Scott-Moncrieff
business advisers and accountants

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Group Accounts

Registered Number: SP1860RS

Report and Financial Statements

For the year ended 31 March 2017

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2017

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Registration information

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered number SP1860RS
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered number 172
Registered Scottish Charity	SC036434

Board, Executives and Advisers

Board of Management – elected

Marilyn Clewes	Chair
David Horner	Vice Chair
Sadie Gordon	Vice Chair
Margaret Glass	
Daisy Woo	
Ian Elrick	
Paul Hush	
Andrew Burns	
John McIntyre	
Christine Thomson	
Anne Ramsay	
Colin Cassie	Resigned 12 September 2016
Andrew Stewart	Resigned 12 September 2016

Executive Officers

Shona Stephen	Chief Executive
Bill Brown	Director of Corporate & Community Services and Secretary
Neil Manley	Director of Finance, Investment and Business Development
Louise Smith	Director of Neighbourhood Services

Registered Office

45 Firhill Road
Glasgow
G20 7BE

Auditor

Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
G2 6NL

Bankers

Clydesdale Bank plc
1 Woodside Crescent
Charing Cross
Glasgow
G3 7UL

Solicitors

T C Young
7 West George St
Glasgow
G2 1BA

Report of the Board of Management (incorporating the Strategic Report)
For year ended 31 March 2017

The Board of Management present their report (incorporating the Strategic Report) and the audited consolidated financial statements for the year ended 31 March 2017.

Overview

Queens Cross Housing Association Limited is a social landlord and registered charity operating in the Queens Cross, Woodside, Westercommon/Hamiltonhill and Dundasvale areas of North West Glasgow. The Group was formed in 1976 with the aim of providing high quality social housing. The Group refers to Queens Cross Housing Association Limited and Queens Cross Factoring Limited. The Association fully owns a subsidiary company called Queens Cross Factoring Limited which provides a factoring service to over 2,300 owners of property in the area. The group also works together with Queens Cross Workspace Limited, an independent development agency promoting economic regeneration in the area.

The Group's main business is the provision of long term affordable rented housing, the provision of housing support for those who need additional help, residents property management and the rental of mid-market housing properties. The housing support service is currently funded by a combination of Supporting People grant, self-directed support personalisation budgets from Glasgow City Council and service charge income.

The Association owned outright 4,282 units as at 31 March 2017 and manages the tenancies for the majority of these homes. The Association also has a share in 46 shared ownership units. Within this total stock the Association leases 123 units/bed spaces to other care providers who manage these tenancies. Of the total stock 510 units are dedicated to the provision of supported housing to care groups such as older people, people experiencing mental health related issues and young people.

The Association's housing stock has been increased through construction, funded through grant and loan finance, and by stock transfer from other bodies such as Scottish Homes, Glasgow City Council (GCC) and Glasgow Housing Association Limited (GHA). The Association has completed two stock transfers from Glasgow Housing Association Limited in recent years with 438 homes transferring during 2010 in the Hamiltonhill area. Of these properties added to the housing stock, 290 were demolished as part of a clearance programme. The Association also completed the transfer of two other Local Housing Organisations from GHA on 28 March 2011, with 781 properties at Dundasvale, and 1,057 at Woodside South Maryhill transferring. The Association continues to have an active development programme with new housing stock released in 2013 at Oban Drive, Garscube Road and Ancroft Street and current developments on site at Leny Street. In 2016 the Timber Basin site at Panmure Gate was completed which included 35 units available for shared equity.

As part of its vision and values the Association aims to contribute to the development of the area in social, economic and environmental terms. The Association secures Wider Action funding from a variety of sources for this work. Over and above this the Association funds specific wider action work from its own resources if it is seen as contributing to its overall objectives.

Objectives and Strategy

The Group has completed a business planning process for the period 2017-2020 and an internal management plan which is reviewed annually and approved by the Board of Management. From our vision *Excellent Housing, Vibrant Communities*, and reflecting our values of *respect*, *integrity* and *aspiration* strategic objectives have been agreed.

The strategic aims for 2017-20 are:

- Build more desirable homes in popular neighbourhoods;
- Deliver more excellent services to suit our tenants lives;
- Invest in our people to grow and develop their skills;
- Find more ways to ensure value for money;
- Continue to challenge fuel poverty;
- Put more emphasis on community health and wellbeing; and
- Be ready for opportunities.

Objectives and Strategy (continued)

Below these strategic objectives, key departmental tasks are laid out in the internal management plan. As part of this plan key actions have been identified.

Performance of Business

Key Performance Indicators are reported to the Board quarterly and to our regulators with the following being amongst the key indicators used:

Housing Management
- Average re-let times for void properties;
- Void losses i.e. lost rent through unlet properties;
- Current tenant arrears as a % of total rent; and
- Bad debts written off.

Asset Management
- Repair response times;
- Maintenance cost per unit; and
- Progress to achieving and then maintaining the Scottish Homes Quality Standard.

Financial Management
- Surplus;
- Actual results compared to forecast;
- Financial gearing, e.g. debt against assets; and
- Interest cover.

Development
- Cost per unit;
- New units into management; and
- Programme management.

The following are the results in 2016/17 for specific performance indicators.

Housing

The average void re-let period was 19.3 days against the set target of 16 days with a void rent loss of £132,828 (2016: £70,462) in the year.

The net tenant rent arrears were £514,979 (2016: £442,742). This represents 3.0% (2016: 2.6%) of the total rental and service charge income figure and we continue to focus closely on managing this aspect of the business. A bad debt write off of £118,335 (2016: £79,236) in relation to former tenants was made in the year.

As at 31 March 2017 there were 1,262 applicants on the housing list with 1,248 new applicants added in 2016/17. 719 tenancy offers were made in the year.

Report of the Board of Management (incorporating the Strategic Report)
For year ended 31 March 2017

Operating and Financial Review

Asset Management

There were 18,591 reactive maintenance jobs in the year with 98% completed right first time against a target of 85%. This equates to an average of 4.3 repairs per property in the year at an average reactive cost of £132.87 per reactive repair. Of the total, 4,895 repairs were emergencies and were responded to within 4 hours, whilst urgent repairs have a target of 2 days and routine repairs are within 5 days. Our performance to these response targets is detailed here:

	Actual	Target
Emergency	99.98%	100%
Urgent	99.86%	98%
Routine	99.87%	98.5%

As at 31 March 2017, 100% of all properties (2,890) had a current gas safety certificate. Across the year 100% of stock requiring a gas certificate renewal was inspected within the set timescale.

The major repairs programme continued with investment in the former Scottish Homes properties which included rewiring and replacement of windows and bathrooms and work on homes transferred from Glasgow Housing Association Limited through stock transfer on heating systems, cladding and other housing components.

As at 31 March 2017, 90% of our stock met the Scottish Housing Quality Standard. Ongoing works on the Cedar multi-storey flats is an area that will address further areas of current non-compliance. The Scottish Housing Regulator is aware of the timescale for our compliance. By March 2018 96.4% of stock will met the standard.

Financial and non-financial key performance indicators

The Association's key objectives include the achievement of sound finances and good value for money in the delivery of its services. Central to this is ensuring the Association continues to demonstrate its financial viability through its 30 year cash-flow. The Association completes this 30 year plan using the BRIXX financial model. This model, the key assumptions within it and the key business risks for the Association are reviewed, validated and approved by the Board each year. It is the Board's view that these financial assumptions are prudent and realistic and should ensure that we can continue to deliver affordable rents. The key risks incorporated into the model are detailed in the risk assessment section. The Association's financial plan and cash forecast, the projection of operating surpluses and the major repairs and maintenance expenditure, retained reserves and borrowing assumptions behind them are central to the organisation's business plan. It is this business plan which projects the future flows of resources in and out of the Association and against which any new developments or activities are assessed. This assessment measures the benefits of new activity against any impact on the financial objectives described above.

Within the 2017/18 budgeting process the Board continued the strategy of addressing the increased financial challenges and risks faced through the achievement of a prescribed savings target having achieved a £1m saving on recurring costs from 2013. A target of savings of £200k was agreed this year to meet the financial challenges the Association faces from the changes to housing support and from the increasing cost of stock investment. The Association is a member of the Housemark benchmarking club which provides the Association with a scorecard for its services in terms of their costs, quality, quantity and overall effectiveness of the services provided compared to a selected peer group.

