



QUEENS CROSS HOUSING ASSOCIATION LIMITED

Registered Number: SP1860RS

Report and Financial Statements

For the year ended 31 March 2011

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Report and Financial Statements

For the year ended 31 March 2011

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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

Board of Management – elected

John Gray	Convenor
Margaret Dillon	(Resigned 14/03/11)
Marilyn Clewes	Secretary
Elizabeth Campbell	
George Fraser	
Margaret Glass	Vice Convenor
Sadie Gordon	
Jean Forrester	(Resigned 24/08/10)
Mohammed Razaq	
Mohammed Zahid	
Ewan Fraser	(Resigned 24/08/10)
Kathy Somers	(Appointed 9/11/10)
Colin Williams	(Appointed 9/11/10)
Danny Pace	(Appointed 9/11/10)
Tom Whyte	(Appointed 9/11/10)
Jim Aird	(Appointed 9/11/10)
Mary Russell	(Resigned 29/04/10)

Executive Officers

Shona Stephen	Chief Executive from 28 th February 2011
Paul Rydquist	Acting Interim Chief Executive to 27 th February 2011
David Martin	Director, Operations
Neil Manley	Director, Finance

Registered Office

45 Firhill Road
Glasgow
G20 7ET

Auditors

Scott-Moncrieff
Statutory Auditors
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 Board of Management
For the year ended 31 March 2011**

The Board of Management present their report and the audited financial statements for the year ended 31 March 2011.

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.

Changes to the Rules and Board composition

The aim of the changes was to simplify the membership categories after the stock transfer and to move towards the SFHA's model rules. In particular, the changes involved moving to only one category of membership, making significant changes to the current Rules and to the composition of the Board, whereby it moved to a 12 member board of 8 general members and 4 independent board members.

As Queens Cross Housing Association Limited is a community based organisation, rather than have different membership categories and thereby create a voting college, for that particular group it was agreed that an independent member of the Board need not be a member of the Association. It was agreed that independents be appointed by the membership for a period of 3 years. The selection of the independents to be considered by the members would be determined by the Board, based on specific criteria including a skills audit. Other changes involved the name of the governing body being changed from Management Committee to Board of Management, to reflect its more strategic role and membership ending if members fail to attend, submit apologies or appoint a representative to attend and vote on their behalf by proxy for three annual general meetings in a row.

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.

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.

**Report of the Board of Management
For the year ended 31 March 2011****Changes in fixed assets**

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

The Board of Management and executive officers

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

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

Internal Financial Controls

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

- (a) Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- (b) Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- (c) Forecasts and budgets are prepared which allow the Board of Management and management to monitor the key business risks and financial objectives, and progress towards financial plans set out for the year. During the financial year, regular management accounts are prepared promptly, providing relevant, reliable and up to date financial and other information. Significant variances from budgets are investigated as appropriate.
- (d) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the relevant sub-committees which are comprised of Board of Management members.
- (e) The Association has appointed a firm of accountants, on a consultancy basis, as internal 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 Board of Management 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 Board of Management have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2011. 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 Board of Management
For the year ended 31 March 2011**

Related Party Transactions

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

Charitable Donations

During the year, the Association made charitable donations amounting to £10,917 (2010 - £21,709). This included £8,000 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 Board of Management

John Gray
Convenor

A handwritten signature in black ink, appearing to read 'John Gray', written over a horizontal line.

Dated: 23 August 2011

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 owned and managed 2,396 homes during the 2010/11 financial year 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 1,500 owners of property in the area. The FSA do not require us to produce consolidated group accounts.

In April 2010, 438 homes in the Hamiltonhill area transferred from Glasgow Housing Association Ltd to the Association of which 320 were added to the housing stock held with the remaining 118 earmarked for demolition. The Association completed the transfer of two other Local Housing organisations from GHA on the 28th of March 2011, with 781 properties at Dundasvale, and 1,057 at Woodside South Maryhill. The combined cash impact of these two transfers was the receipt of a cash dowry of £2.7m to the Association to support the forward investment programme. These accounts reflect the incorporation of these units into the balance sheet and the receipt of the cash dowry but the unit numbers are excluded from the relevant notes.

Objectives and Strategy

The Association has just completed an extensive business planning process for the period 2011-2014 and an Internal Management plan which is reviewed annually and approved by the Board of Management supports this plan.

The strategic objectives for 2011-14 are:

- Working with local communities to create desirable neighbourhoods;
- Delivering excellent services across the organisation;
- Empowering our people to lead the changes we need to make;
- Delivering excellent value for money and sound finances; and
- Being ready for opportunities.

