

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Registered Number: SP1860RS

Report and Financial Statements

For the year ended 31 March 2010



QUEENS CROSS HOUSING ASSOCIATION LIMITED
Report and Financial Statements

For the year ended 31 March 2010

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Registration information

Financial Services Authority	Industrial and Provident Societies 1965 Registered number SP1860RS
Scottish Housing Regulator	Housing (Scotland) Act 2001 Registered number 172
Registered Scottish Charity	SC 036434

Members, Executives and Advisers

Committee of Management – elected

John Gray	Convenor
Eric Jacobs	Convenor - Resigned 26 th January 2010
Margaret Dillon	Vice Convenor
Mary Russell	Secretary - Resigned 29 th April 2010
Elizabeth Campbell	
Marilyn Clewes	Secretary - Appointed 29 th April 2010
George Fraser	
Margaret Glass	
Sadie Gordon	
Jean Forrester	
James McCrossan	Resigned 26 th January 2010
Bridget McGeechan	Resigned 16 th December 2009
Janette McCrossan	Resigned 26 th January 2010
Mohammed Razaq	
Mohammed Zahid	
Ewan Fraser	Co-optee
Helen Forsythe	Co-optee stepped down 23 rd February 2010

Executive Officers

Paul Rydquist	Acting Interim Chief Executive
Frank McCabe	Chief Executive Resigned
Irene Nicoll	Deputy Chief Executive Resigned
David Martin	Director, Operations
Neil Manley	Director, Finance

Registered Office

45 Firhill Rd
Glasgow
G20 7ET

Auditors

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

Bankers

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

Solicitors

T C Young
7 West George St
Glasgow
G2 1BA

**Report of the Management Committee
For the year ended 31 March 2010**

The Committee of Management present their report and the audited financial statements for the year ended 31 March 2010.

Principal activities

The principal activity of the Association is the provision of social housing accommodation for rent.

Review of operations

During the financial year the Association has continued to provide a range of housing support and community services complementary to its principal activity of providing social housing for rent.

Community Development Initiatives

A wide range of community initiatives including youth work, volunteering and employment counselling, and life skills were continued during the year. A number of grants were received from the Scottish Government, under its Wider Action agenda, and other bodies to assist with the provision of these activities. It is hoped that further funding will be secured to ensure the on-going provision of these services.

Major Repairs

The major repairs programme continued with investment in the former Scottish Homes properties which included rewiring and replacement of windows and bathrooms and other stock.

Agency Work

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

Finance

The Association refinanced its existing loan portfolio in 2007/08 with two lenders, The Dunfermline Building Society and the Royal Bank of Scotland. This refinancing included an overall £8m facility to fund future developments. The Association has agreed further long and short term credit facilities to support its development programme.

Future Developments

The Association has successfully transferred 438 homes in letting in the Hamiltonhill area from Glasgow Housing Association management and with further potential transfers in South Maryhill and Dundasvale being sought, this would result in the ownership of approximately 1,850 additional homes being transferred to the Association.

The management committee continues to draw attention to the fact that, although the Association is a "not-for-profit" organisation, it is required to generate sufficient surpluses to ensure adequate provision for the future replacement of major structural components of its housing properties. The Association has completed a programme of major refurbishment for its older properties at a total cost of more than £7 million, and continues to follow a long-term maintenance programme for work on its properties, which includes as an objective the meeting of the Scottish Housing Quality Standard by 2015. The costs of this long-term maintenance work are expected to amount to £5 million over the next five years.

**Report of the Management Committee
For the year ended 31 March 2010**

Changes in fixed assets

Details of fixed assets are set out in Notes 9a and 9b.

The committee of management and executive officers

The committee of management and executive officers of the Association are listed on page 1.

Each elected member of the committee of management holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in its share capital, and although not having the legal status of directors they act as executives within the authority delegated by the committee.

Internal Financial Controls

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

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

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

- (a) Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- (b) Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- (c) Forecasts and budgets are prepared which allow the Management Committee and management to monitor the key business risks and financial objectives, and progress towards financial plans set out for the year. During the financial year, regular management accounts are prepared promptly, providing relevant, reliable and up to date financial and other information. Significant variances from budgets are investigated as appropriate.
- (d) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the relevant sub-committees which are comprised of Management Committee members.
- (e) The Association has appointed a firm of accountants, on a consultancy basis, as internal auditors with the specific responsibility of assessing the adequacy and reliability of the system of internal financial control. The results of such reviews are reported to the Audit Sub-Committee.
- (f) The Management Committee reviews reports from the external auditors to provide reasonable assurance that control procedures are in place and are being followed.
- (g) Formal practices have been established for instituting appropriate action to correct weaknesses identified from the reports of the external and internal auditors.

The Management Committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2010. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

**Report of the Management Committee
For the year ended 31 March 2010**

Related Party Transactions

Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and, in common with other members of the Management Committee, they cannot use their positions to their advantage.


Charitable Donations

During the year, the Association made charitable donations amounting to £21,709 (2009 - £21,755). This included £10,000 to the Garscube Community Foundation as a contribution to the annual gala day expenses.

Auditors

A resolution to re-appoint Scott-Moncrieff as auditors will be put to the members at the annual general meeting.

By order of the committee



John Gray
Convenor

Dated: 24 August 2010

Operating and Financial Review

Overview

Queens Cross Housing Association Ltd is a social landlord and registered charity operating in the Maryhill, Woodside and Westercommon area of North West Glasgow. Queens Cross Housing Association Ltd was formed in 1976 with the aim of providing high quality social housing. It owns and manages 2,047 homes and has additional property leased to other care providers who manage the tenancies. The Association's housing stock has been increased through construction, funded through grant and loan finance, and stock transfer from other bodies such as Scottish Homes, Glasgow City Council (G.C.C) and Glasgow Housing Association Ltd (G.H.A).

Its main businesses are the provision of long term rented housing and the provision of housing support for those who need additional help. This housing support care is funded by a Supporting People grant from Glasgow City Council and service charge income.

As part of its ethos and vision the Association aims to contribute to the development of the area in social, economic and environmental terms. The Association secures Wider Action funding from a variety of sources for this work. Over and above this the Association funds specific wider action work from its own resources if it is seen as contributing to its overall objectives. It also works together with Queens Cross Workspace Ltd, an independent development agency promoting economic regeneration in the area. The Association fully owns a subsidiary company Queens Cross Factoring Ltd which provides a factoring service to over 1,200 owners of property in the area. The FSA do not require us to produce consolidated group accounts.

