



# ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2022

**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 2022.

### **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").

Following a successful tenant ballot concluded in 2020/21, Cube's homes in the Glasgow City local authority boundary transferred to The Glasgow Housing Association Limited, along with all related assets and liabilities, on 28 April 2021. The remaining business and assets of Cube were subject to a transfer of engagements to Loretto Housing Association Limited on 28 July 2021. Immediately following the transfer of engagements, Cube ceased to trade.

From 1 April 2022, The Glasgow Housing Association Limited has traded as Wheatley Homes Glasgow ("WH Glasgow"), and is referred to as Wheatley Homes Glasgow throughout these Financial Statements.

## **FINANCIAL REVIEW**

The financial results for Cube reflect the shorter trading period up to the transfer of engagements to Loretto Housing Association in July 2021 and the property transfer to WH Glasgow in April 2021.

The Association reported an operating deficit of 49.1m (2021: surplus £5.2m) for the year, which includes the gain and losses associated with the transfers to WH Glasgow and Loretto Housing noted above. Excluding the loss attributable to the transfers, an underlying operating surplus of £602k was generating during the period of trading up to 28 July 2021.

### **Income**

The Association's turnover for the year ended 31 March 2022 totalled £4.8m (2021: £26.9m). The main source of income was net rental and service charge income of £3.0m (2021: £19.0m). No grant income (2021: £2.1m), has been recognised in relation to 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 £1.7m (2021: £5.6m) which includes income from the development and construction of property and mid-market rental income as well as works carried out to owners' properties.

### **Expenditure**

Operating costs in the year totalled £4.2m (2021: £21.7m), with the reduction due to the shorter trading period. Expenditure largely comprised the following:

- Management and maintenance administration costs associated with affordable letting activities totalling £0.2m (2021: £3.0m).
- £0.3m of reactive maintenance costs to our social letting properties (2021: £0.9m).
- £0.6m of planned and cyclical maintenance costs to our social housing properties (2021: £2.7m).
- Depreciation expenditure for social and non-social housing assets of £1.1m (2021: £7.3m)
- Development and construction of property costs of £1.5m (2021: £5.3m), noting that these costs are offset by the related income, both of which are reported in other activities.

## **DIRECTORS' REPORT (Continued)**

### **FINANCIAL REVIEW (continued)**

In other gains and losses, a loss of £49.7m is reported which comprises of :

- a loss of £32.6m representing the properties within Glasgow City and related assets and liabilities which were transferred to Wheatley Homes Glasgow Limited;
- a gain of £1.3m on transfer of the SHAPS Defined Benefit pension liability to Loretto Housing Association, following a transfer of all Cube employees and related pension obligations to Loretto on 31 May 2021; and
- a loss of £18.5m representing the net assets of Cube which were transferred to Loretto Housing Association Limited under the transfer of engagements on 28 July 2021.

In the prior year a loss of £0.1m was reported on the revaluation of investment properties.

In the year, the Association had one property disposal and disposal of other fixed assets, reporting a loss on disposal of £0.4m (2021: no disposals). Other expenditure in the year included £0.5m of interest (2021: £7.1m).

Total comprehensive result for the year reported a deficit of £49.5m (2021: income £6.7m) which includes an actuarial gain of £0.5m (2021: £1.7m loss) in respect of the SHAPS pension scheme. The prior year result includes an increase in the revaluation of social housing properties of £10.3m.

### **Cashflows**

The cash flow statement of the Association is shown on page 15. Cube generated £2.0m from operating activities (2021: £13.0m). Cash and cash equivalents in the year decreased by £3.0m to nil following the transfer of cash balances to Loretto Housing Association Limited (2021: increased by £1.6m).

### **Net current assets**

As at 31 March 2022, the Association's Statement of Financial Position reflects the transfer of the remaining net assets of Cube to Loretto Housing Association Limited. Net current assets at 31 March 2021 totalled £49.5m and all assets and liabilities were reported as either current assets or current liabilities following the decision by the Board not to use the going concern basis for the preparation of the financial statements in advance of the transfer of engagements to Loretto Housing Association Limited.

### **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

## **DIRECTORS' REPORT (Continued)**

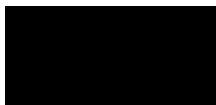
### **FINANCIAL REVIEW (continued)**

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.

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.