The Housemark results demonstrate that the organisation is in the upper quartile for performance in its repairs services and this performance is achieved with a lower cost per property than those within the peer group. Within Housing top quartile performance in areas like void letting period sits along mid to lower quartile performance in rent arrears and housing management cost per unit. The driver for this cost position is the ratio of staff to properties within housing management. The continuing value for money challenge for the Association is to improve performance quality in areas like arrear performance and improve on the housing management cost per property. The use of best practice training and the introduction of a tenancy sustainment team are being undertaken to support these aims.

Financial and non-financial key performance indicators (continued)

The Association has introduced a web based purchase order system to support better and controlled procurement as well as improving the accuracy and timeliness of financial reporting in the organisation. A value for money strategy supported by staff across the organisation has been introduced leading to costs and working practices being reviewed within a value for money context. The Association continues to support a review of the SHAPS pension scheme in terms of its affordability, benefit and governance structure. In addition, and as a result of funding reductions for the housing support service, a review of staffing structures and conditions took place with some additional costs borne by the Association as a result of these funding cuts.

The Association wants to be in a position to take advantage of any development opportunities that arise. This is done by the accumulation of sufficient reserves over the business cycle, the prudent use of borrowing against assets when necessary, and the accessing of available funding opportunities to cover service and support costs. The level of major repairs work is determined from the 30 year asset lifecycle work-plan. The table below illustrates this point.

Association's results	**2016/17**	**2015/16**	**2014/15**	**2013/14**	**2012/13**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Turnover	23,971	23,400	25,771	21,077	29,653
Operating expenditure	19,756	19,218	17,994	19,002	27,458
Operating surplus	4,215	4,182	7,777	2,075	2,195
Capitalised major repairs	11,577	6,509	4,355	4,692	994

The Association is required to meet financial covenants in respect of its borrowings which are linked to the level of surplus each year and so future commitments on major repairs spend must be affordable through retained surpluses.

The Association is currently on site investing in those areas not meeting the Scottish Housing Quality Standard and this expenditure is incorporated into the budget plan. Over the next 5 years, the Association is budgeting to invest £31.5m on capital repairs to its housing stock. A loan facility with the Clydesdale Bank for £12m was agreed prior to the stock transfer to fund this investment in stock and this has now been fully drawn. The Association has prioritised regeneration investment in key areas of its stock and is working with a number of contractors in accessing ECO funding to supplement the Association's investment plans and provide enhanced specifications in the works with the aim of making it easier and cheaper to heat our homes. The innovative ground source heating system installation at Westercommon was impacted by the contractor entering administration at a late stage of the programme and the Association worked with alternate providers to ensure the works were completed. The refurbishment of the Cedar multi storey flats is currently the major project being undertaken.

The Association sees its wider contribution to the economic and social development of the area as very important. The Association's wider action and care work is supported through supporting people income, wider action and other grant funding sourced by the community services section. These services aim to be self-financing over the long term and make appropriate contributions to the support costs that help service them, however the Association has in the past contributed to them to ensure continuity of service provision. Given the current changes to the sector, the ability to do this going forward may be more limited. The business plan and risk strategy have highlighted the significance of this income in the overall financial objectives and this is an area where significant changes are likely to affect the Association in the future.

Report of the Board of Management (incorporating the Strategic Report)
For year ended 31 March 2017

Capital Structure

At the year-end borrowings totalled £39,138,549 (2016: £35,278,525) with the additional borrowing in the year being the drawdown of an RBS facility to support the Leny Street new build and investment expenditure. At the year end date there was still £3m of this facility to draw and it was drawndown in May 2017. The following table shows the split of debt between the various funders and whether the loan was obtained on a fixed/capped, variable or callable rate basis.

	Fixed/Capped £	Floating/Callable £
Nationwide Bank	1,705,080	8,778,352
Royal Bank of Scotland	5,727,570	12,457,840
Clydesdale Bank	5,719,340	4,929,717
Amortised loan fees	-	(179,350)
Total	13,151,990	25,986,559

In order to support its plans for future development, in particular at Hamiltonhill, the Association has drawn up a funding strategy with its financial advisers, MURJA, and is in the early stages of discussing this with potential lenders. The Association is seeking to access long term bond funding as part of the funding package to sit alongside more traditional commercial debt.

Cash reserves continue to be placed on deposit with the Group's main banker, Clydesdale Bank, the Royal Bank of Scotland and with Cater Allen Bank. The retained reserves will support the future major repairs programme as detailed earlier.

Development

As mentioned above, the Association has completed 108 new units of mixed tenure housing at Timber Basin and the two sites at Leny Street and Garscube Road with 76 new units in total completed in the spring of 2017. The average total development cost per unit across these projects has been:

Timber Basin	£117k
Leny Street	£115k
Garscube Road	£127k

The Association is working with Scottish Waterways and Glasgow City Council on developing a master plan for the site at Hamiltonhill as part of a wider regeneration of the canal corridor. As part of the plan the Association is proposing to work with a private developer, in developing up to 600 units across this extensive site in a mix of tenures. This will include up to 300 for sale.

Community Development Initiatives

A wide range of community initiatives including youth work, volunteering and employment counselling, and life skills were continued during the year. A number of grants were received from the Scottish Government, under its Wider Action agenda, and other bodies to assist with the provision of these activities.

Risk and Uncertainties

As part of the business planning process the Group has put into place an enhanced risk review policy. Risks are defined as events that will impact on the achievement of the business plan. Arising from these processes the key risks have been identified and scored for their impact and probability. Strategies to address these risks have been drawn up.

Significant risks identified are:

- Increasing arrears as a result of economic downturn and benefit reviews. The Association aims to monitor performance carefully in this area and has made specific adjustments to forward budget forecasts, service delivery and communication to tenants through the welfare reform strategy;
- In addition and linked to the above point, the Association has within its financial planning over the last 3 years reduced the assumption of rent growth over and above inflation. Our aim is, where possible, to ensure that our rents continue to be seen as affordable;
- Inflationary pressures, over and above those factored into the current business plan, on maintenance and major repairs expenditure, may be an area of concern. The business plan does make prudent estimates on the prospects for cost and income growth;
- The Association has seen a considerable increase in its pension scheme contributions to the SHAPS pension scheme in 2016/17 as a result of the triennial pension valuation. It was decided in 2016 to close the final salary scheme and transfer staff into a CARE 1/80th closed scheme and offer the CARE 1/120th scheme to new members of staff. The Association also offers a defined contribution scheme which it is using to meet its pension auto enrolment obligations. It will continue to explore options to mitigate the risks in this area;
- The Association has been advised that funding for its support services from Glasgow City Council will end from December 2017. The Association is working with Social Work Services on reworking the model of care in the light of this funding change to see if agreement can be made on the continuing provision of these services.
- Reductions in levels of capital grant for securing progress on development plans which would increase the need for private finance to facilitate new schemes; and
- Interest rate increases which would have a cost impact for the Association. The Association is actively managing this risk through a rate hedging strategy covered in more detail in the Capital Structure section.
- The Association has always had a robust approach to fire safety. Following the Grenfell Tower fire and the subsequent and on-going reviews there may be a requirement for additional investment, with an as yet unidentified financial impact.

In addition to the embedded risk policy, specific risks are also considered within the internal management plan with mitigating actions drawn up.

Future Plans

The Associations scheme at Leny Street for 68 funding units of social rented housing is nearing completion with this being funded through the Royal Bank of Scotland's loan facility and through grant funding, and similarly a site at Garscube Road for 8 units for social rent completed in April 2017.

The Association continues to identify future potential sites that it would like to develop although the ability to fully develop these opportunities will depend on the availability of appropriate funding as well as the capacity in financial terms of the organisation to meet its current loan covenant obligations. The regeneration of the Hamiltonhill area as part of the wider canal strategy with Scottish Waterways and Glasgow City Council presents a number of potential development opportunities for the Association. As detailed in the funding section the Association will use the financing need of this new development as an opportunity to restructure its overall loan portfolio and seek to access bond financing.

Over and above the core housing business, the Association will continue to seek and secure external funding for its wider role activities in pursuance of its charitable aims.

Accounting Policies

The accounting policies applied by the Group are detailed in the notes to the accounts. It is useful here to note the key policies that affect the figures in the annual report. Property is recorded at the historical cost of construction and has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. Deferred Capital grant is held as a creditor on the Statement of Financial Position and in line with FRS 102, it is amortised to the Statement of Comprehensive Income over the useful life of the asset.

The Board of Management and Executive Officers

The Board of Management and executive officers of the Association are listed on page 1.

Each elected member of the Board of Management holds one fully paid share of £1 in the Association although independent members do not require to be members. The executive officers of the Association hold no interest in its share capital and, although not having the legal status of directors, they act as executives within the authority delegated by the Board of Management.

