



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2021

Cube Housing Association Limited

(Co-operative & Community Benefit Society No. 2327RS)

(Scottish Housing Regulator Registration No. 220)

(Scottish Charity No. SC033021)

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2021.

Principal activities

The principal activities of Cube Housing Association Limited ("Cube" or "The Association") are the provision and management of affordable rented accommodation. The Association is a wholly owned subsidiary of The Wheatley Housing Group Limited ("WHG" or "Wheatley Group").

OPERATING REVIEW

The year will be remembered as an extraordinary and exceptionally difficult one, with unprecedented circumstances affecting the business, our staff, and most importantly, our customers. The pandemic left many Cube customers facing severe financial hardship, and while the safety of our staff and customers remained our absolute top priority throughout the year, our focus was on providing rapid support to customers when they needed us most.

We opened the year with a new service model already in place, with housing staff and customer service advisors working from home. Repairs and maintenance services were limited to emergency and essential repairs, along with gas safety checks and servicing. Capital investment critical in terms of health and safety, including the installation of smoke and heat detectors, continued throughout the year, as did external capital work. Non-essential internal investment work was suspended. Our Neighbourhood Environmental Teams prioritised fire-safety patrols, bulk uplifts and the cleaning of multi-storey blocks in Cube communities.

As an agile, flexible organisation, Cube responded quickly and decisively to changes in government guidance over the year.

When lockdown restrictions were temporarily eased, we increased the range of services we could carry out, such as close-cleaning and a wider range of repairs, but reverted back to emergency and essential services as restrictions tightened again. Our new-build programme, suspended at the start of the year, resumed in June 2020.

At all times we did everything possible to protect both customers and staff through strict adherence to health-and-safety practices and the use of the appropriate Personal Protective Equipment ("PPE").

Wheatley Foundation's emergency food service *EatWell* and *Emergency Response Fund* were at the forefront of the Group's customer support package, particularly during the first six months of the year. *EatWell* supported 411 Cube households with food packs or vouchers in 2020/21. The *Emergency Response Fund*, set up to alleviate hardship and isolation during the pandemic, helped 690 Cube customers with one-off essential purchases, ranging from fridges and mobile phone-top ups to family activity packs.

Throughout the year, housing officers working from home made thousands of welfare calls to ensure those in crisis got immediate help. Welfare benefits advice was particularly significant during this period.

Despite the unparalleled circumstances and restrictions on our activities this year, we built 24 new homes over the year, invested £1.8m in planned improvements and supported three people from our homes into work and training.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (continued)

This year also represented a significant milestone for Cube and for the Wheatley family as a whole.

In two independent ballots held over the year, Cube tenants in Glasgow voted overwhelmingly in favour of joining forces with GHA, while those outwith the city agreed to transfer their tenancies to Loretto Housing. Joining forces paves the way for multi-million pound improvements, the transformation of communities and new jobs and training opportunities. Both moves were due to take place early next year.

The effects of the pandemic will be with us for years to come, but our strong position as part of Wheatley Group, our Think Yes culture and our track record in rapidly developing new and enhanced services to support our customers means we can be confident in facing future challenges.

Here are some of the highlights of the year:

Building new homes

Cube built 24 new homes for social rent, at Westcliff/Talisman Avenue in Dumbarton. We also progressed work on 80 homes at Queens Quay in Clydebank.

Investing in our homes

Despite the restrictions caused by the pandemic this year, we still delivered £1.8m worth of improvements in our homes and communities. This included £0.2m on new smoke and heat detectors for 550 homes, as well as £0.1m on heating upgrades for 32 homes. We also installed 12 new kitchens, 19 new bathrooms and rewired 12 homes at a cost of £0.1m.

Improving our neighbourhoods

Despite the restrictions, we continued our work to create clean and safe neighbourhoods people are proud to live in. As local authorities suspended bulk uplifts, our environmental teams provided that service in Cube communities.

Wheatley's Community Improvement Partnership ("CIP") – made up of seconded police and fire officers and our own staff – continued to work with Cube communities to tackle anti-social behaviour, crime and fire safety. The CIP's largest deployment to date, in Wyndford, in Glasgow, saw a 26% reduction in total incidents of crime and anti-social behaviour, including a 54% reduction in incidents of violence.

While Covid restrictions meant home fire safety visits were suspended over the year, we continued to support customers over the phone and online, and delivered pioneering products such as fire-retardant bedding and air fryers to a number of Cube customers.

Letting homes

While our allocations were suspended in the early part of the year, we resumed letting in August and allocated homes to those in priority need, mainly homeless households. Over the year, Cube allocated 147 homes to homeless people. We also 'flipped' ten temporary furnished homes, turning them into permanent homes for the homeless people living in them.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (continued)

Our repairs service

At the start the financial year, our repairs and maintenance service was restricted to emergency and essential services only. As lockdown restrictions were temporarily eased, we were able to increase the range of essential repairs we could carry out, but reverted back to emergency and essential services as restrictions tightened again. Throughout the year, our overriding priority was the safety of our staff and customers.

Despite the challenges of strict health and safety guidelines, new processes to keep people safe, as well as restrictions on travel, we still managed to deliver 11,742 reactive repairs over the year.