By order of the Board



**Peter Kelly, Director**

08 September 2022

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		
Eric Gibson (Vice Chair)	14 August 2018	25 September 2018		<ul style="list-style-type: none"> <li>▪ Wheatley Housing Group Limited</li> <li>▪ Lowther Homes Limited</li> <li>▪ Loretto Housing Limited</li> </ul>
Bill Coghill	20 October 2015			<ul style="list-style-type: none"> <li>▪ Lowther Homes Limited</li> </ul>
Robert Keir *	26 May 2015	25 September 2018		<ul style="list-style-type: none"> <li>▪ Wheatley Homes Glasgow Limited</li> </ul>
Kerri McGuire	24 September 2019			<ul style="list-style-type: none"> <li>▪ Wheatley Developments Scotland Limited</li> <li>▪ Lowther Homes Limited</li> </ul>
Suzanne Lavelle*	24 September 2019			<ul style="list-style-type: none"> <li>▪ Loretto Housing Limited</li> </ul>
Kenny Simpson	24 September 2019			<ul style="list-style-type: none"> <li>▪ Wheatley Care</li> </ul>
Jennifer Williamson*	16 August 2016			<ul style="list-style-type: none"> <li>▪ Loretto Housing Limited</li> </ul>

\* 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 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 for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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, and 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**

08 September 2022

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 2022 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, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2022 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the requirements of the Housing (Scotland) Act 2010, the Registered Social Landlords Determination of Accounting Requirements Order 2019, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

## Basis for opinion

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act.

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 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.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.



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

### **Opinion (continued)**

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.

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.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias including assessing the assumptions used in pension valuations and property valuations.

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

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion 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. 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.

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

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

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

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

### **Opinion (continued)**

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

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Statement on Internal Financial Control on page 6 does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- in our opinion, the 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 and the Charities Accounts (Scotland) Regulations 2006 (as amended) 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.

### **Board's responsibilities**

As explained more fully in their statement set out on page 7 the association's Board is responsible for: the preparation of the financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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.

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

## **Opinion (continued)**

### **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](http://www.frc.org.uk/auditorsresponsibilities).

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

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014, section 69 of the Housing (Scotland) Act 2010, section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the association 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, 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**

**21 September 2022**

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £'000	2021 £'000
Turnover	3	4,785	26,895
Operating expenditure	3	(4,183)	(21,666)
Other losses	3	(49,731)	(50)
Operating (deficit)/ surplus		<u>(49,129)</u>	<u>5,179</u>
Loss on disposal of fixed assets	10	(390)	-
Finance income	11	-	1
Finance charges	12	(541)	(7,117)
Increase in valuation of social housing properties		-	10,301
(Deficit)/Surplus for the financial year		<u>(50,060)</u>	<u>8,364</u>
Actuarial gain/(loss) in respect of pension schemes		569	(1,706)
Total comprehensive result for the year		<u><u>(49,491)</u></u>	<u><u>6,658</u></u>

All amounts relate to continuing operations.

The notes on pages 16 to 38 form part of these financial statements.

**STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 March 2022**

	<b>Revenue Reserve £'000</b>
Balance at 1 April 2020	42,833
Total comprehensive result	6,658
Balance at 31 March 2021	<hr/> 49,491
Total comprehensive result	(49,491)
Balance at 31 March 2022	<hr/> <hr/> -

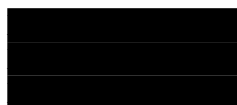
All trading operations were discontinued on 28 July 2021.

The notes on pages 16 to 38 form part of these financial statements.

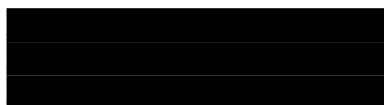
## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

		2022 £'000	2021 £'000
	<i>Note</i>		
<b>Current assets</b>			
Social housing properties	15	-	152,056
Other tangible assets	16	-	4,317
Investments	17	-	1,700
Trade and other debtors	18	-	2,759
Cash and cash equivalents		-	2,990
		-	163,822
<b>Creditors:</b> amounts falling due within one year	19	-	(112,421)
<b>Provisions for liabilities</b>			
Pension liability	21	-	(1,910)
<b>Net current assets</b>		-	49,491
<b>Total assets less current liabilities</b>		-	49,491
<b>Creditors:</b> amounts falling due after more than one year		-	-
<b>Total net assets</b>		-	49,491
<b>Reserves</b>			
Share capital	20	-	-
Revenue reserve		-	49,491
<b>Total reserves</b>		-	49,491

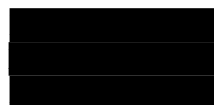
These financial statements were approved by the Board on 24 August 2022 and were signed on its behalf on 08 September 2022 by:



Peter Kelly  
Chair



Eric Gibson  
Board Member



Anthony Allison  
Secretary

The notes on pages 16 to 38 form part of these financial statements.