Governance

The Association is regulated by the Scottish Housing Regulator and managed by an elected Board of Management. The Board of Management has overall responsibility for managing the Association's finances and is supported by the Audit Sub-Committee who have specific responsibility for overseeing the financial controls of the Association. The Audit Sub-Committee meets quarterly, and the Committee is supported by the work of both the internal and external auditors. The Scottish Housing Regulator's latest regulation plan classifies the Association as being one which they see as having a medium engagement at this time. The Board of Management is charged with overseeing the management of the Association and monitoring its financial and non-financial performance.

Health and Safety

The Board and senior staff of the Association and its subsidiaries are aware of their responsibilities with regards to health and safety. The Association and its subsidiary prepare detailed policies on health and safety and provides staff training and education on these areas.

Equality and Diversity

Queens Cross Housing Association Limited is committed to promoting an environment of respect and understanding, encouraging diversity and eliminating discrimination by providing equality of opportunity for all. Throughout the Association there will be a consistent approach to promoting equality and diversity across all areas. In addition to our statutory responsibility contained in the Housing Scotland Act 2010 we are keen to create safe and inclusive neighbourhoods and an environment where people can live and work without experiencing any form of discrimination or harassment.

Investors in People

The Association has Investors in People status and the organisation will continue to put a high priority on establishing standards and systems to support its service delivery. The recruitment, retention and development of high quality staff who support the aims and values of the organisation will continue to be central to the Association.

Agency Work

We have also been active in providing agency services to other housing associations including property development, clerk of works services, marketing of property for sale, and general housing management.

Statement on Internal Financial Controls

The Board of Management acknowledge their ultimate responsibility for ensuring that the Group has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

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

It is the Board of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that:

(a) Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;

(b) Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;

(c) Forecasts and budgets are prepared which allow the Board and management to monitor the key business risks and financial objectives, and progress towards financial plans set out for the year. During the financial year, regular management accounts are prepared promptly, providing relevant, reliable and up to date financial and other information. Significant variances from budgets are investigated as appropriate;

(d) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the relevant sub-committees which are comprised of Board of Management members;

(e) The Association has appointed a firm of accountants, on a consultancy basis, as internal auditor with the specific responsibility of assessing the adequacy and reliability of the system of internal financial control. The results of such reviews are reported to the Audit Sub-Committee;

(f) The Board of Management reviews reports from the external auditor to provide reasonable assurance that control procedures are in place and are being followed; and

(g) Formal practices have been established for instituting appropriate action to correct weaknesses identified from the reports of the external and internal auditors.

The Board of Management have reviewed the effectiveness of the system of internal financial control in existence in the Group for the year ended 31 March 2017. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Related Party Transactions

Some members of the Board of Management are tenants. Their tenancies are on the Association's normal tenancy terms and, in common with other members of the Board of Management, they cannot use their positions to their advantage. Details of transactions with Board members can be found at note 33.

Report of the Board of Management (incorporating the Strategic Report)
For the year ended 31 March 2017

Charitable Donations

During the year the Association made charitable donations amounting to £4,990 (2016: £1,494).

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Board of Management at the time the report is approved:

- So far as each Board member is aware, there is no relevant information of which the Group's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Board member in order to make himself/herself aware of any relevant information, and to establish that the Group's auditor is aware of the information.

Auditor

A formal tender process for the provision of external audit services for 2017/18 and onwards is ongoing. The Board will nominate the successful firm for appointment as external auditor at the AGM.

By order of the Board of Management

M. Clewes

Marilyn Clewes
Chair

Dated: 8 August 2017

Statement of the Board of Management's Responsibilities
For the year ended 31 March 2017

Housing Association legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for the year ended on that date. In preparing those 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 accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association.

The Board is also responsible for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditor to the Members of Queens Cross Housing Association Limited
For the year ended 31 March 2017

We have audited the consolidated financial statements of Queens Cross Housing Association Limited for the year ended 31 March 2017 which comprise the Group and Association's Statement of Comprehensive Income, the Group and Association's Statement of Changes in Capital and Reserves, the Group and Association's Statement of Financial Position, the Group's Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Management and the auditor

As explained more fully in the Statement of the Board of Management's Responsibilities set out on page 11, the Board of Management is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2017 and of the Group's and Association's income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

Report of the Auditor to the Members of Queens Cross Housing Association Limited
For the year ended 31 March 2017

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of accounts; or
- we have not received all the information and explanations we need for our audit.

Scott-Moncrieff

Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Dated: 8 August 2017

Report of the Auditor to the Board of Management of Queens Cross Housing Association Limited on Corporate Governance Matters
For the year ended 31 March 2017

In addition to our audit of the financial statements, we have reviewed your statements on page 9 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for any non-compliance.

Opinion

In our opinion your Statement on Internal Financial Controls on page 9 has provided 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 and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Controls appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Scott - Moncrieff

Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Dated: 8 AUGUST 2017

Group Statement of Comprehensive Income
For the year ended 31 March 2017

	Note	2017 £	2016 £
Turnover	4	25,218,676	24,733,798
Operating expenditure	4	(20,915,145)	(20,491,760)
Operating surplus	4	4,303,531	4,242,038
Gain on disposal of property, plant and equipment		205,559	206,320
Income from fixed asset investments		66,013	69,286
Increase in value of investment properties		-	700,000
Interest receivable and other income	7	185,184	238,545
Interest payable and similar charges	8	(1,327,227)	(1,442,239)
Surplus before tax		3,433,060	4,013,950
Taxation	12	(13,189)	(100,688)
Surplus for the year		3,419,871	3,913,262
Other comprehensive income			
Actuarial (loss)/gain on the defined benefit pension scheme	31	(827,000)	681,000
Total comprehensive income for the year		2,592,871	4,594,262

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

Association Statement of Comprehensive Income
For the year ended 31 March 2017

	Note	2017 £	2016 £
Turnover	4	23,971,223	23,399,509
Operating expenditure	4	(19,756,457)	(19,217,756)
Operating surplus	4	4,214,766	4,181,753
Gift aid income		40,000	40,000
Gain on disposal of property, plant and equipment		205,559	206,320
Increase in value of investment properties		-	150,000
Interest receivable and other income	7	234,017	289,995
Interest payable and similar charges	8	(1,327,227)	(1,442,239)
Surplus before tax		3,367,115	3,425,829
Taxation	12	-	-
Surplus for the year		3,367,115	3,425,829
Other comprehensive income			
Actuarial (loss)/gain on the defined benefit pension scheme	31	(827,000)	681,000
Total comprehensive income for the year		2,540,115	4,106,829

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

Group Statement of Changes in Capital and Reserves at 31 March 2017

	Share Capital £	Revenue Reserves £	Other Reserves £	Total Reserves £
Balance at 1 April 2016	320	34,301,301	458,776	34,760,397
Share capital issued	6	-	-	6
Share capital cancelled	(46)	-	-	(46)
Total comprehensive income	-	2,592,871	-	2,592,871
Balance at 31 March 2017	280	36,894,172	458,776	37,353,228

Group Statement of Changes in Capital and Reserves at 31 March 2016

	Share Capital £	Revenue Reserves £	Other Reserves £	Total Reserves £
Balance at 1 April 2015	325	30,165,815	-	30,166,140
Share capital issued	15	-	-	15
Share capital cancelled	(20)	-	-	(20)
Total comprehensive income	-	4,594,262	-	4,594,262
Transfers	-	(458,776)	458,776	-
Balance at 31 March 2016	320	34,301,301	458,776	34,760,397

The notes form part of these financial statements.

Association Statement of Changes in Capital and Reserves at 31 March 2017

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2016	320	34,079,575	34,079,895
Share capital issued	6	-	6
Share capital cancelled	(46)	-	(46)
Total comprehensive income	-	2,540,115	2,540,115
Balance at 31 March 2017	280	36,619,690	36,619,970

Association Statement of Changes in Capital and Reserves at 31 March 2016

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2015	325	29,972,746	29,973,071
Share capital issued	15	-	15
Share capital cancelled	(20)	-	(20)
Total comprehensive income	-	4,106,829	4,106,829
Balance at 31 March 2016	320	34,079,575	34,079,895

The notes form part of these financial statements.