On the 28th of March 2010, 438 homes in the Hamiltonhill area transferred from Glasgow Housing Association Ltd to Queens Cross Housing Association Ltd. The Association continues to work closely with G.H.A with the aim of agreeing two further substantial stock transfers from South Maryhill Local Housing Office and Dundasvale and Burnbank Local Housing Office (L.H.O.). These two L.H.O.s manage over 1,800 homes. The Association is assisting G.H.A. with the provision of shared services to L.H.Os from its office accommodation at 45 Firhill Rd. The shared service model aims to devolve previously centrally provided services across the city and locate them with the L.H.Os that they service.

Objectives and Strategy

The objectives and strategy of the Association are set out in an Internal Management plan that is reviewed annually and approved by the Management Committee.

The strategic objectives for 2010-11 are:

- To provide and manage good quality housing, environmental and customer services;
- To provide support services for residents, sustaining tenancies and communities;
- To promote participation and equal opportunity;
- To help develop a sustainable community by contributing to the wider economic, social, physical and environmental regeneration of the area;
- To manage and develop the Association efficiently and effectively;
- To continuously improve the quality of our housing stock and services; and
- To effectively manage G.H.A. stock in our role as an L.H.O and pursue the second stage transfer of this housing stock.

Below these strategic objectives key departmental tasks to support their achievement are also laid out in the internal management plan as well as the key risks that the Association faces to achieve these key objectives and actions which have been identified to mitigate any failures.

Operating and Financial Review

Regulation and Governance

The Association is regulated by the Scottish Housing Regulator and managed by an elected committee who are listed on page 1. The Management Committee has overall responsibility for managing the Association's finances and are supported by the Audit Sub-committee who have the specific responsibility for overseeing financial control in the Association. The Audit Sub-Committee meets quarterly, and the committee is supported by the work of both the internal and external auditors. At our last inspection review by Communities Scotland in 2003, the Association was assessed at a standard of B which represented a good standard, with many strengths but with some areas for improvement. These areas have now been acted upon. The Scottish Housing Regulator's latest regulation plan classifies the Association as being one which they see as having a medium engagement with at this time. The Management Committee are charged with overseeing the management of the Association and monitoring its financial and non-financial performance. Key performance indicators are reported to the committee each month and to our regulators.

Such performance indicators in use in the Association are:

Housing Management	<ul style="list-style-type: none"> -Current tenant arrears as a % of the total rent -Bad debts written off -Void losses i.e. lost rent through unlet properties
Asset Management	<ul style="list-style-type: none"> -Repair response times -Maintenance cost per unit -Scottish Homes Quality Standard compliance -Work towards 100% gas servicing coverage
Financial Management	<ul style="list-style-type: none"> -Surplus -Actual results compared to forecast -Financial gearing, e.g. debt against assets -Interest cover
Development	<ul style="list-style-type: none"> -Cost per unit -New units into management -Programme management

The following are the results in 2009/10 for specific performance indicators.

Housing

The net rental arrears, excluding Shared Ownership and the Hamiltonhill transfer, at the year end was £90,800 compared to the target figure of £167,832. This represents 1.36% of the total rental income figure.

There were 44 % of the tenants in arrears against a target figure of 45%. This target of 45% is set high due to the administration of Housing Benefit which pays in arrears every four weeks.

There were 3% of tenants in arrears for 6 months or more compared to the target of 6%.

The average monthly void rent loss for the year was £3,357 against a target of £2,797.

Operating and Financial Review

Asset Management

For the 6,478 contracted Maintenance jobs 97.7 % were completed within the required timescale against a target of 95%.

As at the 31st of March 2010, 97% of all properties had a current gas safety certificate. A new IT system is being introduced in 2010/11 to assist the achievement of the 100% target. 100% of the Close Decoration programme was achieved at total cost of £120,000. 100% of the Gutter Cleaning programme was achieved with a project cost of £17,000.

Development

There were no new units released in the year but 337 were in development.

The average cost per unit across the three current schemes is anticipated to be as follows:

Murano Street	£163k
Garscube Estate	£144k
Oban Drive	£164k

Financial Objectives

The Association's financial objectives are efficiency of operation, economy of procurement, and continuing financial viability. Financial viability is the ability to fund the long term investment and repair programme whilst meeting its operating costs and the repayment and debt servicing on its loan portfolio. A financial plan is revised each year to ensure that sufficient reserves are retained or generated to maintain the housing stock whilst ensuring the Association's financial viability.

Additionally the Association wishes to continue to be in a position to take advantage of any development opportunities that may arise. This is done by the accumulation of sufficient reserves over the business cycle, the prudent use of borrowing against assets when necessary, and the accessing of available funding opportunities to cover service and support costs. An important determinant in the surplus or deficit each year is the scale of Major Repairs work planned in that year. The level of Major Repairs work is determined from the 30 year asset lifecycle work-plan. The table below illustrates this point. The Association is required to meet covenants on its lending linked to the level of surplus or deficit each year and so future commitments on major repairs spend must be affordable through retained surpluses.

	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000	2005/06 £'000
Turnover	9,678	9,222	8,892	8,516	8,536
Operating Costs *	8,477	7,965	7,524	7,850	8,035
Operating Surplus	1,201	1,257	1,368	666	501
Major Repairs (inc above) *	1,205	1,378	862	1,618	1,684

The projection of operating surpluses, major repairs expenditure, retained reserves and borrowing are central to the forward business plan of the organisation. It is this business plan which charts the future flows of resources in and out of the Association and against which any new developments, projects or activities are assessed. This assessment would measure the benefits of the new activity against any impact on the financial objectives described above. The current business plan assumes above inflationary increases ranging between 0.5% and 1% above R.P.I. for these costs for the next 3 years then reverting to inflation only rises. Prolonged growth above inflation for these costs beyond this period would have a clear negative impact on the financial position within the business plan. The Association aims to meet the Scottish Housing Quality Standard by 2015 and this expenditure is incorporated into future forecasts. The current forecasts indicate that to fund the ongoing major repairs programme the Association may need to extend borrowing from 2023 for a period of up to 10 years.