Supporting our customers

More than a quarter (26%) of Cube customers are now on Universal Credit ("UC"), an increase of 7% from last year. We continued to support our customers through the challenges they faced during the pandemic, including attending online tribunals with the Department of Work and Pensions to represent vulnerable customers.

Our Welfare Benefits Advisors and Fuel Advisors supported almost 94 Cube customers over the year, and helped them claim more than £220k in benefits and tax credits they were entitled to. We also helped customers access external funding to alleviate fuel poverty.

We will continue to support our customers over the next year with the difficulties posed by UC and the impact of the pandemic.

We continued to support our customers to get online and to encourage them to engage with us through our digital channels and online self-service accounts.

By the end of the financial year, 56% of Cube customers had registered for an online account with us. This year, 3,230 people used the Cube website every month.

Working with Wheatley Foundation and Wheatley 360, we:

- created three opportunities for our customers to get into work or training;
- supported 286 new tenants with household budgeting, running a home and settling into their community through *My Great Start*;
- put food on the table in 411 homes through our *EatWell* service;
- delivered Christmas vouchers to 424 households;
- provided essential household items to 690 customers through our *Emergency Response Fund*;
- gave 50 tenants up-cycled furniture through our *Home Comforts* service;
- awarded five young people from our homes a bursary to go to university or college; and
- provided free books every month to 28 children under five in our homes through the Dolly Parton Imagination Library initiative.

Independent auditor

A resolution for the re-appointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (Continued)

FINANCIAL REVIEW

Income

The Association's turnover (excluding any gain on disposal of fixed assets and finance income) for the year ended 31 March 2021 totalled £26.9m (2020: £26.3m). The main source of income was net rental and service charge income of £19.4m (2020: £18.5m). Grant income of £2.1m (2020: £6.8m), has been recognised in relation to the 24 completed new build properties. The amount of grant income reported varies from year to year depending on the profile of the Association's new build development programme.

Income from other activities totalled £5.6m (2020:£1.2m) which includes income from district heating schemes, development and construction of property and mid-market rental income. Income is £4.4m higher this year due to the development of properties for two third party partners on our Queens Quay site in West Dunbartonshire.

Expenditure

Operating costs in the year totalled £21.7m (2020: £18.0m), largely comprising of the following:

- Management and maintenance administration costs associated with affordable letting activities totalling £3.0m (2020: £3.2m).
- £0.9m of reactive maintenance costs to our social letting properties (2020: £1.7m).
- £2.7m of planned and cyclical maintenance costs to our social housing properties (2020: £2.7m).
- Depreciation expenditure for social and non-social housing assets of £7.3m (2020: £7.4m)
- Development and construction of property costs of £5.3m (2020: £0.6m), noting that these costs are offset by the related income, both of which re reported in other activities.

The Association generated an operating surplus of £5.2m or 21% (2020: £8.0m or 30%) for the year, which includes losses of £0.1m (2020: £0.3m) on the revaluation of investment properties held.

In the year, the Association had no property disposals (2020: 1 disposal of a shared ownership property, gain £18k). Other expenditure in the year included £7.1m of interest (2020: £4.4m), which includes a one-off fee of £2.5m for the refinancing of fixed rate loan arrangements.

Total comprehensive income for the year of £6.7m (2020: £4.7m) includes the increase in value of social housing properties of £10.3m (2020: £1.5m increase) and an actuarial loss of £1.7m (2020: £0.4m loss) in respect of the SHAPS pension scheme.

Cashflows

The cash flow statement of the Association is shown on page 18. Cube generated £13.0m from operating activities (2020: £6.6m). Cash and cash equivalents in the year increased by £1.6m (2020: decreased by £0.3m), primarily due to the timing of intra-group loan draw downs, settlement of intra-group balances and the timing of grant claims and payment of year end creditor balances.

Rental debtors

At the 31 March 2021, the Association had gross rent arrears of £0.6m offset by bad debt provisions of £0.5m (2020: £0.7m and £0.5m respectively).

DIRECTORS' REPORT (Continued)

FINANCIAL REVIEW (continued)

Net current assets

Cube reported net current assets of £49.5m as at 31 March 2021, an increase of £54.6m from the net current liability of £5.1m reported as at 31 March 2020, which is a result of the presentation of the Statement of Financial Position on a non going concern basis in recognition of the planned transfer of engagements to Loretto during 2021/22.

Capital structure and treasury

The Association's activities are funded on the basis of a Business Plan which is updated annually. Cube's long-term funding is provided through the Group financing subsidiary Wheatley Funding No. 1 Limited (WFL1"), as detailed in note 20. The Association has access to an intra-group facility of £122.7m through WFL1. Interest rate risk is managed at a Group level by WFL1.

Investment in tenants' homes

During the year we invested £1.8m in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £152.1m (2020: £139.0m).

New Build

During the financial year we completed 24 new build properties in West Dunbartonshire. Our new build programme invested £7.9m in the year.

Reserves policy

Under the Statement of Recommended (Accounting) Practice ("SORP") 2014 and Financial Reporting Standard ("FRS") 102, the Association operates with one principal reserve; a revenue reserve.