Group Statement of Financial Position
As at 31 March 2017

	Note	2017 £	2016 £
Tangible fixed assets			
Housing properties	13	136,171,989	127,961,839
Other fixed assets	16	3,975,429	3,866,589
		140,147,418	131,828,428
Current assets			
Debtors (amounts falling due within one year)	18	1,274,188	2,477,012
Stock and work in progress	19	1,870	1,429
Investments	20	6,632,534	6,523,010
Cash and cash equivalents	21	6,944,111	10,371,571
		14,852,703	19,373,022
Creditors: amounts falling due within one year	22	(8,926,981)	(8,853,012)
Net current assets		5,925,722	10,520,010
Total assets less current liabilities		146,073,140	142,348,438
Creditors: amounts falling due after more than one year	23	(107,021,551)	(106,739,680)
Pension liability	31	(1,606,000)	(756,000)
Deferred tax	26	(92,361)	(92,361)
Net assets		37,353,228	34,760,397
Capital and reserves			
Share capital	27	280	320
Revenue reserve	28	36,894,172	34,301,301
Other reserves	28	458,776	458,776
		37,353,228	34,760,397

The financial statements were authorised for issue by the Board of Management on 8 August 2017 and were signed on its behalf by:

Marilyn Clewes M. Clewes Chair

David Horner David Horner Vice Chair

Sadie Gordon S Gordon Vice Chair

The notes form part of these financial statements.

Association Statement of Financial Position
As at 31 March 2017

	Note	2017 £	2016 £
Tangible fixed assets			
Housing properties	13	136,171,989	127,961,839
Other fixed assets	16	2,519,229	2,410,270
		138,691,218	130,372,109
Investments	17	1	1
		138,691,219	130,372,110
Current assets			
Debtors (amounts falling due after more than one year)	18	849,070	910,710
Debtors (amounts falling due within one year)	18	1,059,154	2,396,585
Investments	20	6,632,534	6,523,010
Cash and cash equivalents	21	6,250,156	9,661,828
		14,790,914	19,492,133
Creditors: amounts falling due within one year	22	(8,234,612)	(8,288,668)
Net current assets		6,556,302	11,203,465
Total assets less current liabilities		145,247,521	141,575,575
Creditors: amounts falling due after more than one year	23	(107,021,551)	(106,739,680)
Pension liability	31	(1,606,000)	(756,000)
Net assets		36,619,970	34,079,895
Capital and reserves			
Share capital	27	280	320
Revenue reserve	28	36,619,690	34,079,575
		36,619,970	34,079,895

The financial statements were authorised for issue by the Board of Management on 8 August 2017 and were signed on its behalf by:

Marilyn Clewes M. Clewes — Chair

David Horner — Vice Chair

Sadie Gordon S Gordon — Vice Chair

The notes form part of these financial statements.

Group Statement of Cash Flows
For the year ended 31 March 2017

	Notes	2017 £	2016 £
Net cash generated from operating activities	1	8,425,349	5,330,558
Cashflow from investing activities			
Purchase of property, plant and equipment		(15,448,076)	(14,069,849)
Proceeds from the sale of property, plant and equipment		663,860	345,298
Grants received		68,931	4,036,895
Interest received		185,184	238,545
		(14,530,101)	(9,449,111)
Cashflow from financing activities			
Interest paid		(1,139,227)	(1,232,239)
New secured loans		5,000,000	2,500,000
Repayment of borrowings		(1,139,976)	(1,027,344)
Deposits in current asset investments		(109,524)	(128,097)
Issue of share capital		6	15
Income from fixed asset investments		66,013	69,286
		2,677,292	181,621
Net change in cash and cash equivalents		(3,427,460)	(3,936,932)
Cash and cash equivalents at 1 April		10,371,571	14,308,503
Cash and cash equivalents at 31 March		6,944,111	10,371,571
		(3,427,460)	(3,936,932)

The notes form part of these financial statements.

Notes to the Group Statement of Cash Flows
For the year ended 31 March 2017

1. Net cash generated from operating activities

	2017 £	2016 £
Surplus for the year	3,433,060	4,013,950
Adjustments for non cash items		
Carrying amount of housing property disposals	248,930	138,978
Depreciation of property assets	4,544,703	4,047,174
Depreciation of other fixed assets	82,572	120,455
(Increase) in stock	(441)	(210)
Decrease/(increase) in debtors	1,202,824	(766,794)
Increase/(decrease) in creditors	51,221	(726,593)
Proceeds from sale of tangible fixed assets	(663,860)	(345,298)
Repayment of HAG on disposal of housing properties	(204,831)	(100,413)
SHAPS past deficit movements	99,429	137,000
Non-cash movement relating to Strathclyde pension liability	23,000	65,000
Loss on disposal of other fixed assets	4,540	-
Adjustments for investing and financing activities		
(Increase) in valuation of investment properties	-	(700,000)
Interest payable	1,139,227	1,232,239
Interest received	(185,184)	(238,545)
Release of deferred capital government grant	(2,904,047)	(2,818,747)
SHAPS deficit contribution paid	(620,000)	(602,525)
Sale of shared ownership properties	2,248,341	1,954,127
Forfeited share capital	(46)	(20)
Income from fixed asset investments	(66,013)	(69,286)
Taxation paid	(8,076)	(9,934)
	8,425,349	5,330,558

Notes to the Financial Statements
For the year ended 31 March 2017

1. General Information

The consolidated financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014. The principal accounting policies are set out below:

The preparation of these financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies (see note 3).

The presentation currency is pounds sterling and the financial statements are rounded to the nearest whole number.

The Association is a Co-operative and Community Benefit Society Limited by shares and is incorporated in the United Kingdom. The Association is a registered social landlord in Scotland and its registered number is 172. The registered address is 45 Firhill Road, Glasgow G20 7BE.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities.

2. Principal accounting policies

Introduction and accounting basis

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 March 2017, which occurred before the date of approval of the financial statements by the Board of Management have been included in the financial statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2017 and of the results for the year ended on that date.

Going concern

The Group has a healthy cash position and the Board of Management anticipate a surplus for 2017/18 and 2018/19. The Board is satisfied that there are sufficient resources in place to continue operating for the foreseeable future and meet the planned capital investment programme over the next 5 years with finance facilities in place. Forward cash-flow forecasts have been prepared for the Board to evidence this forward viability. Thus the Board continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Association
Turnover represents rental and service charge income and fees or revenue grants receivable from Glasgow City Council, the Scottish Government, and other sources. Also included is any income from first tranche shared ownership disposals.

2. Principal accounting policies (continued)

Queens Cross Factoring Limited

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Apportionment of management expenses

Direct employee, administration and operating expenditure have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

The costs of cyclical and major repairs are charged to the Statement of Comprehensive Income in the year in which they are incurred.

Interest receivable

Interest income is recognised in the Statement of Comprehensive Income using the effective interest rate method.

Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Lessor

The Association rents out commercial property under formal leases. The rental income is recognised within other activities (note 6) on an accruals basis and when the Association is entitled to that income.

Fixed assets - Housing properties

Housing properties are stated at cost, less accumulated depreciation. The development cost of housing properties includes:-

1. Cost of acquiring land and buildings;
2. Development expenditure including administration costs; and
3. Capitalisation of interest during the development phase.

These costs are either termed "qualifying costs" by the Scottish Government for approved social housing grant or are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value are included in the accounts for the year, provided that the dates of issue or valuation are prior to the year-end.

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

All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated.

2. Principal accounting policies (continued)

Shared equity

On completion of construction, shared equity units are held in stock along with the grant received. On completion of the first tranche sale, the Association's obligation ceases and the cost and grant are de-recognised through the Statement of Comprehensive Income.

Fixed assets – investment properties

Investment properties are initially recorded at cost. Thereafter investment properties are held at market value with any changes in market value recognised in the Statement of Comprehensive Income.

Fixed assets – other fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'operating expenditure' in the Statement of Comprehensive Income.

Depreciation

1. Housing properties

   Housing properties are stated at cost less accumulated depreciation. Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been identified by the Group:

   Land - not depreciated
   Structure - over 50 years
   Windows/Doors - over 30 years
   Bathroom - over 30 years
   Electrical - over 30 years
   Roofing - over 30 years
   Boiler plumbing - over 15 years
   Kitchen - over 15 years
   Lifts - over 10 years

   In the year of addition, the component is depreciated from the date of addition.

   In the year of disposal, the net book value of the component being replaced is written off and is included in the depreciation charge for the year.

2. Principal accounting policies (continued)

Depreciation (continued)

2. Other fixed assets

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life. The following rates have been used:-

Leasehold Property	-	Over the lease term
Furniture, Fittings & Equipment	-	15 - 25% on cost
Computer Equipment	-	25% reducing balance

A full year's depreciation is charged in the year of purchase.

No charge is made in the year of disposal.

