intra-group convertible loan	18,234	18,070
Amounts owed to group undertakings	75,836	75,804
	<u>94,070</u>	<u>93,874</u>
Deferred Income	3,277	-
Deferred tax	6,777	6,833
	<u>104,124</u>	<u>100,707</u>

Intra-group convertible loan

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

Amounts owed to group undertakings

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

Borrowings are repayable as follows:

	2023	2022
	£'000	£'000
In less than one year	-	-
In more than one year but less than two years	-	-
In more than two years but less than five years	-	-
In more than five years	94,070	93,874
	<u>94,070</u>	<u>93,874</u>

13. Financial instruments

	2023	2022
	£'000	£'000
Financial assets:		
<u>Measured at amortised cost:</u>		
Debtors and accrued income	9,081	6,742
Total	<u>9,081</u>	<u>6,742</u>
Financial liabilities:		
<u>Measured at amortised cost:</u>		
Creditors, accruals and amounts owed to group undertakings	98,265	91,505
<u>Measured at fair value through income and expenditure:</u>		
Intra-group convertible loan	18,234	18,070
Total	<u>116,499</u>	<u>109,575</u>

Expenses payable on the financial liabilities is disclosed in note 6.

Lowther Homes Limited

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NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Called up share capital

	2023 £	2022 £
<i>Authorised</i>		
Equity: 100 (2022: 100) Ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
Equity: 100 (2022: 100) Ordinary share of £1 each	100	100

15. Cash Flow Analysis

Cash flow from operating activities	2023 £'000	2022 £'000
(Deficit)/surplus for the year	1,236	13,804
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	93	24
(Increase)/decrease in trade and other debtors	(2,394)	228
Increase/(decrease) in trade and other creditors	2,361	(1,262)
<u>Adjustments for investing or financing activities:</u>		
Loss from sale of fixed assets	119	5
Loss/(Gain) on revaluation of fixed assets	1,412	(7,641)
Fair Value adjustment - convertible Debt	-	(7,461)
Amortisation of discount on convertible debt	162	240
Interest paid	2,920	2,918
Taxation	615	3,812
Gift Aid paid	(3,128)	(2,640)
Net cash inflow from operating activities	3,396	2,027

16. Ultimate parent organisation and subsidiary undertakings

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

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

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

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SUPPLEMENTARY INFORMATION

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