Charity registration number SC033021

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2022

	<i>Note</i>	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
<b>Net cash generated from operating activities</b>	23	<u>2,020</u>	<u>12,923</u>
<b>Cash flows from investing activities</b>			
Improvement of properties – housing stock		(346)	(1,302)
New build		(1,173)	(8,995)
Purchase of other fixed assets		-	-
Proceeds from sale of fixed assets		150	-
Grants received	19	(1,496)	6,328
Interest received		<u>-</u>	<u>1</u>
<b>Net cash used in investing activities</b>		(2,865)	(3,968)
<b>Cash flows from financing activities</b>			
Finance charges		(658)	(4,816)
Finance (repaid)/draw down		1,000	(2,500)
Cash transferred on business combination		<u>(2,487)</u>	<u>(7,316)</u>
<b>Net change in cash and cash equivalents</b>		(2,990)	1,639
<b>Cash and cash equivalents at 1 April</b>		2,990	1,351
<b>Cash and cash equivalents at 31 March</b>		<u><u>-</u></u>	<u><u>2,990</u></u>

The notes on pages 16 to 38 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2022

### 1. Legal status

Cube Housing Association Limited ("Cube" or "the Association") is a wholly owned subsidiary of The Wheatley Housing Group ("WHG"). The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered Scottish Charity No.SC033021. Cube is registered as a housing association 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 years 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 2020/21 a majority of tenants voted in favour of a proposal to transfer the housing properties of Cube in Glasgow to Wheatley Homes Glasgow Limited and thereafter to a transfer of engagements of all other business of Cube to Loretto Housing Association Limited. The transfer of engagements to Loretto completed on 28 July 2021, Cube ceased to trade on the same date and the Association is expected to be closed in due course. 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 2021 comparatives. There are no valuation changes to be made as all activities are being transferred to group entities as trading activities.

Discount rates have been previously 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 2022**

### **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 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 2022

### 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.

The obligations of Cube in the SHAPs Defined Benefit scheme were transferred on 31 May 2021 Loretto Housing Association in advance of the transfer of engagements on 28 July 2021. Loretto Housing Association is also a participating employer in the SHAPs Defined Benefit Scheme.

A Wheatley Group defined contribution scheme administered by the Salvus Master Trust was also available to all employees of Cube.

#### 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 ("EUUV-SH") 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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2022 (continued)**

### **2. Accounting policies (continued)**

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

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

#### **• New Build**

Housing properties in the course of construction 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 have been 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 year 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 2022 (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 year 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 2022 (continued)

### 3. Particulars of turnover, operating expenditure and operating surplus

	Turnover	2022 Operating Costs	Other Gains/ (Losses)	Operating Surplus/ (Deficit)	2021 Operating Surplus/ (Deficit)
	£ 000	£ 000	£000	£ 000	£ 000
Affordable letting activities (note 4)	3,063	(2,347)	-	716	6,531
Other activities (note 5)	1,722	(1,836)	-	(114)	(1,302)
Loss on investment activities (note 17)	-	-	-	-	(50)
Gain on transfer of pension scheme obligations (note 9)			1,347	1,347	-
Loss on business combination (note 9)			(51,078)	(51,078)	-
Total	4,785	(4,183)	(49,731)	(49,129)	5,179
Total for previous reporting year	26,895	(21,666)	(50)	5,179	