Development administration costs

Development administration costs relating to development activities are capitalised based on an apportionment of the staff time spent directly on this activity.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to sell.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Rental arrears

Rental arrears represent amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in note 18.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. Principal accounting policies (continued)

Current asset investments

Current asset investments are represented by long term deposits with financial institutions repayable after more than three months.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Group has transferred substantially all the risks and rewards or ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Government capital grants

Government Capital Grants, at amounts approved by The Scottish Government or Glasgow City Council, are paid directly to the Group as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Group to recognise income on a systematic basis over the period in which the Group recognises the related costs for which the grant is intended to compensate.

Government revenue grants

Government revenue grants are recognised using the accrual model which means the Group recognises the grant in income on a systematic basis over the period in which the Group recognises the related costs for which the grant is intended to compensate.

2. Principal accounting policies (continued)

Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Loans

Mortgage loans are advanced by Private Lenders under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by the Scottish Government.

Financial commitments

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

The principal office premises of the Group are held on a full repairing lease. The lease termination date is 2023, and a rent review will take place in 2018.

Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date in the United Kingdom where the group operates and generates income.

Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences that have originated but not reversed at the Statement of Financial Position date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis, at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

2. Principal accounting policies (continued)

Pensions (note 31)

Strathclyde Pension Fund
In accordance with FRS 102, the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

Scottish Housing Association Pension Scheme (SHAPS)
The Association participates in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) and retirement benefits to employees are funded by the 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 entities taken as a whole.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as 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.

Thus the Scheme is accounted for as a defined contribution scheme. However the Group has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

Other Reserves

In line with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities), any gain on revaluation is recognised in the Statement of Comprehensive Income. As this gain is non-distributable a transfer has been made to other reserves in order to keep this separate from distributable reserves.

3. Judgements in applying policies and key sources of estimation uncertainty

Estimate	**Basis of estimation**
Useful lives of property, plant and equipment	The useful lives of property, plant and equipment are based on the knowledge of senior management at the Group, with reference to expected asset life cycles.
The main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.
The obligations under the SHAPs pension scheme and the Strathclyde pension scheme	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.
The valuation of investment properties	The investment properties were valued by an appropriately qualified surveyor using market data at the date of valuation.

Notes to the Financial Statements
For the year ended 31 March 2017

4. Particulars of Turnover, Operating Expenditure and Operating Surplus/(Deficit)

Group	2017			2016		
	Turnover £	Operating Expenditure £	Operating Surplus/ (Deficit) £	Turnover £	Operating Expenditure £	Operating Surplus/ (Deficit) £
Social Lettings (Note 5)	19,377,437	(14,572,072)	4,805,365	19,039,596	(14,177,662)	4,861,934
Other activities (Note 6a)	4,359,786	(4,950,385)	(590,599)	4,129,913	(4,810,094)	(680,181)
Queens Cross Factoring Limited	1,481,453	(1,392,688)	88,765	1,564,289	(1,504,004)	60,285
	25,218,676	(20,915,145)	4,303,531	24,733,798	(20,491,760)	4,242,038

Association	2017			2016		
	Turnover £	Operating Expenditure £	Operating Surplus/ (Deficit) £	Turnover £	Operating Expenditure £	Operating Surplus/ (Deficit) £
Social Lettings (Note 5)	19,377,437	(14,572,072)	4,805,365	19,039,596	(14,177,662)	4,861,934
Other activities (Note 6b)	4,593,786	(5,184,385)	(590,599)	4,359,913	(5,040,094)	(680,181)
	23,971,223	(19,756,457)	4,214,766	23,399,509	(19,217,756)	4,181,753

5. Particulars of turnover, operating expenditure and operating surplus from social letting activities

Association	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2017 Total £	2016 Total £
Income from rent and service charges					
Rent receivable net of service charges	14,879,166	2,031,590	121,724	17,032,480	16,711,569
Service charges	264,757	36,103	-	300,860	312,634
Gross income from rents and service charges	15,143,923	2,067,693	121,724	17,333,340	17,024,203
Less voids	(114,095)	(18,733)	-	(132,828)	(70,462)
Net income from rents and service charges	15,029,828	2,048,960	121,724	17,200,512	16,953,741
Release of deferred Government capital grants	1,838,865	267,509	-	2,106,374	2,016,680
Grants from the Scottish Ministers	-	70,551	-	70,551	69,175
Total turnover from social letting activities	16,868,693	2,387,020	121,724	19,377,437	19,039,596
Expenditure					
Management and maintenance administration costs	(4,635,280)	(673,491)	(81,150)	(5,389,921)	(5,513,070)
Service charges	(72,526)	(9,890)	-	(82,416)	(79,031)
Planned cyclical maintenance	(1,730,493)	(235,977)	-	(1,966,470)	(2,191,810)
Reactive maintenance costs	(2,173,800)	(296,427)	-	(2,470,227)	(2,267,341)
Bad debts – rents and service charge	(104,132)	(14,203)	-	(118,335)	(79,236)
Depreciation of social housing*	(3,995,126)	(524,532)	(25,045)	(4,544,703)	(4,047,174)
Operating expenditure for social letting activities	(12,711,357)	(1,754,520)	(106,195)	(14,572,072)	(14,177,662)
Operating surplus on letting activities, 2017	4,157,336	632,500	15,529	4,805,365	
Restated operating surplus on letting activities, 2016	4,603,666	221,457	37,011		4,861,934

* This is made up of £4,509,331 (2016: £3,975,572) depreciation charge per note 13 and the loss on disposal of components of £35,372 (2016: £71,602) included in depreciation in accordance with the SORP as per note 13. Depreciation of £80,053 (2016: £117,936) in relation to other fixed assets per note 16 is included in management and maintenance administration costs.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

6a. Particulars of turnover, operating expenditure and operating surplus/(deficit) from other activities

Group	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover		Other operating expenditure		Operating surplus/(deficit)	
					2017	2016	2017	2016	2017	2016
	£	£	£	£	£	£	£	£	£	£
Wider role activities #	134,013	60,374	-	15,500	209,887	202,420	(569,933)	(484,871)	(360,046)	(282,451)
Development and construction of property activities	51,615	-	-	798	52,413	207,855	(357,266)	(456,487)	(304,853)	(248,632)
Support activities			881,700	667,609	1,549,309	1,453,921	(1,647,624)	(1,772,598)	(98,315)	(318,677)
Agency/management services for RSLs	-	-	-	-	-	-		-	-	-
Other agency / management services	-	-	-	150,111	150,111	145,000	(127,221)	(142,011)	22,890	2,989
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	-	-	16,490	-	-	-	16,490
Car park income	-	-	-	149,725	149,725	150,100	-	-	149,725	150,100
Demolition Costs		-	-	-	-	-	-	-	-	-
Shared equity property sales	-	797,673	-	1,450,668	2,248,341	1,954,127	(2,248,341)	(1,954,127)	-	-
Total from other activities, 2017	185,628	858,047	881,700	2,434,411	4,359,786		(4,950,385)		(590,599)	
Total from other activities, 2016	327,193	885,149	1,008,063	1,909,508		4,129,913		(4,810,094)		(680,181)

\# Undertaken to support the community, other than the provision, construction, improvement and management of housing. The deficit is a result of both overheads and our commitment to fund areas like youth employability even when the grant funding declines. There is a specific action plan in place to tackle this deficit.

Notes to the Financial Statements
For the year ended 31 March 2017

6b. Particulars of turnover, operating expenditure and operating surplus/(deficit) from other activities

Association	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover		Other operating expenditure		Operating surplus/(deficit)	
					2017	2016	2017	2016	2017	2016
	£	£	£	£	£	£	£	£	£	£
Wider role activities #	134,013	60,374	-	15,500	209,887	202,420	(569,933)	(484,871)	(360,046)	(282,451)
Development and construction of property activities	51,615	-	-	798	52,413	207,855	(357,266)	(456,487)	(304,853)	(248,632)
Support activities			881,700	667,609	1,549,309	1,453,921	(1,647,624)	(1,772,598)	(98,315)	(318,677)
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	384,111	384,111	375,000	(361,221)	(372,011)	22,890	2,989
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	-	-	-	-	-	-	-
Car park income	-	-	-	-	-	16,490	-	-	-	16,490
Demolition Costs				149,725	149,725	150,100	-	-	149,725	150,100
Shared equity property sales	-	797,673	-	1,450,668	2,248,341	1,954,127	(2,248,341)	(1,954,127)	-	-
Total from other activities, 2017	185,628	858,047	881,700	2,668,411	4,593,786	-	(5,184,385)	-	(590,599)	-
Total from other activities, 2016	327,193	885,149	1,008,063	2,139,508		4,359,913		(5,040,094)		(680,181)

\# Undertaken to support the community, other than the provision, construction, improvement and management of housing. The deficit is a result of both overheads and our commitment to fund areas like youth employability even when the grant funding declines. There is a specific action plan in place to tackle this deficit.