Revenue reserve

Revenue reserves include historic grant received in respect of the following:

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

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

The revenue reserve includes revaluation gains on investment properties, such as any mid-market rent homes which are leased to and managed by Lowther Homes. Under FRS 102, gains or losses on investment properties must be taken to profit and loss, and therefore form part of the general revenue reserve. These gains are not available to be realised in cash, since selling the Association's interest in any mid-market rent properties would trigger grant clawback and would run counter to the Association's core charitable objective of supporting the provision of a range of affordable housing solutions to be provided for its customers.

DIRECTORS' REPORT (Continued)

FINANCIAL REVIEW (continued)

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

Going concern

During 2020/21 a majority of tenants voted in favour of plans to transfer the housing activities of Cube to fellow Wheatley Group subsidiaries, The Glasgow Housing Association Limited ("GHA") and Loretto Housing Association Limited ("LHA").

Housing properties in Glasgow transferred to GHA on 28 April 2021. A transfer of engagements of the remaining housing properties, activities and net assets in Cube to LHA completed on 28 July 2021.

As explained in note 2, the directors have considered it appropriate to prepared these financial statements on a break up basis.

By order of the Board



Peter Kelly, Director

26 August 2021

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

DIRECTORS' REPORT (Continued)

CUBE HOUSING ASSOCIATION BOARD AND RELATED MATTERS

Directors and directors' interests

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

Name	First Joined Board	Re-elected/ re-appointed	Left Board	Committees/Group Directorships
Peter Kelly (Chair)	18 September 2012	19 September 2017		<ul style="list-style-type: none"> ▪ Wheatley Housing Group Limited ▪ Wheatley Group Audit Committee
Eric Gibson (Vice Chair)	14 August 2018	25 September 2018		<ul style="list-style-type: none"> ▪ The Wheatley Foundation Limited
Bill Coghill	20 October 2015			
Robert Keir *	26 May 2015	25 September 2018		
Kerri McGuire	24 September 2019			<ul style="list-style-type: none"> ▪ Wheatley Group Development Committee
Suzanne Lavelle*	24 September 2019			
Kenny Simpson	24 September 2019			
Jennifer Williamson*	16 August 2016			

* tenant of the Association

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

Creditor payment policy

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

Disclosure of information to auditor

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

DIRECTORS' REPORT (Continued)

DIRECTORS' STATEMENT ON INTERNAL FINANCIAL CONTROL

The Directors acknowledge their responsibility for ensuring that the Association has in place systems of control that are appropriate to its business environment.

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

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

The key procedures which have been established are as follows:

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

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

DIRECTORS' REPORT (Continued)

STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE BOARD'S REPORT AND THE FINANCIAL STATEMENTS

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

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

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

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

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

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

By order of the Board



Peter Kelly, Chair

26 August 2021

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUBE HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Cube Housing Association Limited ("the association") for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and related notes, including the accounting policies in note 2

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the association as at 31 March 2020 and of the income and expenditure of the association for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 20016 (as amended).

Basis for opinion

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

Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 2 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

We did not identify any additional fraud risks.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUBE HOUSING ASSOCIATION LIMITED (continued)

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

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These include those posted to unusual accounts.

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

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

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

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

Firstly, the association is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, charities legislation and registered social landlord legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statements items.

Secondly, the association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: certain aspects of charities, health and safety, employment law, and social housing legislation recognising the association's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence of any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

Other information

The directors are responsible for the other information, which comprises the directors' report and the Statement on Internal Financial Control. Our opinion on the financial statements does not cover

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUBE HOUSING ASSOCIATION LIMITED (continued)

the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the directors' report for the financial year is consistent with the financial statements.

We are also required to report to you if, in our opinion:

- the Statement on Internal Financial Control on page 9 does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Boards' responsibilities

As explained more fully in their statement set out on page 10, the association's Board are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUBE HOUSING ASSOCIATION LIMITED (continued)

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

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.



**Michael Wilkie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

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

KPMG

319 St Vincent Street

Glasgow, G2 5AS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £'000	2020 £'000
Turnover	3	26,895	26,269
Operating expenditure	3	(21,666)	(18,013)
Other losses	3	(50)	(260)
Operating surplus		5,179	7,996
Gain on disposal of fixed assets		-	18
Finance income	9	1	3
Finance charges	10	(7,117)	(4,427)
Increase in valuation of social housing properties		10,301	1,535
Surplus for the financial year		8,364	5,125
Actuarial loss in respect of pension schemes		(1,706)	(412)
Total comprehensive income for the year		6,658	4,713

All amounts relate to continuing operations.

The notes on pages 19 to 41 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2021

	Revenue Reserve £'000
Balance at 1 April 2019	38,120
Total comprehensive income	4,713
Balance at 31 March 2020	<hr/> 42,833
Total comprehensive income	6,658
Balance at 31 March 2021	<hr/> 49,491 <hr/>

All amounts relate to continuing operations.