Operating and Financial Review

Financial Objectives (cont'd)

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

Risk assessment

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

Potential changes to the level of funding to support its non-housing work, in particular supporting people income, and the impact this might have across the Association, continues to be one of the main risks identified. The Association has been impacted by reductions in the grant funding for this area over the last two years. A service review is on-going with the funder who is looking at this service provision and the costs involved. The Association has been successful in diversifying the funding sources for these services which has reduced the overall risk score.

Other significant risks identified are:

- Inflationary pressures, over and above those factored into the current business plan, on maintenance and major repairs expenditure, may be an area of concern. Over recent years these have outstripped general inflation, and therefore income growth, by a significant amount. A continuation of this trend would have a negative impact on the forward business plan;
- Further potential increases in pension scheme contributions that may arise from ongoing reviews of the SFHA pension scheme may impact on the Association in the future;
- Possible changes to the Housing Benefit system that would adversely affect the Association, in particular its ability to control future income levels;
- Reductions in levels of capital grant for securing progress on development plans which would increase the need for private finance to facilitate new schemes;
- Interest rate increases which would have a cost impact as the Association currently carries £8.73 million of debt not secured under long term fixed rate arrangements.

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

Operating and Financial Review

Capital Structure

At the year end borrowings totalled £12,435,080 and were raised either from banks, building societies or the Scottish Government. The following table shows the split of debt between the various funders and whether the loan was obtained on a fixed/capped, variable or callable rate basis.

	Fixed/Capped £	Floating/Callable £
Scottish Government	814,283	34,690
Dunfermline Building Society	-	5,382,969
Royal Bank of Scotland	2,889,702	3,313,436
Total	3,703,985	8,731,095

After the year end the Association has entered into a hedging arrangement with the Dunfermline Building Society forward fixing £5m of debt at long term rates which come into force in 6 or 12 months time.

As part of the refinancing undertaken in 2007 the Association agreed future funding packages with the Dunfermline Building Society and the Royal Bank of Scotland to the sum of £8 million in total, and this will be used to finance the development programme detailed below. This has been increased through the agreement of an additional £4m facility with the Dunfermline Building Society and a £6.5m bridging facility with the Co-op bank. These facilities will support the Association's development programme described below.

Cash reserves continue to be placed on deposit with the Anglo Irish bank, the Co-op bank and with the Association's main banker, the Clydesdale bank. The retained reserves will support the future major repairs programme as detailed earlier. The level of cash on hand at the end of March 2010 was augmented by the receipt of grant for the new build projects and the cash dowry received as part of the stock transfer process. Cash-flow forecasts for the next 5 years indicate that this will reduce as both the major repair work and demolition programme at Hamiltonhill progress.

Finance Policies

The accounting policies applied by the Association are detailed in the Notes to the accounts. It is useful here to note the key policies that affect the figures in the annual report. Capital grant is deducted in the balance sheet from the cost of the relevant assets, whilst property is recorded at the historical cost of construction and depreciated over 50 years.

Future Developments

The Association has been very successful in acquiring sites for future development and we can expect an exciting period of growth over the next few years.

It has acquired large sites through grant funding on both Oban Drive and Murano Street and through negotiations with G.H.A and G.C.C together with key land acquisitions, has successfully assembled land for the Garscube Estate redevelopment. The Association is now on site and construction is progressing at Garscube and Murano St sites with the Oban Drive site likely to start in the summer of 2010. These sites will provide a total of 385 units of mixed tenure developments with 93 new shared equity units being delivered as part of the project. The Association has also identified a number of future potential sites that it would like to develop and is in the early stages of drawing up plans for these sites, although the ability to fully develop these opportunities will depend on the availability of appropriate funding. The further stock transfers from G.H.A in South Maryhill L.H.O and Dundasvale L.H.O referred to earlier are central to the Association's future plans.

Operating and Financial Review

Future Developments (cont'd)

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

Health and Safety

The Board and senior staff of the Association are aware of their responsibilities with regards to health and safety. The Association prepares detailed policies on Health and Safety and provides staff training and education on these areas.

Equality and Diversity

Queens Cross Housing Association Ltd is committed to promoting an environment of respect and understanding, encouraging diversity and eliminating discrimination by providing equality of opportunity for all. Throughout the Association there will be a consistent approach in promoting equality and diversity across all areas. In addition to our statutory responsibility contained in the Housing Scotland Act 2001 we are keen to create safe and inclusive neighbourhoods and an environment where people can live and work without experiencing any form of discrimination or harassment.

Investors in People

In 2009, the Association was awarded Investors in People status and the organisation will continue to put a high priority to establishing standards and systems to support its service delivery. The recruitment, retention and development of high quality staff who support the aims and values of the organisation will continue to be central to the Association.

By order of the committee



John Gray
Convenor

Dated: 24 August 2010

Statement of Committee's Responsibilities

Housing Association legislation requires the committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ended on that date. In preparing those financial statements the committee are required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

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

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

Report of the Auditors to the Members of Queens Cross Housing Association Limited

We have audited the financial statements consisting of the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Notes to the Financial Statements which have been prepared under the accounting policies set out in the Notes to the Financial Statements, and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

This report is made solely to the Association's members as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of committee and auditors

As described in the Statement of Committee's Responsibilities, the Association's Committee of Management is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you, in our opinion, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Association is not disclosed.

We read the Management Committee Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud, irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Committee of Management of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiary in group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2010, because of the immaterial nature of the subsidiary's transactions in the year.

Report of the Auditors to the Members of Queens Cross Housing Association Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2010 and of its results for the year then ended;
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007; and
- the information given in the Management Committee Report is consistent with the financial statements.



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

Dated: 24 August 2010

**Report of the Auditors to the Management Committee of
Queens Cross Housing Association Limited on Corporate Governance Matters**

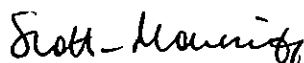
In addition to our audit of the Financial Statements, we have reviewed your statement in the Report of the Management Committee concerning the Association's compliance with the paragraphs of the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of Opinion

We carried out our review having regard to Bulletin 2009/4 issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

Opinion

In our opinion, your statement on internal financial control has provided the disclosures required by the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing" and is not inconsistent with the information which came to our attention as a result of our audit work on the Financial Statements.