Notes to the Financial Statements
For the year ended 31 March 2017

7. Interest receivable and other income

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Interest receivable on deposits	185,184	238,545	185,107	238,445
Interest receivable from subsidiary loan	-	-	48,910	51,550
	185,184	238,545	234,017	289,995

8. Interest payable and similar charges

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
On private loans	1,139,227	1,232,239	1,139,227	1,232,239
Defined benefit finance charge (note 31)	188,000	210,000	188,000	210,000
	1,327,227	1,442,239	1,327,227	1,442,239

9. Directors' Emoluments

The directors are defined as the members of the Board of Management, the Chief Executive and any other person reporting directly to the Chief Executive or the Board of Management. No emoluments were paid to any member of the Board of Management during the year. The Association considers key management personnel to be the Board of Management and the senior management team (the Executive Officers as per page 1) of the Association only.

	2017	2016
	£	£
Emoluments of Chief Executive (excluding pension contributions)	93,464	98,773

Pension contributions in respect of the Chief Executive including past service deficit payments totalled £45,745 (2016: £39,509) in the year.

During the year a salary sacrifice of £8,558 (2015/16: £3,457) was made by the Chief Executive to the pension scheme. This is not included within emoluments but is included within the employers' pension contribution figure disclosed.

	2017	2016
	£	£
Emoluments payable to highest paid director (excluding pension contributions)	93,464	98,773

The emoluments (excluding pension contributions) of the directors were in the following ranges:

	2017 No of Directors	2016 No of Directors
£60,000 to £65,000	1	1
£65,001 to £70,000	2	2
£70,001 to £75,000	-	1
£75,001 to £80,000	-	-
£80,001 to £85,000	-	-
£85,001 to £90,000	-	-
£90,001 to £95,000	1	-
£95,001 to £100,000)	-	1

9. Directors' Emoluments (continued)

	2017 £	2016 £
Total emoluments (excluding pension contributions) paid to those earning more than £60,000 and key management	292,511	367,808
Pension contributions of directors earning more than £60,000 for future accrual	51,100	42,011
Pension contributions of directors earning more than £60,000 for past service deficit	91,078	93,304
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	519	519

During the year a salary sacrifice of £26,237 (2015/16: £10,747) was made by key management personnel to the pension scheme. This is not included within emoluments but is included within the employers' pension contribution figure disclosed.

10. Employee Information

	2017 No	2016 No
The full time equivalent number of persons employed during the year was:	208	206
Split as:		
Admin	24	24
Finance	5	5
Housing and Housing Support	151	150
Maintenance	25	24
Development	3	3
	208	206

	2017 £	2016 £
Staff costs (including Directors' Emoluments):		
Wages and salaries	5,760,543	5,939,057
Social security costs	543,044	476,616
Pension costs	619,532	641,403
Defined benefit pension charge (note 31)	(4,000)	21,000
	6,919,119	7,078,076

Included in wages and salaries is £87,239 (2016: £130,541) of agency staff costs.

Included in wages and salaries is £nil (2016: £26,000) for loss of office.

11. Operating Surplus

	Group 2017 £	Group 2016 £	Association 2017 £	Association 2016 £
Operating surplus is stated after charging:				
Depreciation (note 5)				
- social housing	4,509,331	3,975,572	4,509,331	3,975,572
- loss on disposed components	35,372	71,602	35,372	71,602
- other fixed assets	82,572	120,455	80,053	117,936
Auditor's remuneration (excluding VAT)				
- In their capacity as auditor - audit	22,742	21,600	15,900	15,100
- In their capacity as auditor – FRS 102	-	2,850	-	2,350
- In their capacity as tax, VAT advisors	4,650	10,482	1,200	8,400

12. Taxation

Group	2017 £	2016 £
Current tax on profits for the year	13,189	8,076
Adjustments in respect of previous years	-	251
Deferred taxation (note 26)	-	92,361
	13,189	100,688

The tax charge relates to Queens Cross Factoring Limited

	2017	2016
Profit on ordinary activities before tax	65,945	588,121
Profit on ordinary activities multiplied by the standard rate of corporation tax of 20% (2016: 20%)	13,189	117,624
Effects of:		
Income not taxable for tax purposes	-	(110,000)
Chargeable gains	-	101,360
Adjustments to tax charge in respect of previous periods	-	251
Adjustments to tax charge in respect of previous periods – deferred tax	-	1,716
Adjustment to closing deferred tax to average rate of 18%	-	(10,263)
	13,189	100,688

Factors that may affect future tax charges

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020, setting the rate at 17%.

Association

As the Association was granted charitable status from 11 April 2005, it is no longer subject to corporation tax on its charitable activities. No corporation tax was due in respect of the Association's non-charitable activities (2016: £nil).

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2017

13. Tangible Fixed Assets – Housing Properties

	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Housing Properties Under Construction £	2017 Total £	2016 Total £
Cost					
As at 1 April 2016	154,215,834	1,677,007	7,769,887	163,662,728	152,093,247
Additions during year	121,686	-	3,553,382	3,675,068	7,502,804
Component accounting additions	11,770,969	-	(193,913)	11,577,056	6,508,634
Disposals – property	(221,379)	(150,011)	-	(371,390)	(199,611)
Disposals – components	(80,893)	-	-	(80,893)	(288,219)
Transfers (Note 1)	923,040	-	(3,171,381)	(2,248,341)	(1,954,127)
As at 31 March 2017	166,729,257	1,526,996	7,957,975	176,214,228	163,662,728
Depreciation					
As at 1 April 2016	34,350,972	1,349,917	-	35,700,889	32,002,567
Charge for year	4,484,286	25,045	-	4,509,331	3,975,572
Disposals – property	(57,392)	(65,068)	-	(122,460)	(60,633)
Disposals – components	(45,521)	-	-	(45,521)	(216,617)
As at March 2017	38,732,345	1,309,894	-	40,042,239	35,700,889
Net book value at 31 March 2017	127,996,912	217,102	7,957,975	136,171,989	
Net book value at 31 March 2016	119,864,862	327,090	7,769,887		127,961,839

Note 1: Transfers relate to the new build shared equity properties at Panmure Gate sold in the year per note 6.

Total cost of components capitalised for the year amounted to £11,577,056 (2016: £6,508,634). The amount spent on maintenance of housing properties held for letting can be seen in Note 5.

Additions to Housing Properties during the year includes £nil capitalised interest (2016 - £nil) and £nil capitalised administration costs (2016 - £27,583). All housing properties are freehold. Properties with a cost of £371,390 (2016: £199,611) and accumulated depreciation of £122,460 (2016: £60,633) have been disposed of in the year for net proceeds (after grant repaid of £204,831 (2016: £100,413)) of £459,029 (2016: £445,711). Components with a cost of £80,893 (2016: £288,219) and accumulated depreciation of £45,521 (2016: £216,617) have been disposed of for £nil (2016: £nil) net proceeds.

Notes to the Financial Statements
For the year ended 31 March 2017

14. Housing Stock – Group and Association

	Units in management 2017	2016
The number of units of accommodation in management was as follows:-		
General needs housing	3,772	3,729
Supported housing accommodation	510	551
Shared ownership accommodation	46	53
	4,328	4,333

15. Accommodation managed by others – Group and Association

	No of units/bedspaces 2017	2016
Women's Aid	14	14
Share HA	2	2
Quarriers	9	9
Archdiocese of Glasgow	1	1
Talbot Association	19	19
Barnardos	9	9
Tact	14	14
Fairholme	6	6
Aspire	11	11
Key Housing	17	17
CIC	4	4
Turning Point	11	11
Mungo Foundation	6	6
	123	123

Notes to the Financial Statements
For the year ended 31 March 2017

16. Tangible Fixed Assets – Other Tangible Assets

Group

	Leasehold Property £	Furniture, Fittings & Equipment £	Commercial Investment Properties £	Computer Equipment £	2017 Total £	2016 Total £
Cost						
At start of year	1,111,763	433,467	2,860,000	14,803	4,420,033	3,879,355
Additions during year	105,823	87,729	-	2,400	195,952	58,411
Disposals	-	(21,202)	-	-	(21,202)	(217,733)
	-		-	-	-	700,000
At end of year	1,217,586	499,994	2,860,000	17,203	4,594,783	4,420,033
Depreciation						
At start of year	312,602	230,806	-	10,036	553,444	650,722
Charge for year	48,703	32,280	-	1,589	82,572	120,455
Write off on disposal	-	(16,662)	-	-	(16,662)	(217,733)
At end of year	361,305	246,424	-	11,625	619,354	553,444
Net Book Value						
At 31 March 2017	856,281	253,570	2,860,000	5,578	3,975,429	3,866,589
At 31 March 2016	799,161	202,661	2,860,000	4,767	3,866,589	3,228,633

The Group's commercial investment properties were revalued as at 31 March 2016 (by DM Hall Chartered Surveyors). The Board of Management are of the opinion that the valuation of the investment properties has not changed since the 2016 valuation.