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 March 2022 (continued)**

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

	<b>General Needs</b>	<b>Supported Social</b>	<b>Shared Ownership</b>	<b>2022 Total</b>	<b>2021 Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Rent receivable net of service charges	2,552	385	14	2,951	18,675
Service charges	34	91	1	126	754
<b>Gross income from rents and service charges</b>	<b>2,586</b>	<b>476</b>	<b>15</b>	<b>3,077</b>	<b>19,429</b>
Less rent loss from voids	(21)	(37)	-	(58)	(390)
<b>Net income from rents and service charges</b>	<b>2,565</b>	<b>439</b>	<b>15</b>	<b>3,019</b>	<b>19,039</b>
Grants released from deferred income	-	-	-	-	2,076
Other revenue grants	44	-	-	44	216
<b>Total turnover from affordable letting activities</b>	<b>2,609</b>	<b>439</b>	<b>15</b>	<b>3,063</b>	<b>21,331</b>
Management and maintenance administration costs	(212)	(12)	(2)	(226)	(3,044)
Service costs	(46)	(122)	(1)	(169)	(1,004)
Planned and cyclical maintenance including major repairs costs	(526)	(29)	-	(555)	(2,691)
Reactive maintenance costs	(252)	(14)	-	(266)	(924)
Bad debts – rents and service charges	(16)	(1)	-	(17)	(152)
Depreciation of social housing	(1,051)	(58)	(5)	(1,114)	(6,985)
<b>Operating costs from social letting activities</b>	<b>(2,103)</b>	<b>(236)</b>	<b>(8)</b>	<b>(2,347)</b>	<b>(14,800)</b>
<b>Operating surplus from social lettings</b>	<b>506</b>	<b>203</b>	<b>7</b>	<b>716</b>	<b>6,531</b>
Operating activities for affordable letting activities for the previous reporting year	5,645	867	19	6,531	

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 2022 (continued)**

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

	<b>Grants from Scottish Ministers £'000</b>	<b>Other Income £'000</b>	<b>Total Turnover £'000</b>	<b>Operating Costs Other £'000</b>	<b>2022 Operating Surplus/ (Deficit) £'000</b>	<b>2021 Operating Surplus/ (Deficit) £'000</b>
Development and construction of property activities	-	1,461	1,461	(1,481)	(20)	(60)
Depreciation – non social housing	-	-	-	(32)	(32)	(288)
District heating scheme	-	116	116	(62)	54	(490)
Investment property activities	-	11	11	-	11	135
Organisation restructuring	-	-	-	-	-	(36)
Owners' improvement activities	-	115	115	(137)	(22)	(4)
Other income	-	9	9	(3)	6	139
Wider role activities to support the community	-	10	10	(121)	(111)	(698)
<b>Total from other activities</b>	<b>-</b>	<b>1,722</b>	<b>1,722</b>	<b>(1,836)</b>	<b>(114)</b>	<b>(1,302)</b>
Total from other activities for the previous reporting year	-	5,564	5,564	(6,866)	(1,302)	

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2022 (continued)

### 6. Board members' emoluments

Board members received £nil (2021 £nil) 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. There is a reduction in the value allocated to Cube in 2021/22 due to the shorter trading period.

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Aggregate emoluments payable to key management (including pension contributions and benefits in kind)	21	144

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

More than £nil but not more than £10,000	5	-
More than £10,000 but not more than £20,000	-	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 2022. 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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2022 (continued)

### 8. Employees

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
The average monthly number of full time equivalent persons employed during the year was*	58	60
The average total number of employees employed during the year was*	60	62
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs		
Wages and salaries	330	1,959
Social security costs	32	192
Pension costs	31	748
FRS 102 pension adjustment	(3)	(581)
	<u>390</u>	<u>2,318</u>

\*All employees transferred to Loretto Housing Association Limited on 31 May 2021. The employee full time equivalent and average total figures presented for 2022 relate to the period up to 31 May 2021.

### 9. Other (losses)/gains

Following the successful tenant ballot in 2020/21, the property assets of Cube located in the Glasgow City Council local authority transferred for nil consideration to Wheatley Homes Glasgow on 28 April 2021, resulting in a loss on the transfer of £32.6m. The assets and liabilities attributable to Cube in the SHAPS defined benefit pension scheme transferred to Loretto Housing Association Limited on 31 May 2021, resulting in a gain of £1.3m. The remaining business of Cube was subject to a transfer of engagements to Loretto Housing Association Limited on 28 July 2021, resulting in a loss on the transfer of engagements of £18.5m.