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

Dated: 24 August 2010

**Income and Expenditure Account
For the year ended 31 March 2010**

	Note	2010 £	2009 £
Turnover	2	9,677,790	9,222,301
Operating costs	2	(8,476,658)	(7,964,910)
Operating surplus	2	1,201,132	1,257,391
Gain on disposal of fixed assets		72,988	130,024
Interest receivable and other income	5	49,683	211,317
Interest payable and similar charges	6	(444,988)	(655,302)
Surplus for the year		<u>878,815</u>	<u>943,430</u>

The results for the year relate wholly to continuing activities.

There is no material difference between the surplus on ordinary activities for the year and the retained surplus for the year stated above and their historical cost equivalents.

Statement of Total Recognised Gains and Losses
For the year ended 31 March 2010

	2010 £	2009 £
Retained surplus for the year	878,815	943,430
Actuarial loss recognised in the retirement benefit scheme (Note 21)	(217,400)	-
Total recognised gains and losses relating to the year	<u>661,415</u>	<u>943,430</u>

Balance Sheet
As at 31 March 2010

	Note	2010 £	2009 £
Tangible fixed assets			
Housing properties – cost less depreciation	9a	96,988,104	92,991,981
Less: SHG and other grants	9a	84,617,953	(81,394,962)
	9a	12,370,151	11,597,019
Other fixed assets	9b	582,937	628,021
		12,953,088	12,225,040
Investments	10	2	2
		12,953,090	12,225,042
Current assets			
Debtors	11	770,640	2,383,195
Cash at bank and in hand		9,888,644	7,321,213
Work In progress	12	-	-
		10,659,284	9,704,408
Creditors: amounts falling due within one year	13	(2,801,040)	(4,201,369)
Net current assets		7,858,244	5,503,039
Total assets less current liabilities		20,811,334	17,728,081
Creditors: amounts falling due after more than one year	14	(11,949,685)	(12,267,391)
Pension liability	21	(217,400)	-
Net assets		8,644,249	5,460,690
Capital and reserves			
Share capital	15	554	557
Designated reserves	7	6,247,373	3,125,226
Revenue reserve excluding pension reserve	8	2,613,722	2,334,907
Pension reserve	8	(217,400)	-
		8,644,249	5,460,690

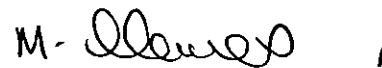
The financial statements were authorised for issue by the Committee of Management on 24 August 2010 and were signed on it's behalf by:

John Gray 

Convenor

Margaret Dillon 

Vice Convenor

Marilyn Clewes 

Secretary

The notes form part of these financial statements.

Cash Flow Statement
For the year ended 31 March 2010

	Notes	2010 £	2009 £
Net cash inflow from operating activities	1	1,671,369	2,759,154
Returns on investments and servicing of finance	2	(395,305)	(443,985)
Capital expenditure	2	(929,833)	(140,252)
		<u>346,231</u>	<u>2,174,917</u>
Financing	2	2,221,200	285,441
		<u>2,567,431</u>	<u>2,460,358</u>
Increase in cash	4		

The notes form part of these financial statements.

Notes to the Cash Flow Statement
For the year ended 31 March 2010

1) Reconciliation of surplus for year to
net cash inflow from operating activities

	2010 £	2009 £
Operating surplus	1,201,132	1,257,391
Transferred from CHYP	-	75,898
Depreciation	274,763	341,077
(Decrease) / increase in debtors	1,612,555	(979,211)
(Decrease) / increase in creditors	(1,417,081)	2,063,999
Net cash inflow	<u>1,671,369</u>	<u>2,759,154</u>

2) Gross cash flows

	2010 £	2009 £
Returns on investments and servicing of finance		
Interest received	49,683	211,317
Interest paid	(444,988)	(655,302)
	<u>(395,305)</u>	<u>(443,985)</u>
Capital expenditure		
Purchase and development of housing properties	(8,835,061)	(2,990,730)
SHG and other grants received	7,835,853	2,794,600
SHG repaid	(228,281)	(74,823)
Sale of properties	315,283	218,055
Payments to acquire other tangible fixed assets	(17,627)	(87,354)
	<u>(929,833)</u>	<u>(140,252)</u>
Financing		
Issue of ordinary share capital	7	25
Loan finance (repaid) / received	(300,954)	285,416
Hamiltonhill Dowry	2,522,147	-
	<u>2,221,200</u>	<u>285,441</u>

Notes to the Cash Flow Statement
For the year ended 31 March 2010

	At 1 April 2009 £	Cash Flow £	At 31 March 2010 £
3) Analysis of changes in net debt			
Cash in hand, at bank	7,321,213	2,567,431	9,888,644
Overdraft	-	-	-
	<u>7,321,213</u>	<u>2,567,431</u>	<u>9,888,644</u>
Debt due within 1 year	(468,643)	(16,752)	(485,395)
Debt due after 1 year	(12,267,391)	317,706	(11,949,685)
	<u>(5,414,821)</u>	<u>2,868,385</u>	<u>(2,546,436)</u>
4) Reconciliation of net cash flow to movement in net debt (Note 3)		2010 £	2009 £
(Increase) for the year		(2,567,431)	(2,460,358)
Cash used to repay loans		(300,954)	(214,584)
Loans received		-	500,000
		<u>(2,868,385)</u>	<u>(2,174,942)</u>
Change in net debt		5,414,821	7,589,763
Net debt at 1 April 2009		<u>5,414,821</u>	<u>7,589,763</u>
Net debt at 31 March 2010		<u>2,546,436</u>	<u>5,414,821</u>

**Notes to the Financial Statements
For the year ended 31 March 2010**

1. Accounting policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in paragraphs (b) to (l) below.

These financial statements are prepared under the historical cost convention in accordance with applicable accounting standards, and comply with the requirements of the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

(b) Turnover

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

(c) Loans

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

(d) Social housing grant (SHG)

Social Housing Grant, at amounts approved by the Scottish Government, is paid directly to the Association as required to meet its liabilities during the development process.

SHG is repayable under certain circumstances, primarily following sale of property, but the amount repayable will normally be restricted to net proceeds of sale.

SHG received as a contribution towards the capital cost of housing development is deducted from the cost of those developments. SHG received as a contribution towards revenue expenditure is included in turnover.