The notes on pages 19 to 41 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

		2021 £'000	2020 £'000
	<i>Note</i>		
Current assets			
Social housing properties	13	152,056	139,028
Other tangible assets	14	4,317	4,678
Investments	15	1,700	1,750
Trade and other debtors	16	2,759	3,249
Cash and cash equivalents		2,990	1,351
		163,822	150,056
Creditors: amounts falling due within one year	17	(112,421)	(9,721)
Provisions for liabilities			
Pension liability	20	(1,910)	(757)
Net current assets/(liabilities)		49,491	(5,121)
Total assets less current liabilities		49,491	140,335
Creditors: amounts falling due after more than one year	18	-	(96,745)
Total net assets		49,491	42,833
Reserves			
Share capital	19	-	-
Revenue reserve		49,491	42,833
Total reserves		49,491	42,833

These financial statements were approved by the Board on 17 August 2021 and were signed on its behalf on 26 August 2021 by:

Peter Kelly
Chair

Eric Gibson
Board Member

Anthony Allison
Secretary

The notes on pages 19 to 41 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

	<i>Note</i>	2021 £'000	2020 £'000
Net cash generated from operating activities	22	<u>12,923</u>	<u>6,560</u>
Cash flows from investing activities			
Improvement of properties – housing stock		(1,302)	(4,952)
New build		(8,995)	(8,813)
Purchase of other fixed assets		-	(891)
Proceeds from sale of fixed assets		-	726
Grants received	17	6,328	3,212
Interest received		<u>1</u>	<u>3</u>
Net cash used in investing activities		<u>(3,968)</u>	<u>(10,715)</u>
Cash flows from financing activities			
Finance charges		(4,816)	(4,404)
Finance (repaid)/draw down		<u>(2,500)</u>	<u>8,304</u>
		<u>(7,316)</u>	<u>3,900</u>
Net change in cash and cash equivalents		1,639	(255)
Cash and cash equivalents at 1 April		1,351	1,606
Cash and cash equivalents at 31 March		<u><u>2,990</u></u>	<u><u>1,351</u></u>

The notes on pages 19 to 41 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. Legal status

Cube Housing Association Limited ("Cube" or "the Association") is registered under the Co-operative and Community Benefit Societies Act 2014 and is a housing association registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The association provides social housing and associated services for general needs, supported housing and shared equity. The registered office is Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL. The Association is a public benefit entity.

2. Accounting policies

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

Basis of accounting

The financial statements of the Association are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Determination of Accounting Requirements 2019, and under the historical cost accounting rules, modified to include the revaluation of properties held for letting and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 ("SORP 2014"), issued by the National Housing Federation, and under FRS 102. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In previous years, the financial statements have been prepared on a going concern basis. However, in 2020/21 a majority of tenants voted in favour of the directors' proposal to transfer the housing activities of Cube to fellow Wheatley subsidiaries, The Glasgow Housing Association Limited and Loretto Housing Association Limited. Accordingly the directors have not prepared the financial statements on a going concern basis.

The effect on the financial statements is for all of the long term assets and liabilities to be shown as current on the balance sheet. There are no valuation changes to be made as all activities are being transferred to group entities as trading activities.

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

Accounting judgements and estimations

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

Judgements have been made in:

- Determining the appropriate discount rates used in the valuation of housing and investment properties;
- Component accounting and the assessment of useful lives;
- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

Related party disclosures

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

Turnover

Turnover represents income receivable from lettings and service charges, fees receivable, grants and other income. Turnover is recognised when there is entitlement, any performance conditions attached have been met, it is probable income will be received and the amount can be realised reliably. Income received in advance is treated as deferred income.

Grant income

Where grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, which are held at valuation, it is recognised as income using the performance model in accordance with the SORP 2014. Prior to satisfying the performance conditions, capital grant is held as deferred income on the Statement of Financial Position. The Association has received grant income under the UK Government's Coronavirus Job Retention Scheme and this is accounted for as revenue grant in line with the performance model and disclosed in note 4 to the financial statements.

Bad and doubtful debts

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

Supported housing

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

Financial instruments

Loans provided to some subsidiary members of the Group by the banking syndicate through the subsidiary, Wheatley Funding Number 1 Limited ("WFL1"), are classed as basic under the requirements of FRS 102, and are measured at amortised cost. In the case of payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments. All financial assets and liabilities are held at amortised cost.

Deposits and liquid resources

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

Pensions

The Association previously participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS") Defined Benefit Pension Scheme. The scheme is now closed, with members transferring to the SHAPS Defined Contribution Scheme on 1 September 2014. Retirement benefits to employees are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. In accordance with FRS 102, the Association's share of the scheme assets and liabilities have been

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

separately identified and are included in the Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Association's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the Statement of Comprehensive Income as actuarial gain or loss on pension schemes.

A Wheatley Group defined contribution scheme administered by the Salvus Master Trust has also been made available to all employees.

Fixed assets - housing properties

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

• Valuation of Social Housing Stock

Social housing properties are valued annually on an Existing Use Value for Social Housing ("EUVSHP") basis by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation. Annual valuation movements are reported in the Statement of Comprehensive Income. Housing properties are initially stated at cost, being purchase price together with the cost of capitalised improvement works and repairs that result in incremental future benefits

from the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

• Depreciation and Impairment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

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

• New Build

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

The Association's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Interest costs directly attributable;
- Development expenditure including direct development staff costs;
- The cost of packages of work completed on void properties;
- An element of frontline staff costs attributable to development activity; and
- Other directly attributable internal and external costs.