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Loss on transfer to Wheatley Homes Glasgow Limited	(32,595)	-
Loss on transfer of engagements to Loretto Housing Association Limited	(18,483)	-
	<u>(51,078)</u>	<u>-</u>
Gain on transfer of SHAPS pension to Loretto Housing Association Limited	1,347	-
Loss on revaluation of Investment Properties	-	(50)
	<u>(49,731)</u>	<u>(50)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 March 2022 (continued)**

**9. Other (losses)/gains (continued)**

The following amounts were transferred to other Group undertakings

	<b>Wheatley Homes Glasgow</b>	<b>Transfer of SHAPs DB pension to LHA</b>	<b>Loretto Housing Association</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Social housing properties</b>	87,681	-	64,490
<b>Other fixed assets</b>	4,165	-	-
<b>Investment properties</b>	1,700	-	-
<b>Current assets</b>	1,239	-	4,278
<b>Current liabilities</b>	(62,190)	(1,347)	(50,285)
<b>Net current assets</b>	(60,951)	(1,347)	(46,007)
<b>Total assets/liabilities</b>	<b>32,595</b>	<b>(1,347)</b>	<b>18,483</b>

**10. Loss on disposal of fixed assets**

This represents income from the disposal of fixed assets.

	<b>2022 £'000</b>	<b>2021 £'000</b>
Proceeds from disposal of properties and other fixed assets	150	-
Value of assets disposed	(540)	-
Loss on disposal of fixed assets	(390)	-

**11. Finance income**

	<b>2022 £'000</b>	<b>2021 £'000</b>
Bank interest receivable on deposits in the year	-	1

**12. Finance charges**

	<b>2021 £'000</b>	<b>2020 £'000</b>
Interest payable on intra group loans	535	4,627
Loan breakage fees	-	2,478
Net interest charge on pension liability	6	12
	541	7,117

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2022 (continued)

### 13. Auditor's remuneration

	2022 £'000	2021 £'000
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	12	13

### 14. Financial commitments

#### Capital commitments

All capital commitments of the Association were as follows:

	2022 £'000	2021 £'000
Expenditure contracted for, but not provided in the financial statements	-	6,659
Expenditure authorised by the Board but not contracted	-	4,536
	<u>-</u>	<u>11,195</u>

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

#### Operating leases

At 31 March 2022 the Association had total commitments under non-cancellable operating leases as follows:

	2022 £'000 Land and Buildings	2022 £'000 Other	2021 £'000 Land and Buildings	2021 £'000 Other
Commitments falling due:				
Within one year	-	-	99	94
In the second to fifth years inclusive	-	-	143	352
Over five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>242</u>	<u>446</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2022 (continued)

### 15. Social Housing Properties

	Housing Properties Held for Letting £'000	Shared Ownership Properties £'000	Housing Under Construction £'000	Total £'000
<b>At valuation</b>				
At 1 April 2021	142,210	1,310	8,536	152,056
Additions	346	-	1,302	1,648
Disposals	(443)	-	-	(443)
Transfer to WH Glasgow	(87,497)	(599)	-	(88,096)
Transfer to Loretto Housing Association	(54,616)	(711)	(9,838)	(65,165)
Revaluation	-	-	-	-
At 31 March 2022	-	-	-	-
<b>Depreciation</b>				
At 1 April 2021	-	-	-	-
Charge for year	1,089	5	-	1,094
Disposals	(4)	-	-	(4)
Transfer to WH Glasgow	(413)	(2)	-	(415)
Transfer to Loretto Housing Association	(672)	(3)	-	(675)
Revaluation	-	-	-	-
At 31 March 2022	-	-	-	-
<b>Net Book Value - valuation</b>				
At 31 March 2022	-	-	-	-
At 31 March 2021	142,210	1,310	8,536	152,056
<b>Net Book Value - cost</b>				
At 31 March 2022	-	-	-	-
At 31 March 2021	182,040	851	8,536	191,427

Total expenditure on repairs and capital improvements in the year on existing properties was £1,167k (2021: £5,383k). Of this, repair costs of £821k (2021: £3,615k) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £346k (2021: £1,768k) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £346k (2021: £1,768k) in the year include:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2022 (continued)

### 15. Social Housing Properties (continued)

- £154k for component additions including:
  - £32k on heating system boilers;
  - £122k on internal works and common areas;
- The remaining balance of £192k of additions to existing properties not associated with a specific component includes £77k on void improvements £48k of medical adaptations.

Additions to housing under construction include capitalised interest costs of £123k (2021: £185k). Interest has been capitalised at the weighted average interest cost for the Association of 4.08% (2021: 4.60%).

Social housing properties have been valued at March 2021 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. 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.