(e) Apportionment of management expenses

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

Notes to the Financial Statements
For the year ended 31 March 2010

1. Accounting policies (cont'd)

(f) Fixed assets - Housing properties

Housing properties are stated at cost, less social housing grants (SHG) and other public grants and less accumulated depreciation. The development cost of housing properties includes:-

1. Cost of acquiring land and buildings
2. Development expenditure including administration costs

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

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

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

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

(g) Depreciation

1. Housing properties

Housing properties at cost, less grants received, less land, are depreciated over their expected useful lives of 50 years.

2. Other fixed assets

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:-

Leasehold Property	- Over the lease term
Motor Vehicles	- 25% on cost
Furniture, Fittings & Equipment	- 15 - 25% on cost
Furniture – furnished lets	- 33% on cost

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

No charge is made in the year of disposal.

(h) Work in Progress (Note 12)

Properties being built under the LIFT scheme have been included within work in progress rather than fixed assets as the properties are to be sold once completed.

Notes to the Financial Statements
For the year ended 31 March 2010

1. Accounting policies (cont'd)

(i) Designated Reserves (Note 7)

(i) Major Repairs

The reserve is based on the Association's requirement to maintain housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. The reserve represents amounts set aside in respect of future costs and will be transferred to General Reserves as appropriate.

(ii) CHYP

The reserve represents the funds transferred from the Council for Homeless Young People (CHYP) which was absorbed into the Association's community services section on 1 April 2008. These funds are designated for use in this project.

(ii) Hamiltonhill stock transfer dowry

The reserve represents the dowry paid by Glasgow Housing Association Ltd to Queens Cross Housing Association Ltd as a contribution to the costs of the major repairs work that will be performed on the properties transferred as part of the second stage transfer completed on the 28th of March 2010. These funds will be released as this major repairs expenditure is incurred.

(j) Pensions (Note 21)

SFHA Pension Scheme

The Association contributes to a defined benefit scheme, the cost of which is written off to the income and expenditure account on an accruals basis. The assets of the scheme are held separately from those of the Association in an independently administered fund.

Strathclyde Pension Fund

The Association also has staff who are members of the Strathclyde pension fund. In accordance with 'FRS 17 – Retirement Benefits', the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the income and expenditure account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, are recognised in the Total Statement of Recognised Gains and Losses.

(k) Financial Commitments

Assets held under finance leases, where substantially all the risks and rewards of ownership of the asset have passed to the Association, and hire purchase contracts are capitalised in the balance sheet and are depreciated in the income and expenditure account over the period of their useful lives.

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

The principal office premises of the Association are held on a full repairing lease. The lease termination date is 2023, and rent reviews will take place in the years 2013 and 2018.

(l) Consolidation

The Association and its subsidiary undertakings comprise a group. The Financial Services Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not of the group.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2010**

2. Particulars of Turnover, Operating Costs and Operating Surplus

	2010		2009	
	Turnover £	Operating Costs £	Operating Costs £	Operating Surplus £
Income and Expenditure From lettings				
Social Lettings (Note 3)	7,017,761	(5,207,312)	(4,832,842)	2,029,401
Other activities (Note 4)	2,660,029	(3,269,346)	(3,132,068)	(772,010)
	<u>9,677,790</u>	<u>(8,476,658)</u>	<u>(7,964,910)</u>	<u>1,257,391</u>

Notes to the financial statements
For the year ended 31 March 2010

3. Particulars of turnover, operating costs and operating surplus from social letting activities

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2010 Total £	2009 Total £
Income from rent and service charges					
Rent receivable net of service charges	5,380,504	1,155,670	141,528	6,677,702	6,222,587
Service charges	89,433	201,356	-	290,789	351,872
Gross income from rents and service charges	5,469,937	1,357,026	141,528	6,968,491	6,574,459
Less voids	(27,827)	(12,453)	-	(40,280)	(26,920)
Net income from rents and service charges	5,442,110	1,344,573	141,528	6,928,211	6,547,539
Grants from the Scottish Ministers	34,015	55,535	-	89,550	314,704
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	5,476,125	1,400,108	141,528	7,017,761	6,862,243
Expenditure					
Management and maintenance administration costs	(1,418,422)	(290,855)	(18,595)	(1,727,872)	(1,615,607)
Service charges	(71,202)	(140,796)	-	(211,998)	(249,051)
Planned cyclical maintenance including major repairs	(1,140,904)	(283,555)	-	(1,424,459)	(1,379,574)
Reactive maintenance costs	(1,325,537)	(287,038)	-	(1,612,575)	(1,363,545)
Bad debts – rents and service charge	(22,861)	(4,950)	-	(27,811)	(29,071)
Depreciation of social housing	(165,657)	(36,940)	-	(202,597)	(195,994)
Impairment of social housing	-	-	-	-	-
Operating costs for social letting activities	(4,144,583)	(1044,134)	(18,595)	(5,207,312)	(4,832,842)
Operating Surplus on letting activities, 2010	1,331,542	355,974	122,933	1,810,449	
Operating Surplus on letting activities, 2009	1,660,632	229,511	139,258		2,029,401

Notes to the financial statements for the year ended 31 March 2010

4. Particulars of turnover, operating costs and operating surplus from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Other operating Costs	Operating surplus or (deficit)
	£	£	£	£	2010 £	2010 £	2010 £
					2009 £	2009 £	2009 £
Wider role activities #	56,000	27,799	-	36,965	120,764	188,521	(375,226)
Care and repair of property	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-
Development and construction of property activities	90,001	-	-	-	90,001	217,982	(340,527)
Support activities	-	-	1,263,306	603,608	1,866,914	1,388,087	46,357
Care activities	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	297,107	297,107	303,296	20,136
Other agency / management services	-	-	-	239,640	239,640	233,880	(5,660)
Developments for sale to RSLs	-	-	-	-	-	-	(9,291)
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-
Other activities	-	-	-	45,603	45,603	28,292	45,603
Total from other activities, 2010	146,001	27,799	1,263,306	1,222,923	2,660,029	(3,269,346)	(609,317)
Total from other activities, 2009	236,325	123,716	1,388,087	611,930	2,360,058	(3,132,068)	(772,010)
# Undertaken to support the community, other than the provision, construction, improvement and management of housing							