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 Board of Management who are listed on page 1. The Board of Management 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 Board of Management are charged with overseeing the management of the Association and monitoring its financial and non-financial performance.

Key performance indicators are reported to the Board 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; and -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; and -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; and -Interest cover.
Development	<ul style="list-style-type: none"> -Cost per unit; -New units into management; -Programme management.

The following are the results in 2010/11 for specific performance indicators.

Housing

The net rental arrears, excluding Shared Ownership and the new stock transfers, was £119,400 compared to the target figure of £190,757. This represents 1.69% of the total rental income figure.

There were 43% 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 0.9% 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 £7,328 against a target of £3,424.

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 31 March 2011, 99.3% of all properties had a current gas safety certificate. A new IT system has been introduced this year to achieve 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 32 new units released in the year in the Murano Street development with a further 305 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

Two shared equity properties were also purchased back by the Association.

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 detailed financial plan over a 30 year period is built up each year using the BRIXX financial model to ensure that sufficient reserves are retained or generated to maintain the housing stock whilst ensuring the Association's financial viability. This model and the key assumptions underpinning it as well as the key business risks for the Association are reviewed, validated and approved by board each year. A key aspect of the plan for 2011/12 has been the incorporation of the stock transfer units within the business plan.

The Association also 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. A key 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.

	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000
Turnover	10,678	9,678	9,222	8,892	8,516
Operating Costs *	9,647	8,477	7,965	7,524	7,850
Operating Surplus	1,031	1,201	1,257	1,368	666
Major Repairs (inc above) *	1,923	1,424	1,378	862	1,618

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 Association aims to meet the Scottish Housing Quality Standard by

Operating and Financial Review

Financial Objectives (cont'd)

2015 and this expenditure is incorporated into future forecasts. The current business plan incorporating the stock transfer indicates that to fund the major repairs programme the Association needed to extend borrowing from 2011 for a period of up to 5 years and so as part of the stock transfer process a loan facility with the Clydesdale for £12m has been agreed.

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 and arising actions

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

Significant risks identified are:

- Increasing arrears as a result of economic downturn and benefit reviews. The Association aims to monitor performance carefully in this area;
- Inflationary pressures, over and above those factored into the current business plan, on maintenance and major repairs expenditure, may be an area of concern. The business plan does make prudent estimates on the prospects for cost and income growth;
- 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; the contribution rate has been increased for 2011/12 and the association has opted to only offer the CARE 120ths scheme to new members of staff;
- 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 for the Association. The Association is actively managing this risk through a rate hedging strategy covered in more detail in the Capital Structure section;
- Any loss of funding for housing support services which are jointly funded by housing benefit and supporting people grant would impact on the Association's ability to provide these services; and
- The new build programme does include 92 units of shared equity sales. Any delay or failure to sell will increase bridging impact for the Association. This risk is being mitigated through a structured sales programme from which early indications are good as well as considering other mid market or social rented options.

Operating and Financial Review

Risk assessment and arising actions (cont'd)

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

Capital Structure

At the year end borrowings totalled £16,496,464 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	808,090	30,607
Dunfermline Building Society	5,000,000	1,020,803
Royal Bank of Scotland	2,797,749	6,839,216
Total	<u>8,605,839</u>	<u>7,890,626</u>

After the year end the Association has entered into a hedging arrangement with the Royal Bank of Scotland, forward fixing £4m of debt at long term rates which came into force in May 2011. The interest rate on this debt is 3.81% plus margin and cost of money for 10 years. The Association will also be required to agree a 50% hedging strategy for the new Clydesdale stock transfer loan.

Undrawn facilities

The Association has a further facility of £8 million with the Dunfermline Building Society to support its new build programme and a £6.5m bridging facility with the Co-op bank to cover shared equity and bridging costs. It has also signed a £12m facility with the Clydesdale to allow it to meet the investment obligations arising from the stock transfer process.

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 2011 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. The Association received £2.5m in March 2010 as part of the Hamiltonhill transfer and this continues to fund the demolition and stock clearance programmes there. This expenditure is shown as a movement in reserve in the accounts.

Accounting 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.

Operating and Financial Review

Future Developments

The Association has a substantial development programme with sites at Oban Drive, Murano Street and for the Garscube Estate. The Association is now on site and construction is progressing at Garscube and Murano Street sites with 32 units released in 2010/2011. The Oban Drive site will start in the summer of 2011. 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.