A total of 2,743 units were transferred to Wheatley Homes Glasgow Limited on 28 April 2021, with the remaining 1,008 units transferred to Loretto Housing Association Limited 28 July 2021. One unit was disposed of in June 2021. The number of units of accommodation held by the Association at 31 March 2022 is shown below:

	2022			2021		
	Owned & managed	Managed only	Total	Owned & managed	Managed only	Total
General needs	-	-	-	3,528	-	3,528
Shared ownership	-	-	-	27	-	27
Supported housing	-	-	-	196	1	197
	-	-	-	3,751	1	3,752

The number of units disclosed above is based on complete dwellings. The Association's 2021 supported accommodation includes 48 dwellings containing 146 bed spaces.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2022 (continued)

### 16. Other Tangible Fixed Assets

	Combined heat and power plant £'000	Community infrastructure £'000	Office improvements £'000	Furniture, fittings and office equipment £'000	Total £'000
<b>Cost</b>					
At 1 April 2021	5,732	1,587	1,006	376	8,701
Additions	-	-	-	-	-
Disposals			(249)	(275)	(524)
Transfer to WH Glasgow	(5,732)	(1,587)	(757)	(101)	(8,177)
Transfer to Loretto Housing Association	-	-	-	-	-
At 31 March 2022	-	-	-	-	-
<b>Depreciation</b>					
At 1 April 2021	3,332	194	488	370	4,384
Charge for year	16	7	9	-	32
Disposals			(129)	(275)	(404)
Transfer to WH Glasgow	(3,348)	(201)	(368)	(95)	(4,012)
Transfer to Loretto Housing Association	-	-	-	-	-
At 31 March 2022	-	-	-	-	-
<b>Net Book Value</b>					
At 31 March 2022	-	-	-	-	-
At 31 March 2021	2,400	1,393	518	6	4,317

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2022 (continued)

### 17. Investments

#### Investment Properties

	<b>Properties held for mid-market rent £'000</b>
<b>Cost</b>	
At 1 April 2021	1,700
Revaluation taken to operating surplus	-
Transfer to WH Glasgow	(1,700)
At 31 March 2022	-
<b>Net Book Value</b>	
At 31 March 2022	-
At 31 March 2021	1,700

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.

The number of properties held for market rent by the Association at 31 March 2022 was:

	<b>2022</b>	<b>2021</b>
<b>Mid Market Rent Properties</b>		
Total Units	-	27

### 18. Trade and other debtors

	<b>2022 £'000</b>	<b>2021 £'000</b>
<b>Due within one year</b>		
Arrears of rent and service charges	-	635
Adjustment to discount arrears balances with payment plans	-	(6)
Less: provision for bad and doubtful debts	-	(493)
	-	136
Prepayments and accrued income	-	43
Other debtors	-	2,027
Due from other group companies	-	553
<b>Total debtors</b>	-	2,759

Amounts owed by 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 2022 (continued)

### 19. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	-	140
Accruals	-	6,983
Deferred income	-	7,316
Rent and service charges received in advance	-	953
Tax and social security	-	46
Other creditors	-	592
Due to other group companies	-	3,289
Due to other group companies (loan)	-	93,102
<b>Total creditors</b>	<u>-</u>	<u>112,421</u>

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

### 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 4.08% (2021: 4.60%).

Cube Housing Association Limited had secured a major portion of its housing stock against this facility.

Outstanding borrowings of £58.6m secured on properties within the Glasgow City Council local authority transferred to WH Glasgow on 28 April 2022 and the remaining balance of £37.0m transferred to Loretto Housing Association on 28 July 2022.

Borrowings are repayable as follows	2022 £'000	2021 £'000
In less than one year (note 19)	-	93,102
In more than one year but less than five years	-	-
In more than five years	-	-
	<u>-</u>	<u>93,102</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2022 (continued)

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

#### Analysis of deferred income

	New Build Grant £'000	Other £'000	Total Deferred Income £'000
Deferred income as at 31 March 2021	7,316	-	7,316
Additional income received	1,496	-	1,496
Released to the Statement of Comprehensive Income	-	-	-
Transferred to Loretto Housing Association	(8,812)		(8,812)
Deferred income as at 31 March 2022	-	-	-

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:	2022 £'000	2021 £'000
In less than one year (note 19)	-	7,316
In more than one year but less than two years	-	-
In more than two years but less than five years	-	-
In more than five years	-	-
	-	7,316

### 20. Share capital

	2022 £	2021 £
Shares of £1 each issued and fully paid		
At 1 April	74	75
Issued	-	-
Cancellations	(65)	(1)
At 31 March	9	74

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 2022 (continued)**

### **21. 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.

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 year 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 year 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 2022 (continued)

### 21. 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.

In advance of the transfer of Cube's activities to other Wheatley Group subsidiaries, all Cube's assets and obligations in the SHAPs Defined Benefit Scheme were transferred to Loretto Housing Association Limited, which is also an employer in the SHAPs scheme. The transfer took place on 31 May 2021 and Cube's obligations in the SHAPs Defined Benefit scheme were settled at that date.