Notes to the Financial Statements
For the year ended 31 March 2010

5.	Interest Receivable and Other Income	2010 £	2009 £	
	Interest receivable on deposits	49,683	211,317	
		<u>49,683</u>	<u>211,317</u>	
6.	Interest payable and similar charges	2010 £	2009 £	
	On loans from the Scottish Government	88,190	88,612	
	On private loans	356,798	566,690	
		<u>444,988</u>	<u>655,302</u>	
7.	Designated Reserves	Opening Balance £	Transfer £	Closing Balance £
	Major repairs reserve	3,049,328	600,000	3,649,328
	CHYP restricted reserve	75,898	-	75,898
	Hamiltonhill stock transfer dowry	-	2,522,147	2,522,147
		<u>3,125,226</u>	<u>3,122,147</u>	<u>6,247,373</u>
<p>The CHYP (Council for Homeless Young People) reserve was transferred on 1st April 2008 when assets and liabilities were absorbed by Queens Cross Housing Association. CHYP now operates as part of the Association's community services section.</p> <p>The Hamiltonhill stock transfer dowry reserve represents the dowry paid by Glasgow Housing Association to Queens Cross Housing Association Ltd as a contribution to the costs of the major repairs work performed on the properties transferred as part of the second stage transfer completed on the 28th March 2010. These funds will be released as this major repairs expenditure is incurred.</p>				
8.	Revenue Reserves inc Pension reserve	2010 £	2009 £	
	At 1 April 2009	2,334,907	3,391,447	
	Total recognised gains and losses	661,415	943,430	
		<u>2,996,322</u>	<u>4,334,877</u>	
	Transfer to designated reserves	(600,000)	(2,000,000)	
	Transfer from Share Capital	-	30	
		<u>2,396,322</u>	<u>2,334,907</u>	
	At 31 March 2010	<u>2,396,322</u>	<u>2,334,907</u>	
	Split as:			
	Revenue reserve excluding pension reserve	2,613,722	2,334,907	
	Pension reserve	(217,400)	-	
		<u>2,396,322</u>	<u>2,334,907</u>	

Notes to the Financial Statements
For the year ended 31 March 2010
9a Tangible Fixed Assets – Housing Properties

	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Housing Properties Under Construction £	2010 Total £	2009 Total £
Cost					
At start of year	79,403,495	2,166,985	13,069,730	94,640,210	91,768,867
Additions during year	238,715	-	4,256,436	4,495,151	2,990,730
Disposals	(258,695)	(37,731)	-	(296,426)	(119,387)
Transfers	174,371	(174,371)	-	-	-
At end of year	79,557,886	1,954,883	17,326,166	98,838,935	94,640,210
Depreciation					
At start of year	1,572,887	75,342	-	1,648,229	1,452,235
Charge for year	202,785	9,267	-	212,052	204,094
On disposals	(8,100)	(1,350)	-	(9,450)	(8,100)
Transfers	35,229	(35,229)	-	-	-
At end of year	1,802,801	48,030	-	1,850,831	1,648,229
Cost less depreciation	<u>77,755,085</u>	<u>1,906,853</u>	<u>17,326,166</u>	<u>96,988,104</u>	<u>92,991,981</u>
SHG and Other Grants					
At start of year	66,416,320	1,724,426	13,254,216	81,394,962	78,698,441
Additions during year	10,369	-	3,485,574	3,495,943	2,794,600
Disposals	(239,106)	(33,846)	-	(272,952)	(98,079)
Transfers	106,973	(106,973)	-	-	-
At end of year	66,294,556	1,583,607	16,739,790	84,617,953	81,394,962
Net Book Value					
At end of year	<u>11,460,529</u>	<u>323,246</u>	<u>586,376</u>	<u>12,370,151</u>	<u>11,597,019</u>
At start of year	<u>11,414,288</u>	<u>367,217</u>	<u>(184,486)</u>	<u>11,597,019</u>	<u>11,618,191</u>

No Development administration costs and SHG were capitalised in the year (2009 – £Nil).

Notes to the Financial Statements
For the year ended 31 March 2010

9b. Tangible Fixed Assets – Other Tangible Assets

	Leasehold Property	Furniture, Fittings & Equipment	Motor Vehicles	Furniture Provided in Furnished Flats	2010 Total	2009 Total
	£	£	£	£	£	£
Cost						
At start of year	606,904	422,809	111,623	52,033	1,193,369	1,130,272
Additions during year	-	10,862	6,765	-	17,627	87,354
Disposals	-	(181,199)	-	-	(181,199)	(24,257)
At end of year	606,904	252,472	118,388	52,033	1,029,797	1,193,369
Depreciation						
At start of year	53,560	350,756	108,999	52,033	565,348	452,622
Charge for year	12,138	46,258	4,315	-	62,711	136,983
Write off on disposal	-	(181,199)	-	-	(181,199)	(24,257)
At end of year	65,698	215,815	113,314	52,033	446,860	565,348
Net Book Value						
At end of year	541,206	36,657	5,074	-	582,937	628,021
At start of year	553,344	72,053	2,624	-	628,021	677,650

Write-offs include writing out of fully depreciated assets for this year with a net book value of nil and which are no longer held.

Notes to the Financial Statements
For the year ended 31 March 2010

10. Investments	2010 £	2009 £
Investment in subsidiary undertakings	<u>2</u>	<u>2</u>

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

Queens Cross Factoring Limited made a profit of £ 20,789 for the year ended 31 March 2009. At 31 March 2009 Queens Cross Factoring has net assets of £22,349. The results for 31 March 2010 are not yet available.

Q Space Limited (company number SC278140) was incorporated on 7 January 2005 and began trading on 1 April 2006. The company was set up to take up specific commercial development opportunities outwith the scope of Queens Cross Housing Association Limited. The issued share capital of Q Space Limited is £2. Queens Cross Housing Association Limited acquired 1 ordinary £1 share in Q Space Limited, at par. This represents a 50% shareholding. The results for 31 March 2010 are not yet available.

Details of transactions during the year with the above companies can be found at note 25.