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

Non-social housing properties

Mid-Market Rent properties are valued on an open market value subject to tenancies basis at the date of the Statement of Financial Position by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation and are held as investment property and not subject to depreciation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of the properties is their purchase price together with capitalised improvement works.

Mid-market rent properties owned by the Association are currently leased to Lowther Homes Limited at the prevailing market rate. These properties are managed by Lowther Homes Limited.

New Build Grant and other capital grants

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

New Build Grant is recognised as income in the Statement of Comprehensive Income under the performance model. New Build Grant due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the Statement of Comprehensive Income within turnover. Grant received in respect of revenue expenditure is recognised as income in the period to which it relates.

Properties are disposed of under the provisions contained in the Housing (Scotland) Act 2014. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is accounted for as a liability. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay is disclosed as a contingent liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

Other tangible fixed assets

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

	Economic Life
Combined Heat & Power plant (cost)	30 years
Community infrastructure (cost)	20 years
Office improvements (cost)	10 years
Furniture, fittings and office equipment (cost)	3 years

Creditors

Work undertaken on capital projects is recognised as a capital addition in the month of completion. Where arrangement for payment is in future years, an amount equal to the balance outstanding to the contractor is shown as a creditor. This arrangement exists for work undertaken on lifts.

Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Provisions

The Association only provides for liabilities at the year-end date where there is a legal or constructive obligation incurred which will likely result in the outflow of resources.

Taxation

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

Value Added Tax

The Association is registered for VAT. A large proportion of its income, including rental receipts, is exempt for VAT purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

3. Particulars of turnover, operating expenditure and operating surplus

	Turnover	2021 Operating Costs	Other Losses	Operating Surplus/ (Deficit)	2020 Operating Surplus/ (Deficit)
	£ 000	£ 000	£000	£ 000	£ 000
Affordable letting activities (note 4)	21,331	(14,800)	-	6,531	9,366
Other activities (note 5)	5,564	(6,866)	-	(1,302)	(1,110)
Loss on investment activities (note 15)	-	-	(50)	(50)	(260)
Total	26,895	(21,666)	(50)	5,179	7,996
Total for previous reporting year	26,269	(18,013)	(260)	7,996	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

4. Particulars of turnover, operating expenditure and operating surplus from affordable letting activities

	General Needs £'000	Supported Social £'000	Shared Ownership £'000	2021 Total £'000	2020 Total £'000
Rent receivable net of service charges	16,728	1,883	64	18,675	17,710
Service charges	283	464	7	754	750
Gross income from rents and service charges	17,011	2,347	71	19,429	18,460
Less rent loss from voids	(240)	(150)	-	(390)	(180)
Net income from rents and service charges	16,771	2,197	71	19,039	18,280
Grants released from deferred income	2,076	-	-	2,076	6,764
Other revenue grants	203	13	-	216	-
Total turnover from affordable letting activities	19,050	2,210	71	21,331	25,044
Management and maintenance administration costs	(2,862)	(160)	(22)	(3,044)	(3,192)
Service costs	(377)	(618)	(9)	(1,004)	(751)
Planned and cyclical maintenance including major repairs costs	(2,550)	(141)	-	(2,691)	(2,664)
Reactive maintenance costs	(875)	(49)	-	(924)	(1,746)
Bad debts – rents and service charges	(144)	(8)	-	(152)	(195)
Depreciation of social housing	(6,597)	(367)	(21)	(6,985)	(7,130)
Operating costs from social letting activities	(13,405)	(1,343)	(52)	(14,800)	(15,678)
Operating surplus from social lettings	5,645	867	19	6,531	9,366
Operating activities for affordable letting activities for the previous reporting year	8,508	816	42	9,366	

The disclosure of turnover, operating costs and operating surpluses from affordable letting activities reflects the requirements of the Housing SORP 2014.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

5. Particulars of turnover, operating expenditure and operating deficit from other activities

	Grants from Scottish Ministers £'000	Other Income £'000	Total Turnover £'000	Operating Costs Other £'000	2021 Operating Surplus/ (Deficit) £'000	2020 Operating Surplus/ (Deficit) £'000
Development and construction of property activities	-	5,205	5,205	(5,265)	(60)	-
Depreciation – non social housing	-	-	-	(288)	(288)	(310)
District heating scheme	-	61	61	(551)	(490)	(219)
Investment property activities	-	135	135	-	135	119
Organisation restructuring	-	-	-	(36)	(36)	(187)
Owners' improvement activities	-	16	16	(20)	(4)	-
Other income	-	147	147	(8)	139	133
Wider role activities to support the community	-	-	-	(698)	(698)	(646)
Total from other activities	-	5,564	5,564	(6,866)	(1,302)	(1,110)
Total from other activities for the previous reporting year	-	1,225	1,225	(2,335)	(1,110)	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

6. Board members' emoluments

Board members received £nil (2020 £84) by way of reimbursement of expenses.

7. Key management personnel

Key management personnel are employed by the Association and perform an executive management role across all subsidiaries in the Group. The total emoluments payable to Group key management personnel are disclosed in the Wheatley Housing Group consolidated financial statements. The Association pays a share of the costs of these personnel which includes employer pension contributions and benefits in kind.