#### **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 period/year-end were as follows:

	<b>31 May 2021</b>	<b>31 March 2021</b>
Discount rate	1.95%	2.05%
Future salary increases	1.95%*	1.85%*
Inflation (CPI)	2.80%	2.80%

\* 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 May 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 (2021: 21.5 and 23.4 years, respectively)
- Future retiree upon reaching 65: male 22.8 years, female 25.0 years (2021: 22.8 and 25.0 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 years shown.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2022 (continued)

### 21. Pensions (continued)

#### *Movements in present value of defined benefit obligation*

	31 May 2021 £'000	31 March 2021 £'000
Opening defined benefit obligation	20,189	17,922
Interest cost	68	432
Actuarial losses/(gains)	75	2,405
Estimated benefits paid	(136)	(586)
Administration costs	3	16
Closing defined benefit obligation	<u>20,199</u>	<u>20,189</u>

#### *Movements in fair value of plan assets*

	31 May 2021 £'000	31 March 2021 £'000
Opening fair value of plan assets	18,279	17,165
Interest income	62	420
Expected return/(loss) on plan assets	644	699
Contributions by the employer	3	581
Estimated benefits paid	(136)	(586)
Administration costs	-	-
Closing fair value of plan assets	<u>18,852</u>	<u>18,279</u>
<b>Net Liability</b>	<u>(1,347)</u>	<u>(1,910)</u>
<b>Transferred to Loretto Housing Association</b>		
<b>31 May 2021</b>	<u>1,347</u>	<u>-</u>
<b>Net Liability at 31 March</b>	<u>-</u>	<u>(1,910)</u>

#### *Amounts recognised in statement of comprehensive income*

	2022 £'000	2021 £'000
Net interest on defined benefit obligation	6	12
Administration costs	3	16
	<u>9</u>	<u>28</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2022 (continued)

### 21. Pensions (continued)

The total amount recognised in the Statement of Comprehensive Income in respect of actuarial gains and losses is £569k loss (2021: £1,706k loss).

*The major categories of scheme assets are as follows:*

Association	2022 £'000	2021 £'000
Equities	-	5,995
Corporate bonds	-	1,388
Property	-	328
Alternatives	-	10,426
Cash	-	142
	-	18,279
Actual return/(loss) on plan assets	706	1,119

### 22. 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 were tenants of the Association and have tenancies that are on the Association's normal terms and they cannot use their positions to their advantage.

Robert Keir – tenancy transferred to Wheatley Homes Glasgow 28 April 2021

Jennifer Williamson – tenancy transferred to Loretto Housing Association 28 July 2021

Suzanne Lavelle - tenancy transferred to Loretto Housing Association 28 July 2021

Transactions and arrears balances outstanding as at 31 March 2022 are as follows:

	2022 £'000
Rent charged during the period	3
Arrear balances outstanding at 31 March 2022	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2022 (continued)

### 22. Related party transactions (continued)

#### Other related parties

No payments were made to related parties during the year.

### 23. Cash Flow Analysis

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

	2022 £'000	2021 £'000
(Deficit)/Surplus for the financial year	(50,060)	8,364
Loss on business combination	49,731	-
Depreciation of tangible fixed assets	1,146	7,273
Decrease in trade and other debtors	347	466
(Decrease)/Increase in trade and other creditors	(72)	2,601
Pension costs less contributions payable	(3)	(570)
<i>Adjustments for investing or financing activities:</i>		
Loss from the sale of tangible fixed assets	390	-
Government grants utilised in the year	-	(2,076)
Interest paid	541	7,117
Interest received	-	(1)
Increase in valuation of properties	-	(10,251)
<b>Net cash generated from operating activities</b>	<b>2,020</b>	<b>12,923</b>

### 24. Ultimate parent organisation

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

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

## **SUPPLEMENTARY INFORMATION**

### **Secretary and Registered Office**

Anthony Allison  
Cube Housing Association Limited  
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G1 1HL

### **Principal Office**

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### **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