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

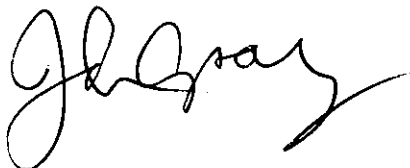
Queens Cross Housing Association Ltd is committed to promoting an environment of respect and understanding, encouraging diversity and eliminating discrimination by providing equality of opportunity for all. Throughout the Association there will be a consistent approach in promoting equality and diversity 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 Board of Management

John Gray
Convenor



Dated: 23 August 2011

Statement of Board of Management's Responsibilities

Housing Association legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ended on that date. In preparing those financial statements the Board 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 Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association.

The Board is also responsible for safeguarding the assets of the Association and 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 of Queens Cross Housing Association Limited for the year ended 31 March 2011 which comprise the income and expenditure account, statement of total recognised gains and losses, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice - Accounting by Registered Social Landlords issued in 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 Board of Management and auditors

As explained more fully in the Board of Management's Responsibilities statement set out on page 11, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Board of Management to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

We agree with the opinion of the Board 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 2011, because of the immaterial nature of the subsidiaries' transactions in the year.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2011 and of its surplus for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting by Registered Social Landlords issued in 2008;
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Opinion on financial statements (continued)

In our opinion the information given in the Report of the Board of Management for the financial year for which the financial statements are prepared is consistent with the financial statements.

Scott - Moncrieff

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

Dated: 23 August 2011

**Report of the Auditors to the Board of Management 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 Board of Management 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: 23 August 2011

**Income and Expenditure Account
For the year ended 31 March 2011**

	Note	2011 £	2010 £
Turnover	2	10,678,067	9,677,790
Operating costs	2	<u>(9,647,455)</u>	<u>(8,476,658)</u>
Operating surplus	2	1,030,612	1,201,132
Gain on disposal of fixed assets		109,603	72,988
Interest receivable and other income	5	94,347	49,683
Interest payable and similar charges	6	<u>(615,799)</u>	<u>(444,988)</u>
Surplus for the year		<u><u>618,763</u></u>	<u><u>878,815</u></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.


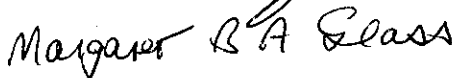
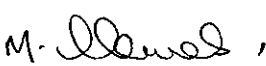
**Statement of Total Recognised Gains and Losses
For the year ended 31 March 2011**

	2011 £	2010 £
Retained surplus for the year	618,763	878,815
Actuarial gain / (loss) recognised in the retirement benefit scheme (Note 21)	1,253,900	(217,400)
Pension deficit acquired as a result of the second stage transfer (Note 21)	<u>(1,514,100)</u>	<u>-</u>
Total recognised gains and losses relating to the year	<u><u>358,563</u></u>	<u><u>661,415</u></u>

Balance Sheet
As at 31 March 2011

	Note	2011 £	2010 £
Tangible fixed assets			
Housing properties – cost less depreciation	9a	112,995,041	96,988,104
Less: SHG and other grants	9a	91,901,795	84,617,953
	9a	21,093,246	12,370,151
Other fixed assets	9b	2,848,619	582,937
		23,941,865	12,953,088
Investments	10	2	2
		23,941,867	12,953,090
Current assets			
Debtors	11	904,623	770,640
Cash at bank and in hand		13,306,695	9,888,644
Work In progress	12	-	-
		14,211,318	10,659,284
Creditors: amounts falling due within one year	13	(4,711,589)	(2,801,040)
Net current assets		9,499,729	7,858,244
Total assets less current liabilities		33,441,596	20,811,334
Creditors: amounts falling due after more than one year	14	(15,839,929)	(11,949,685)
Pension liability	21	(186,400)	(217,400)
Net assets		17,415,267	8,644,249
Capital and reserves			
Share capital	15	585	554
Designated reserves	7	14,659,797	6,247,373
Revenue reserve excluding pension reserve	8	2,941,285	2,613,722
Pension reserve	8	(186,400)	(217,400)
		17,415,267	8,644,249

The financial statements were authorised for issue by the Board of Management on 23 August 2011 and were signed on its behalf by:

John Gray		Convenor
Margaret Glass		Vice Convenor
Marilyn Clewes		Secretary

The notes form part of these financial statements.