The allocation of key management emoluments is based on property numbers under management after allocating a share of costs to non RSL subsidiaries. In 2019/20 the allocation was based on the proportion of group services costs borne by the Association, with the change in the basis of allocation of costs in 2020/21 considered to be more representative of the executive management costs of the Association.

	2021	2020
	£ 000	£ 000
Aggregate emoluments payable to key management (including pension contributions and benefits in kind)	144	78

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

More than £nil but not more than £10,000	-	1
More than £10,000 but not more than £20,000	5	5
More than £30,000 but not more than £40,000	1	-

There were six senior officers in post during the year ended 31 March 2021. Key management personnel in the year were as follows:

Martin Armstrong	Group Chief Executive
Tom Barclay	Group Director of Property and Development
Olga Clayton	Group Director of Housing and Care
Steven Henderson	Group Director of Finance
Graham Isdale	Group Director of Corporate Affairs
Elaine Melrose – to 30 September 2020	Group Director of Resources

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

8. Employees

	2021	2020
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	60	69
The average total number of employees employed during the year was	62	71
	2021	2020
	£'000	£'000
Staff costs		
Wages and salaries	1,959	2,191
Social security costs	192	204
Pension costs	748	1,399
FRS 102 pension adjustment	(581)	(1,195)
	<u>2,318</u>	<u>2,599</u>

9. Finance income

	2021	2020
	£'000	£'000
Bank interest receivable on deposits in the year	<u>1</u>	<u>3</u>

10. Finance charges

	2021	2020
	£'000	£'000
Interest payable on intra group loans	4,627	4,404
Loan breakage fees	2,478	-
Net interest charge on pension liability	12	23
	<u>7,117</u>	<u>4,427</u>

11. Auditor's remuneration

	2021	2020
	£'000	£'000
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	13	13

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

12. Financial commitments

Capital commitments

All capital commitments of the Association were as follows:

	2021 £'000	2020 £'000
Expenditure contracted for, but not provided in the financial statements	6,659	10,614
Expenditure authorised by the Board but not contracted	4,536	4,890
	11,195	15,504

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

Operating leases

At 31 March the Association had total commitments under non-cancellable operating leases as follows:

	2021 £'000	2021 £'000	2020 £'000	2020 £'000
	Land and Buildings	Other	Land and Buildings	Other
Commitments falling due:				
Within one year	99	94	117	94
In the second to fifth years inclusive	143	352	231	282
Over five years	-	-	-	70
	242	446	348	446

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

13. Social Housing Properties

	Housing Properties Held for Letting £'000	Shared Ownership Properties £'000	Housing Under Construction £'000	Total £'000
At valuation				
At 1 April 2020	132,677	1,281	5,070	139,028
Additions	1,768	-	7,945	9,713
Disposals	(49)	-	-	(49)
Transfer	4,479	-	(4,479)	-
Revaluation	3,335	29	-	3,364
At 31 March 2021	142,210	1,310	8,536	152,056
Depreciation				
At 1 April 2020	-	-	-	-
Charge for year	6,919	21	-	6,940
Disposals	(3)	-	-	(3)
Revaluation	(6,916)	(21)	-	(6,937)
At 31 March 2021	-	-	-	-
Net Book Value - valuation				
At 31 March 2021	142,210	1,310	8,536	152,056
At 31 March 2020	132,677	1,281	5,070	139,028
Net Book Value - cost				
At 31 March 2021	182,040	851	8,536	191,427
At 31 March 2020	182,760	872	5,070	188,702

Total expenditure on repairs and capital improvements in the year on existing properties was £5,383k (2020: £9,362k). Of this, repair costs of £3,615k (2020: £4,410k) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of 1,768k (2020: £4,952k) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £1,768k (2020: £4,952k) in the year include:

- £721k for component additions including:
 - £25k on bathrooms;
 - £80k on heating system boilers;
 - £44k on internal works and common areas;
 - £82k on kitchens;
 - £472k on mechanical, electrical and plumbing;
 - £1k on structure and roofs; and
 - £17k on windows and doors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

13. Social Housing Properties (continued)

- The remaining balance of £1,047k of additions to existing properties not associated with a specific component includes £585k on void improvements £9k of medical adaptations.

Additions to housing under construction include capitalised interest costs of £185k (2020: £328k). Interest has been capitalised at the weighted average interest cost for the Association of 4.60% (2020: 4.89%).

Social housing properties have been valued by Jones Lang LaSalle Limited, an independent professional adviser qualified by the Royal Institution of Chartered Surveyors ("RICS") to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RICS at 31 March 2021 on an Existing Use Valuation for Social Housing ("EUV-SH").