11. Debtors	2010 £	2009 £
Amounts falling due within one year:		
Rental arrears inc Hamiltonhill	278,434	118,036
Less provision for bad debts	(57,169)	(12,093)
	<u>221,265</u>	<u>105,943</u>
Other debtors and prepayments	549,375	2,277,252
	<u>770,640</u>	<u>2,383,195</u>

12. Stock	2010 £	2009 £
The following relates to the Lift scheme administered by the Association on behalf of Glasgow City Council.		
Work in Progress -Cost	4,339,910	-
Work in Progress -HAG	(4,339,910)	-
	<u>-</u>	<u>-</u>

13. Creditors: amounts falling due within one year	2010 £	2009 £
Other loans repayable within one year	485,395	468,643
Deferred Income	130,672	1,643,824
SHG repayable on disposals	311,836	250,429
Other taxes and social security costs	111,825	76,109
Other creditors	1,761,312	1,762,364
	<u>2,801,040</u>	<u>4,201,369</u>

Notes to the Financial Statements
For the year ended 31 March 2010

14. Creditors: amounts falling due outwith one year	2010 £	2009 £
Loans:		
Due between one and two years	485,396	475,626
Due between two and five years	1,456,329	1,397,318
Due in five years or more	10,007,960	10,394,447
	<u>11,949,685</u>	<u>12,267,391</u>

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments over the next 30 years.

15. Share Capital	2010 £	2009 £
At beginning of year	557	562
Shares of £1 each fully paid and issued during the year	7	25
Shares forfeited in year	(10)	(30)
At end of year	<u>554</u>	<u>557</u>

Notes to the Financial Statements
For the year ended 31 March 2010

16. Directors' Emoluments

The directors are defined as the members of the Management Committee, the chief executive and any other person reporting directly to the chief executive or the Management Committee whose total emoluments exceed £60,000 per year. No emoluments were paid to any member of the Management Committee during the year.

	2010 £	2009 £
Emoluments of chief executive (excluding pension contributions)	<u>94,381</u>	<u>76,058</u>
Pension contributions	<u>11,921</u>	<u>11,760</u>
Emoluments payable to highest paid director (excluding pension contributions)	<u>94,381</u>	<u>76,058</u>
	No of Directors	No of Directors
The emoluments (excluding pension contributions) of the directors were in the following ranges:		
£60,001 to £65,000	-	1
£65,001 to £70,000	-	-
£70,001 to £75,000	-	-
£75,001 to £80,000	-	1
£80,001 to £85,000	1	-
£85,001 to £90,000	-	-
£90,001 to £90,500	1	-
	<u>2</u>	<u>2</u>
	2010 £	2009 £
Pension contributions of directors earning > £60,000	<u>22,457</u>	<u>21,425</u>
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	<u>2,839</u>	<u>1,542</u>

Notes to the Financial Statements
For the year ended 31 March 2010

17. Employee Information	2010 No	2009 No
The full time equivalent number of persons employed during the year was:	<u>131</u>	<u>131</u>
	2010 £	2009 £
Staff costs (including Directors' Emoluments):		
Wages and salaries	3,432,896	3,274,720
Compensation for loss of office	118,843	-
Social security costs	273,703	264,082
Pension costs (note 21)	303,634	308,815
	<u>4,129,076</u>	<u>3,847,617</u>
18. Operating Surplus	2010 £	2009 £
Operating surplus is stated after charging:		
Depreciation	274,763	341,077
Auditors' remuneration		
- In their capacity as auditors	19,352	11,000
- In their capacity as tax and VAT advisors	12,523	764
	<u></u>	<u></u>
19. Taxation		
As the Association was granted charitable status from 11 April 2005, it is no longer subject to corporation tax on its charitable activities.		
20. Capital Commitments	2010 £	2009 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements.	<u>25,150,995</u>	<u>-</u>
This is to be funded by:		
HAG	10,687,359	-
Private Finance	14,463,636	-
	<u>25,150,995</u>	<u>-</u>
Capital expenditure that has been approved but not contracted for	<u>6,304,004</u>	<u>47,518,561</u>
This is to be funded by:		
HAG	4,758,490	32,992,530
Private Finance	1,545,514	14,526,031
	<u>6,304,004</u>	<u>47,518,561</u>

The amount approved but not contracted for at 31 March 2010 relates to the planned construction work at the new build site on Oban Drive.

**Notes to the Financial Statements
For the year ended 31 March 2010**

21. Pensions

SFHA Pension Scheme

General

Queens Cross Housing Association Limited participates in the SFHA Pension Scheme (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme and from April 2008 there are three benefit structures available, namely:

- Final salary with a 1/60th accrual rate;
- Career average revalued earnings with a 1/60th accrual rate; and
- Career average revalued earnings with a 1/70th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join. The Association has chosen to operate the Final salary with a 1/60th accrual rate structure.

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

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period, Queens Cross Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 74 active members of the Scheme employed by Queens Cross Housing Association Limited. Queens Cross Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared to liabilities of £54 million (equivalent to a past service funding level of 83.4%).

**Notes to the Financial Statements
For the year ended 31 March 2010**

21. Pensions (cont'd)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

Financial Assumptions

The financial assumptions underlying the valuation were as follows:-	% pa
- Investment return pre retirement	7.2
- Investment return post retirement	4.9
- Rate of salary increases	4.6
- Rate of pension increases	
Pension accrued pre 6 April 2005	2.6
Pension accrued from 6 April 2005	2.25
(for leavers before 1 October 1993 pension increases are 5.0% pa)	
- Rate of price inflation	2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions.

	Males Assumed life expectancy In years at age 65	Females Assumed life expectancy in years at age 65
Non-pensioners	21.6	24.4
Pensioners	20.7	23.6

Notes to the Financial Statements
For the year ended 31 March 2010

21. Pensions (cont'd)

Valuation results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary 60ths	17.8% Comprising employer contributions of 10.1% and member contributions of 7.7%
Career average 60ths	14.6% Comprising employer contributions of 8.0% and member contributions of 6.6%
Career average 70ths	12.6% Comprising employer contributions of 6.6% and member contributions of 6.0%

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the valuation it was agreed that the shortfall of £54 million would be dealt with by the payment of additional employer contributions of 5.3% of pensionable salaries with effect from 1 April 2008. It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly the joint contribution rates from 1 April 2008, for each of the benefit structures was:

Benefit structure	Joint contribution rate (% of pensionable salaries)
Final salary 60ths	23.1% Comprising employer contributions of 15.4% and member contributions of 7.7%
Career average 60ths	19.9% Comprising employer contributions of 13.3% and member contributions of 6.6%
Career average 70ths	17.9% Comprising employer contributions of 11.9% and member contributions of 6.0%

A small number of employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an ongoing funding basis, by 31 March 2020.