Cash Flow Statement
For the year ended 31 March 2011

	Notes	2011 £	2010 £
Net cash inflow from operating activities	1	2,350,576	1,671,369
Returns on investments and servicing of finance	2	(500,652)	(395,305)
Capital expenditure	2	(11,221,083)	(929,833)
		<u>(9,371,159)</u>	<u>346,231</u>
Financing	2	12,789,210	2,221,200
Increase in cash	4	<u>3,418,051</u>	<u>2,567,431</u>

The notes form part of these financial statements.

Notes to the Cash Flow Statement
For the year ended 31 March 2011

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

	2011	2010
	£	£
Operating surplus	1,030,612	1,201,132
Depreciation	341,909	274,763
(Increase) / decrease in debtors	(133,983)	1,612,555
Increase / (decrease) in creditors	1,739,408	(1,417,081)
FRS 17 pension staff costs	(312,000)	-
Demolition costs – release from dowry	(310,664)	-
Release from CHYP restricted reserve	(4,706)	-
	<u>2,350,576</u>	<u>1,671,369</u>

2) Gross cash flows

	2011	2010
	£	£
Returns on investments and servicing of finance		
Interest received	94,347	49,683
Interest paid	(594,999)	(444,988)
	<u>(500,652)</u>	<u>(395,305)</u>
Capital expenditure		
Purchase and development of housing properties including LIFT in WIP	(16,880,224)	(8,835,061)
SHG and other grants received including LIFT in WIP	7,912,184	7,835,853
SHG repaid	(92,174)	(228,281)
Sale of properties	221,554	315,283
Payments to acquire other tangible fixed assets	(2,382,423)	(17,627)
	<u>(11,221,083)</u>	<u>(929,833)</u>
Financing		
Issue of ordinary share capital	89	7
Loan finance received / (repaid)	4,061,385	(300,954)
Stock transfer Dowry	8,727,794	2,522,147
Shares forfeited	(58)	-
	<u>12,789,210</u>	<u>2,221,200</u>

Notes to the Cash Flow Statement
For the year ended 31 March 2011

3) Analysis of changes in net debt	At 1 April 2010 £	Cash Flow £	At 31 March 2011 £
Cash in hand, at bank	9,888,644	3,418,051	13,306,695
	<u>9,888,644</u>	<u>3,418,051</u>	<u>13,306,695</u>
Debt due within 1 year	(485,395)	(171,141)	(656,536)
Debt due after 1 year	(11,949,685)	(3,890,244)	(15,839,929)
	<u>(2,546,436)</u>	<u>(643,334)</u>	<u>(3,189,770)</u>
4) Reconciliation of net cash flow to movement in net debt (Note 3)		2011 £	2010 £
Increase for the year		(3,418,051)	(2,567,431)
Cash used to repay loans		(328,167)	(300,954)
Loans received		4,389,552	-
		<u>643,334</u>	<u>(2,868,385)</u>
Change in net debt		643,334	(2,868,385)
Net debt at 1 April 2010		<u>2,546,436</u>	<u>5,414,821</u>
Net debt at 31 March 2011		<u>3,189,770</u>	<u>2,546,436</u>

**Notes to the Financial Statements
For the year ended 31 March 2011**

1. Accounting policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in paragraphs (b) to (m) 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) Going concern

The Association has a healthy cash position and the Board of Management anticipate a surplus for 2011/12. The Board is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Board continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) 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.

(d) 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.

(e) 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.

(f) 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 2011**

1. Accounting policies (continued)

(g) 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.

(h) 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.

(i) 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 2011**

1. Accounting policies (continued)

(j) 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 the Revenue Reserve 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.

(iii) Hamiltonhill and South Maryhill stock transfer dowries

These reserves represent the dowries 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 March 2010 and 28th March 2011. These funds will be released as this major repairs expenditure is incurred.

(k) 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 Statement of Total Recognised Gains and Losses.

(l) 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.

(m) Consolidation

The Association and its subsidiary undertaking 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.