Discount rates between 5.75-6.50% have been used depending on the property archetype (2020: 5.75-6.50 % retained stock). The valuation assumes a rental income increase of inflation + 0.50% in 2021/22 in line with the Association's 30-year Business Plan (2021/22). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

The number of units of accommodation (excluding unlettable voids) held by the Association at 31 March 2021 is shown below:

	2021 number			2020 number		
	Owned & managed	Managed only	Total	Owned & managed	Managed only	Total
General needs	3,528	-	3,528	3,501	-	3,501
Shared ownership	27	-	27	27	-	27
Supported housing	196	1	197	196	1	197
	<u>3,751</u>	<u>1</u>	<u>3,752</u>	<u>3,724</u>	<u>1</u>	<u>3,725</u>

The number of units disclosed above is based on complete dwellings. The Association's supported accommodation includes 48 dwellings, which contain 146 bed spaces (2020: 48 dwellings containing 146 bed spaces).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

14. Other Tangible Fixed Assets

	Combined heat and power plant £'000	Community infrastructure £'000	Office improvements £'000	Furniture, fittings and office equipment £'000	Total £'000
Cost					
At 1 April 2020	5,805	1,587	1,006	376	8,774
Additions	(73)	-	-	-	(73)
At 31 March 2021	5,732	1,587	1,006	376	8,701
Depreciation					
At 1 April 2020	3,235	115	386	360	4,096
Charge for year	97	79	102	10	288
At 31 March 2021	3,332	194	488	370	4,384
Net Book Value					
At 31 March 2021	2,400	1,393	518	6	4,317
At 31 March 2020	2,570	1,472	620	16	4,678

15. Investments

Investment Properties

	Properties held for mid-market rent £'000
Cost	
At 1 April 2020	1,750
Revaluation taken to operating surplus	(50)
At 31 March 2021	1,700
Net Book Value	
At 31 March 2021	1,700
At 31 March 2020	1,750

Mid-market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Jones Lang LaSalle, on 31 March 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

15. Investments (continued)

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

	2021	2020
Mid Market Rent Properties		
Total Units	27	27

16. Trade and other debtors

	2021 £'000	2020 £'000
Due within one year		
Arrears of rent and service charges	635	733
Adjustment to discount arrears balances with payment plans	(6)	(4)
Less: provision for bad and doubtful debts	(493)	(534)
	136	195
Prepayments and accrued income	43	23
Other debtors	2,027	2,898
Due from other group companies	553	133
Total debtors	2,759	3,249

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

17. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	140	602
Accruals	6,983	4,328
Deferred income	7,316	1,916
Rent and service charges received in advance	953	865
Tax and social security	46	56
Other creditors	592	896
Due to other group companies	3,289	1,058
Due to other group companies (loan)	93,102	-
	112,421	9,721

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

17. Creditors: amounts falling due within one year (continued)

Bank lending facility

Borrowing arrangements are in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility was made up of a committed facility of £652.6m from a syndicate of commercial banks, two committed facilities totalling £278.0m from the European Investment Bank, £300.0m raised through the issue of a public bond, £150.0m private placement loan notes with BlackRock Real Assets and £100.0m facility with HSBC. This provided total facilities of £1,480.6m for RSLs within the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No. 1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Limited, with Cube having access to an intra-group facility of £122.7m, secured on its housing stock. Interest in the year has been charged at 4.60% (2020: 4.89%).

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

Borrowings are repayable as follows	2021 £'000	2020 £'000
In less than one year (note 17)	93,102	-
In more than one year but less than five years	-	-
In more than five years (note 18)	-	95,597
	<u>93,102</u>	<u>95,597</u>

Analysis of deferred income

	New Build Grant £'000	Other £'000	Total Deferred Income £'000
Deferred income as at 31 March 2020	3,064	-	3,064
Additional income received	6,328	-	6,328
Released to the Statement of Comprehensive Income	(2,076)	-	(2,076)
Deferred income as at 31 March 2021	<u>7,316</u>	<u>-</u>	<u>7,316</u>

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

Deferred income to be released to the Statement of Comprehensive Income:	2021 £'000	2020 £'000
In less than one year (note 17)	7,316	1,916
In more than one year but less than two years	-	1,148
In more than two years but less than five years	-	-
In more than five years	-	-
	<u>7,316</u>	<u>3,064</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

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

	2021	2020
	£'000	£'000
Deferred income	-	1,148
Due to other group companies (loan)	-	95,597
Total	<u>-</u>	<u>96,745</u>

19. Share capital

	2021	2020
	£	£
Shares of £1 each issued and fully paid		
At 1 April	75	112
Issued	-	3
Cancellations	<u>(1)</u>	<u>(40)</u>
At 31 March	<u>74</u>	<u>75</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

20. Pensions

Pensions Trust Scottish Housing Association Pension Scheme

Cube Housing Association participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS"), a multi-employer defined benefit scheme. It is funded and contracted out of the State Pension Scheme. With effect from 1 September 2014 Cube Housing Association ceased to offer membership of the defined benefit scheme, with all active employee members transferred to the SHAPS Defined Contribution scheme.

The Trustee commissions an actuarial valuation of the Scheme every three years, with the last formal valuation of the Scheme being carried out at 30 September 2018.

The scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. FRS 102 requires the disclosure of the Group's share of the assets and liabilities of the scheme within the financial statements and an evaluation of the scheme assets and liabilities has been carried out by an independent actuary as at 31 March 2021.