Notes to the Financial Statements
For the year ended 31 March 2017

16. Tangible Fixed Assets – Other Tangible Assets (continued)

Association	Leasehold Property £	Furniture, Fittings & Equipment £	Commercial Investment Properties £	2017 Total £	2016 Total £
Cost					
At start of year	1,111,763	428,157	1,410,000	2,949,920	2,959,501
Additions during year	105,823	87,729	-	193,552	58,152
Disposals	-	(21,202)	-	(21,202)	(217,733)
Revaluation	-	-	-	-	150,000
At end of year	1,217,586	494,684	1,410,000	3,122,270	2,949,920
Depreciation					
At start of year	312,602	227,048	-	539,650	639,447
Charge for year	48,703	31,350	-	80,053	117,936
Write off on disposal	-	(16,662)	-	(16,662)	(217,733)
At end of year	361,305	241,736	-	603,041	539,650
Net book value at 31 March 2017	856,281	252,948	1,410,000	2,519,229	2,410,270
Net book value at 31 March 2016	799,161	201,109	1,410,000	2,410,270	2,320,054

The Association's commercial investment properties were revalued as at 31 March 2016 (by DM Hall Chartered Surveyors). The Board of Management are of the opinion that the valuation of the investment properties has not changed since the 2016 valuation.

17. Investments - Association

	2017 £	2016 £
Investment in subsidiary undertaking	1	1

Queens Cross Factoring Limited (company number SC278139) was incorporated on 7 January 2005 and began trading on 1 April 2005. Queens Cross Housing Association Limited acquired 1 ordinary £1 share in Queens Cross Factoring Limited, at par. This represents a 100% shareholding.

Details of transactions during the year with the above company can be found at note 33.

For the year ended 31 March 2017, Queens Cross Factoring Limited recorded a profit of £52,756 (2016: £487,433) and has net assets of £733,259 (2016: £680,503).

18. Debtors

	Group		Association	
	2017 £	2016 £	2017 £	2016 £
Amounts falling due within one year:				
Rental arrears	853,798	781,561	853,798	781,561
Less provision for bad debts	(338,819)	(338,819)	(338,819)	(338,819)
	514,979	442,742	514,979	442,742
Trade debtors	477,760	626,670	-	-
Other debtors and prepayments	228,051	509,979	174,286	502,120
Accrued income	53,398	897,621	53,398	897,621
Amounts owed by the subsidiary (less than one year)	-	-	316,491	554,102
Amounts owed by the subsidiary (more than one year)	-	-	849,070	910,710
	1,274,188	2,477,012	1,908,224	3,307,295
Debtors due less than one year	1,274,188	2,477,012	1,059,154	2,396,585
Debtors due more than one year	-	-	849,070	910,710
	1,274,188	2,477,012	1,908,224	3,307,295

19. Stock and work in progress

	Group		Association	
	2017 £	2016 £	2017 £	2016 £
Stock	1,870	1,429	-	-

20. Current asset investments

	Group		Association	
	2017 £	2016 £	2017 £	2016 £
Balances held in deposit accounts greater than 3 months	6,632,534	6,523,010	6,632,534	6,523,010

Notes to the Financial Statements
For the year ended 31 March 2017

21. Cash and cash equivalents

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Balances held in current accounts	6,944,111	10,371,571	6,250,156	9,661,828

22. Creditors: amounts falling due within one year

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Bank loans repayable within one year	1,814,185	1,906,286	1,814,185	1,906,286
Trade creditors	19,457	46,738	-	-
SHG repayable on disposals	670,868	466,037	670,868	466,037
Other taxes and social security costs	258,325	305,958	237,523	305,958
Corporation tax	13,189	8,076	-	-
Other creditors	3,346,735	3,462,501	2,772,376	2,980,463
Deferred income	64,562	27,492	-	-
Deferred capital grants (note 24)	2,106,374	2,016,680	2,106,374	2,016,680
SHAPS pension deficit (note 31)	633,286	613,244	633,286	613,244
	8,926,981	8,853,012	8,234,612	8,288,668

Included within other creditors are outstanding pension contributions totalling £116,433 (2016: £94,961).

23. Creditors: amounts falling due outwith one year

	Group		Association	
	2017	2016	2017	2016
	£	£	£	£
Bank loans	37,324,364	33,372,239	37,324,364	33,372,239
Deferred capital grant (note 24)	67,155,473	70,285,114	67,155,473	70,285,114
SHAPS pension deficit (note 31)	2,541,714	3,082,327	2,541,714	3,082,327
	107,021,551	106,739,680	107,021,551	106,739,680
Loan analysis as follows:				
Due between one and two years	1,814,185	1,897,936	1,814,185	1,897,936
Due between two and five years	15,442,555	10,693,808	15,442,555	10,693,808
Due in five years or more	20,067,624	20,780,495	20,067,624	20,780,495
	37,324,364	33,372,239	37,324,364	33,372,239

Loans are secured by specific charges on the Association's properties and are repayable at rates of interest between Libor + 1.75% and 6% in instalments over the next 30 years.

24. Deferred capital grants – Group and Association

	2017 £	2016 £
Government Capital Grants		
At 1 April	72,301,794	71,184,059
Grants received in year	68,931	4,036,895
Released to income in year	(2,106,374)	(2,016,680)
Release to shared equity sales (note 6)	(797,673)	(802,067)
Grants repaid in the year	(204,831)	(100,413)
At 31 March	69,261,847	72,301,794
Due in less than one year	2,106,374	2,016,680
Due between one and two years	2,106,374	2,016,680
Due between two and five years	6,319,122	6,050,040
Due in five years or more	58,729,977	62,218,394
At 31 March	69,261,847	72,301,794

25. Financial Instruments

	Group		Association	
	2017 £	2016 £	2017 £	2016 £
Cash and cash equivalents	6,944,111	10,371,571	6,250,156	9,661,828
Investments – deposit accounts	6,632,534	6,523,010	6,632,534	6,523,010
Financial assets measured at amortised cost	1,108,433	2,463,808	1,877,997	3,294,091
	14,685,078	19,358,389	14,760,687	19,478,929
Financial Liabilities				
Financial liabilities measured at amortised cost	46,363,001	42,976,864	45,756,793	42,420,596

Financial assets measured at amortised cost comprise cash and cash equivalents, current asset investments, rental arrears, trade debtors, other debtors, accrued income and amounts owed by the subsidiary.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, SHG repayable on disposals, other creditors and the SHAPS pension deficit.

Notes to the Financial Statements
For the year ended 31 March 2017

26. Deferred tax – Group

	2017 £	2016 £
Accelerated capital allowances	1,137	1,137
Capital gain on investment properties	91,224	91,224
	92,361	92,361

This relates to Queens Cross Factoring Limited (refer to note 12). There is no deferred tax provision in respect of the Association (2016: £nil).

27. Share Capital – Group and Association

Shares of £1 each fully paid and issued

	2017 £	2016 £
At beginning of year	320	325
Issued during the year	6	15
Shares forfeited in year	(46)	(20)
At end of year	280	320

There are no rights to receive dividends attached to the shares, or any ranking in the event of a winding up.

28. Reserves

Revenue reserve
The revenue reserve includes all current and prior year retained surpluses or deficits.

Other reserves
The other reserves includes the gain on the revaluation of investment properties less the deferred tax provision in respect of the revaluation gain.

Pension reserve
The pension reserve directly offsets the defined benefit pension liability at the year end.

29. Capital Commitments – Group and Association

	2017 £	2016 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	6,108,076	18,083,874
This is to be funded by:		
SHG	-	950,000
Private Finance	-	4,402,288
Sales	-	12,731,586
Reserves	6,108,076	-
	6,108,076	18,083,874
Capital expenditure that has been approved but not contracted for	-	-

Notes to the Financial Statements
For the year ended 31 March 2017

30. Contingent asset

During the year a supplier of the Association, contracted as part of an energy efficiency project, went into administration. There was an over spend on this project during the year and the Association is currently pursuing recourse through the administrator. The outcome of this pursuit is uncertain and the amount that may be recovered is unknown.