**Notes to the Financial Statements
For the year ended 31 March 2010**

21. Pensions (cont'd)

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SFHA Pension Scheme and confirmed that, in respect of the September 2006 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt would be due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

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

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

The actuarial results for the triennial valuation performed as at 30 September 2009 are due out in the autumn. The provisional results show a deficit of £160.1 million. The funding position of the Scheme has deteriorated to 64.8% as at 30 September 2009.

Although the 2009 actuarial valuation has not been finalised, the estimated employer debt on withdrawal has been calculated.

Queens Cross Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for Queens Cross Housing Association was £12,528,191.

The Association does not intend to withdraw from the scheme and the trustee has confirmed that there is no intention to wind up the Scheme.

**Notes to the Financial Statements
For the year ended 31 March 2010**

21. Pensions (cont'd)

Strathclyde Pension Fund

As a result of the second stage transfer, 7 employees were transferred from Glasgow Housing Association Ltd to Queens Cross Housing Association Limited. These 7 employees are members of the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Scheme (Scotland) Regulations 1998, as amended. An initial valuation of the Strathclyde Pension Fund was done at 31 March 2010, with the first formal valuation due as at 31 March 2011.

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

Assumptions as at	31 March 2010
Price increases	3.8%
Salary increases	5.3%
Expected return on assets	7.2%
Discount rate	5.5%

Mortality

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	20.6 years	23.9 years
Future Pensioners	22.6 years	25.0 years

Scheme assets

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

	Long term rate of return 31 March 2010	Value at 31 March 2010 £
Equities	7.8%	385,300
Government securities	5.0%	65,100
Property	5.8%	35,000
Cash	4.8%	15,000
Total		500,400
 Present value of scheme liabilities		 (717,800)
Net pension liability		(217,400)

Notes to the Financial Statements
For the year ended 31 March 2010

21. Pensions (cont'd)

Reconciliation of defined benefit obligation

Year Ended:	31 Mar 2010
	£
Opening Defined Benefit Obligation	682,900
Current Service Cost	400
Interest Cost	200
Contributions by Members	100
Actuarial Losses / (Gains)	34,200
Past Service Costs / (Gains)	-
Losses/(gains) on curtailments	-
Liabilities Extinguished on Settlements	-
Liabilities Assumed in a Business Combination	-
Exchange Differences	-
Estimated Unfunded Benefits Paid	-
Estimated Benefits Paid	-
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Closing Defined Benefit Obligation	717,800
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Reconciliation of fair value of employer assets

Year Ended:	31 Mar 2010
	£
Opening Fair Value of Employer Assets	502,900
Expected Return on Assets	200
Contributions by Members	100
Contributions by the Employer	400
Contributions in respect of Unfunded Benefits	-
Actuarial Gains / (Losses)	(3,200)
Assets Distributed on Settlements	-
Assets Acquired in a Business Combination	-
Exchange Differences	-
Estimated Unfunded Benefits Paid	-
Estimated Benefits Paid	-
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Closing Fair Value of Employer Assets	500,400
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Net pension liability	(217,400)
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Analysis of amount recognised in Statement of Total Recognised Gains and Losses

	2010
	£
Actual return less expected return on scheme assets	(217,400)
Changes in assumptions underlying the present value of scheme liabilities	-
	<hr/>
Actuarial loss recognised in statement of recognised gains and losses	(217,400)
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Notes to the Financial Statements
For the year ended 31 March 2010

22. Housing Stock

	Units in management	
	2010	2009
The number of units of accommodation in management was as follows:-		
General needs housing	1,474	1,474
Supported housing accommodation	512	512
Shared ownership accommodation	61	66
	<u>2,047</u>	<u>2,052</u>

The housing stock transferred as part of the second stage transfer completed on 28 March 2010 is not included in the above figures. 549 units were transferred from Glasgow Housing Association Ltd, of which 438 of these units were in letting with the remaining 111 units not let and due for demolition.

23. Accommodation managed by others

	No of units/bedspaces	
	2010	2009
Women's Aid	14	14
Share HA	2	2
Quarriers	9	9
Archdiocese of Glasgow	1	1
Talbot Association	19	19
Barnardos	9	9
Tact	14	14
Fairholme	6	6
Aspire	11	11
Key Housing	17	17
CIC	4	4
Turning Point	11	11
Mungo Foundation	6	6
	<u>123</u>	<u>123</u>

24. Revenue Commitments

The Association has commitments under operating leases for the next year for leases expiring as follows:

	2010		2009	
	Land & buildings £	Other Leases £	Land & buildings £	Other leases £
Within one year	-	2,860	-	-
Between two and five years	-	73,111	-	75,971
More than 5 years	235,000	-	230,000	-
	<u>235,000</u>	<u>75,971</u>	<u>230,000</u>	<u>75,971</u>

**Notes to the Financial Statements
For the year ended 31 March 2010**

25. Related party transactions

Q-Space Limited

No transactions occurred between Queens Cross Housing Association Ltd and Q-Space Ltd in the year to 31 March 2010.

Queens Cross Factoring Limited

Queens Cross Factoring Limited is a subsidiary undertaking of Queens Cross Housing Association Limited. The Association provided short term loan funding to Queens Cross Factoring Ltd, in which the company owns 1 Ordinary share (see Note 10). At 31 March 2010 the amount outstanding was £17,420 (2009: £ 30,968). No interest is chargeable on this balance and the balance is included within other debtors and prepayments (see Note 11).

Queens Cross Housing Association Limited has a service level agreement in place with Queens Cross Factoring Limited. During the year, management charges in respect of this agreement were charged to Queens Cross Factoring Ltd of £110,000 (2009: £110,000). At the year end there is a balance within trade debtors relating to Queens Cross Factoring of £148,425 (2009: £166,798)

Queens Cross Housing Association Limited paid on behalf of Queens Cross Factoring £425,620 (2009: £367,705) of repairs, insurance and environmental and cleaning costs. This was recharged to Queens Cross Factoring Limited in the year.

26. Legislative Provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965.