Following consideration of the results of the last valuation at 30 September 2018, the shortfall in the scheme reduced from £198m to £121m. It was agreed that this would continue to be dealt with by the payment of additional contributions. These were previously set at 5.4% of pensionable salaries per annum with effect from 1st April 2014 for a period of 8 years with the scheme expected to reach a fully funded position by 2022. The next formal valuation of the scheme is due to be carried out at 30 September 2021 and to ensure the on-going funding of the scheme whilst the valuation is prepared, the Trustees have agreed to extend the period over which additional contributions are payable by one year to March 2023. Past service deficit contributions continue to increase each 1st April at a rate of 3%.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

20. Pensions (continued)

A recent review of changes made to the scheme's benefit structure has been undertaken by the Trustees in line with their duty to administer the scheme in accordance with the rules. The review involves clarification of the treatment of historic changes made to scheme benefits and from initial findings it has been determined that in some cases it is unclear whether changes made to the scheme benefits have been in accordance with the governing documentation. Direction has been sought from the High Court and the matter is currently under consideration. Any potential requirement to review member benefits is not expected to have a material impact on the liabilities of the scheme based on current calculations and no provision has been made when valuing the scheme liabilities pending the outcome of the process.

Pensions Trust Scottish Housing Association Pension Scheme - Defined Benefit

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

	31 March 2021	31 March 2020
Discount rate	2.05%	2.45%
Future salary increases	1.85%*	2.20%
Inflation (CPI)	2.80%	1.90%

* future salary increases assumed at 1.50% for the first three years, 2.00% thereafter

In valuing the liabilities of the pension fund at 31 March 2021, mortality assumptions are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions in 2021 and 2020 are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: male 21.5 years, female 23.4 years (2020: 20.7 and 22.9 years, respectively)
- Future retiree upon reaching 65: male 22.8 years, female 25.0 years (2020: 22.2 and 24.6 years, respectively)

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

20. Pensions (continued)

Movements in present value of defined benefit obligation

	2021 £'000	2020 £'000
Opening defined benefit obligation	17,922	18,752
Interest cost	432	481
Actuarial losses/(gains)	2,405	(760)
Estimated benefits paid	(586)	(570)
Administration costs	16	19
Closing defined benefit obligation	<u>20,189</u>	<u>17,922</u>

Movements in fair value of plan assets

	2021 £'000	2020 £'000
Opening fair value of plan assets	17,165	17,254
Interest income	420	458
Expected return/(loss) on plan assets	699	(1,172)
Contributions by the employer	581	1,195
Estimated benefits paid	(586)	(570)
Administration costs	-	-
Closing fair value of plan assets	<u>18,279</u>	<u>17,165</u>
Net Liability	<u>(1,910)</u>	<u>(757)</u>

Amounts recognised in statement of comprehensive income

	2021 £'000	2020 £'000
Net interest on defined benefit obligation	12	23
Administration costs	16	19
	<u>28</u>	<u>42</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

20. Pensions (continued)

The total amount recognised in the Statement of Comprehensive Income in respect of actuarial gains and losses is £1,706k loss (2020: £412k loss).

The major categories of scheme assets are as follows:

Association	2021 £'000	2020 £'000
Equities	5,995	3,415
Corporate bonds	1,388	5,992
Property	328	320
Alternatives	10,426	6,021
Cash	142	1,417
	18,279	17,165
Actual return/(loss) on plan assets	1,119	(714)

21. Related party transactions

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

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

Tenant and factored homeowners Board Members

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

Robert Keir
Jennifer Williamson
Suzanne Lavelle

Transactions and arrears balances outstanding at 31 March 2021 are as follows:

	2021 £'000
Rent charged during the year	17
Arrear balances outstanding at 31 March 2021	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

21. Related party transactions (continued)

Other related parties

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

	Invoiced/paid in the year £'000	Year end balance £'000
2021		
Pensions Trust – Scottish Housing Association Pension Scheme	581	-

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

There were no other related party transactions during the year.

22. Cash Flow Analysis

Reconciliation of surplus for the financial year to net cash inflow from operating activities

	2021 £'000	2020 £'000
Surplus for the financial year	8,364	5,125
Depreciation of tangible fixed assets	7,273	6,802
Decrease in trade and other debtors	466	500
Increase/(decrease) in trade and other creditors	2,601	(1,170)
Pension costs less contributions payable	(570)	(1,175)
<i>Adjustments for investing or financing activities:</i>		
Gain from the sale of tangible fixed assets	-	(18)
Government grants utilised in the year	(2,076)	(6,653)
Interest paid	7,117	4,427
Interest received	(1)	(3)
Increase in valuation of properties	(10,251)	(1,275)
Net cash generated from operating activities	12,923	6,560

23. Ultimate parent organisation

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

24. Post balance sheet event

During 2020/21 a majority of the tenants of Cube Housing Association Limited, voted in favour of plans to transfer Cube's housing stock within the City of Glasgow to The Glasgow Housing Association Limited and the transfer of its remaining activities, assets and liabilities to be transferred through a transfer of engagements to Loretto Housing Association, fellow Wheatley Group subsidiaries.

The transfer of engagements took place on 28 July 2021.

SUPPLEMENTARY INFORMATION

Secretary and Registered Office

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Glasgow
G20 8YE

Independent Auditor

KPMG LLP
319 St Vincent Street
Glasgow G2 5AS

Banker

Royal Bank of Scotland
Glasgow Corporate Office
Kirkstane House
139 St Vincent Street
Glasgow G2 5JF