31. Pensions
Association

Scottish Housing Association Pension Scheme (SHAPS)

General

Queens Cross Housing Association Limited (the Association) participates in the Scottish Housing Associations' Pension Scheme, (the "Scheme"). The scheme is a multi-employer defined benefit scheme. The scheme is funded. The Scheme offers six benefit structures to employers, namely:

Final salary with a 1/60th accrual rate; Career average revalued earnings with a 1/60th accrual rate; a 1/70th accrual rate; a 1/80th accrual rate; 1/120th accrual rate, contracted in; and a Defined Contribution (DC) option.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice. The Association currently operates 3 different options as detailed below.

CARE 1/80th accrual rate
This scheme was opened to transfer existing members from the final salary scheme when it closed at 31 March 2016. The employer rates are 8.5% (2016: 8.5%) and the employee rates are 8.4% (2016: 8.4%). As at the Statement of Financial Position date there were 58 (2016: 62) active members of the Scheme employed by the Association.

CARE 1/120th accrual rate
This scheme is open to new members. The employer rates are 5.7% (2016: 5.7%) and the employee rates are 5.7% (2016: 5.7%). As at the Statement of Financial Position date there were 8 (2016: 6) active members of the Scheme employed by the Association.

Defined contribution (DC) option
This scheme is an auto enrollment scheme. The employer rates are 4% (2016: 4%) and the employee rates are 4% (2016: 4%). As at the Statement of Financial Position date there were 73 (2016: 65) active members of the Scheme employed by the Association.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

Past service deficit

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as 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.

Thus the scheme's final salary and CARE options are accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

31. Pensions (continued)

Past services deficit (continued)

The last formal valuation of the Scheme was performed as at 30 September 2015 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £616 million. The valuation revealed a shortfall of assets compared to liabilities of £198 million, equivalent to a past service funding level of 76%.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the 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.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2016. As of this date the estimated employer debt for the Association was £26,417,878 (2016: £20,911,710).

Past service deficit repayment liability

	2017 £	2016 £
Provision at start of period	3,695,571	4,161,096
Unwinding of the discount factor (interest expense)	161,000	166,000
Deficit contribution paid	(620,000)	(602,525)
Re-measurements – impact of any changes in assumptions	(61,571)	(29,000)
Provision at end of period	3,175,000	3,695,571
Liability split as:		
< 1 year	633,286	613,244
1-2 years	639,495	618,307
2-5 years	1,902,219	1,880,790
> 5 years	-	583,230
	3,175,000	3,695,571

Notes to the Financial Statements
For the year ended 31 March 2017

31. Pensions (continued)

Past services deficit (continued)

Statement of Comprehensive Income Impact	2017 £	2016 £
Interest expense	161,000	166,000
Re-measurements – impact of any change in assumptions	(61,571)	(29,000)

Assumptions	2017	2016
Rate of discount	1.06%	2.29%

The discount rates shown above are the equivalent single discount rates, which when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Strathclyde Pension Fund

There are 19 employees who are members of the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Scheme (Scotland) Regulations 1998, as amended.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their calculations are as follows:

Assumptions as at	31 March 2017	31 March 2016
Price increases	2.4%	2.2%
Salary increases	4.4%	4.2%
Discount rate	2.6%	3.5%

Mortality

Life expectancy is based on the Funds VitaCurves with improvements in line with the CMI 2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.5% p.a. for males and a 1.25% p.a for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	23.6 years
Future Pensioners	24.8 years	26.2 years

Scheme assets
The assets in the scheme and the expected rate of return were

	Value at 31 March 2017 £000's	Value at 31 March 2016 £000's
Fair value of plan assets	6,436	5,125
Present value of scheme liabilities	(7,796)	(5,676)
Present value of unfunded liabilities	(246)	(205)
Net pension liability	(1,606)	(756)

Notes to the Financial Statements
For the year ended 31 March 2017

31. Pensions (continued)

Reconciliation of defined benefit obligation

	2017 £	2016 £
Opening Defined Benefit Obligation	5,881,000	6,176,000
Current Service Cost	187,000	224,000
Interest Cost	208,000	201,000
Plan participants contributions	34,000	45,000
Actuarial losses/(gains)	1,848,000	(711,000)
Past Service Costs	-	8,000
Unfunded Benefits Paid	(7,000)	(7,000)
Benefits Paid	(109,000)	(55,000)
Closing Defined Benefit Obligation	8,042,000	5,881,000

Reconciliation of fair value of employer assets

	2017 £	2016 £
Opening Fair Value of Employer Assets	5,125,000	4,804,000
Interest income on plan assets	181,000	157,000
Plan participants contributions	34,000	45,000
Contributions by the employer	184,000	204,000
Contributions in respect of Unfunded Benefits	7,000	7,000
Actuarial gains/(losses)	1,021,000	(30,000)
Unfunded Benefits Paid	(7,000)	(7,000)
Benefits Paid	(109,000)	(55,000)
Closing Fair Value of Employer Assets	6,436,000	5,125,000
Net pension liability	(1,606,000)	(756,000)

Analysis of amounts included in the Statement of Comprehensive Income

	2017 £'000	2016 £'000
Expected return on pension scheme assets	181	157
Interest on pension scheme liabilities	(208)	(201)
Net Return – finance cost	(27)	(44)

	2017 £'000	2016 £'000
Current service cost	187	232
Past service cost	-	-
Losses on curtailments	-	-
Contributions in respect of unfunded benefits	(7)	(7)
Contribution by employers	(184)	(204)
(Credit)/charge to staff costs	(4)	21

The expected employer's contribution for the year to 31 March 2018 will be approximately £184,000.

Notes to the Financial Statements
For the year ended 31 March 2017

31. Pensions (continued)

Analysis of amount recognised in the Statement of Comprehensive Income

	2017 £	2016 £
Actual return less expected return on scheme assets	1,021,000	(30,000)
Changes in assumptions underlying the present value of scheme liabilities	(1,848,000)	711,000
Actuarial (loss)/gain recognised in other comprehensive income	(827,000)	681,000

Change in assumption at 31 March 2017

	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	13%	1,018
0.5% increase in the Salary Increase Rate	5%	407
0.5% increase in the Pension Increase Rate	7%	575

32. Revenue Commitments – Group and Association

The Group and Association has total commitments under operating leases as follows:

	2017		2016	
	Land & buildings £	Other leases £	Land & buildings £	Other leases £
Within one year	240,000	23,693	240,000	38,706
Between two and five years	720,000	-	720,000	23,693
More than 5 years	1,200,000	-	1,440,000	-
	2,160,000	23,693	2,400,000	62,399

Notes to the Financial Statements
For the year ended 31 March 2017

33. Related party transactions

Queens Cross Factoring Limited

Queens Cross Factoring Limited is a subsidiary undertaking of Queens Cross Housing Association Limited.

Queens Cross Housing Association Limited has a service level agreement in place with Queens Cross Factoring Limited. During the year, management charges in respect of this agreement were charged to Queens Cross Factoring Limited of £234,000 (2016: £230,000).

Queens Cross Housing Association Limited paid on behalf of Queens Cross Factoring Limited £505,842 (2016: £810,311) of repairs, insurance, concierge, environmental and cleaning costs. This was recharged to Queens Cross Factoring Limited in the year.

Gift Aid of £40,000 (2016: £40,000) was made by Queens Cross Factoring Limited during the year. This has still to be paid over and is thus included in the amounts owed by Queens Cross Factoring Limited at the year end.

The total balance due in respect of these transactions is £281,491 (2016: £534,102) and is included in debtors.

During 2012/13 Queens Cross Housing Association Limited provided a loan of £900,000 to Queens Cross Factoring Limited to purchase 12 investment properties. The balance owed at the start of the year was £930,710. Interest of £48,910 (2016: £51,550) was accrued in respect of this loan during the year. There is not a set repayment schedule in place but the loan is repayable over 20 years. £95,550 (2016: £nil) was repaid in the year leaving a balance at 31 March 2017 of £884,070 (2016: £930,710). £849,070 (2016: £910,710) of this balance is due after more than one year with £35,000 (2016: £20,000) expected to be paid in 2017/18 and thus is included in amounts due within one year.

Board members

The Association has Board members who are also tenants. The total rent received in the year relating to tenant Board members is £21,076 (2016: £13,286). The total rent arrears relating to tenant Board members included within debtors at the year-end is £nil (2016: £nil).

Two directors of Queens Cross Factoring Limited and one member of the Board of Management of Queens Cross Housing Association Limited are factored owners. The cumulative balance at 31 March 2017 in respect of these three individuals were payments in advance of £302 (2016: £572).

34. Legislative Provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and its subsidiary Queens Cross Factoring Limited is incorporated under the Companies Act 2006.