Notes to the Financial Statements
For the year ended 31 March 2011

2. Particulars of Turnover, Operating Costs and Operating Surplus

	2011		2010	
	Turnover	Operating Costs	Turnover	Operating Costs
	£	£	£	£
Income and Expenditure From lettings				
Social Lettings (Note 3)	7,686,549	(6,007,638)	7,017,761	(5,207,312)
Other activities (Note 4)	2,991,518	(3,639,817)	2,660,029	(3,269,346)
	<u>10,678,067</u>	<u>(9,647,455)</u>	<u>9,677,790</u>	<u>(8,476,658)</u>
		1,030,612		1,201,132
		<u>1,030,612</u>		<u>1,201,132</u>
		Operating Surplus		Operating Surplus
		£		£
		1,678,911		1,810,449
		(648,299)		(609,317)
		<u>1,030,612</u>		<u>1,201,132</u>

Notes to the financial statements
For the year ended 31 March 2011

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2011 Total £	2010 Total £
Income from rent and service charges					
Rent receivable net of service charges	6,152,957	1,171,992	134,487	7,459,436	6,677,702
Service charges	70,269	234,776	-	305,045	290,789
Gross income from rents and service charges	6,223,226	1,406,768	134,487	7,764,481	6,968,491
Less voids	(73,863)	(14,069)	-	(87,932)	(40,280)
Net income from rents and service charges	6,149,363	1,392,699	134,487	7,676,549	6,928,211
Grants from the Scottish Ministers	-	10,000	-	10,000	89,550
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	6,149,363	1,402,699	134,487	7,686,549	7,017,761
Expenditure					
Management and maintenance administration costs	(1,511,498)	(347,333)	(21,135)	(1,879,966)	(1,727,872)
Service charges	(45,826)	(153,419)	-	(199,245)	(211,998)
Planned cyclical maintenance including major repairs	(1,615,798)	(307,771)	-	(1,923,569)	(1,424,459)
Reactive maintenance costs	(1,456,053)	(277,343)	-	(1,733,396)	(1,612,575)
Bad debts – rents and service charge	(38,887)	(7,407)	-	(46,294)	(27,811)
Depreciation of social housing	(189,629)	(35,539)	-	(225,168)	(202,597)
Operating costs for social letting activities	(4,857,691)	(1,128,812)	(21,135)	(6,007,638)	(5,207,312)
Operating Surplus on letting activities, 2011	1,291,672	273,887	113,352	1,678,911	
Operating Surplus on letting activities, 2010	1,331,542	355,974	122,933		1,810,449

QUEENS CROSS HOUSING ASSOCIATION LIMITED
Notes to the financial statements for the year ended 31 March 2011

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)	
	£	£	£	£	£	£	£	£	2011	2010	2011	2010	£	£
Wider role activities #	70,489	23,800	-	26,187	120,476	120,764	(433,149)	(495,990)	(312,673)	(375,226)				
Factoring	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Development and construction of property activities	219,787	-	-	-	219,787	90,001	(392,284)	(430,528)	(172,497)	(340,527)				
Support activities	-	-	1,258,609	536,879	1,795,488	1,866,914	(1,789,779)	(1,820,557)	5,709	46,357				
Care activities	-	-	-	-	-	-	-	-	-	-				
Agency/management services for RSLs	-	-	-	176,707	176,707	297,107	(177,353)	(276,971)	(646)	20,136				
Other agency / management services	-	-	-	245,538	245,538	239,640	(240,857)	(245,300)	4,681	(5,660)				
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-				
Development and improvements for sale to non RSLs	-	-	-	4,988	4,988	45,603	-	-	4,988	45,603				
Other activities	-	-	-	-	117,870	-	-	-	(295,731)	(177,861)				
Second Stage Transfer	117,870	-	-	310,664	310,664	-	-	-	(310,664)	-				
Demolition Costs *	-	-	-	-	-	-	-	-	-	-				
Total from other activities, 2011	408,146	23,800	1,258,609	1,300,963	2,991,518	2,660,029	(3,639,817)	(648,299)	(609,317)					
Total from other activities, 2010	146,001	27,799	1,263,306	1,222,923	2,660,029	(3,269,346)	(609,317)							

Undertaken to support the community, other than the provision, construction, improvement and management of housing
* Demolition Costs relating to properties at Hamiltonhill and funded through the stock transfer dowry.

Notes to the Financial Statements
For the year ended 31 March 2011

5. Interest Receivable and Other Income		2011	2010
		£	£
Interest receivable on deposits		94,347	49,683
		<u>94,347</u>	<u>49,683</u>
		<u><u>94,347</u></u>	<u><u>49,683</u></u>
6. Interest payable and similar charges		2011	2010
		£	£
On loans from the Scottish Government		87,573	88,190
On private loans		507,426	356,798
FRS 17 finance charge (note 21)		20,800	-
		<u>615,799</u>	<u>444,988</u>
		<u><u>615,799</u></u>	<u><u>444,988</u></u>
7. Designated Reserves	Opening Balance	Transfer	Closing Balance
	£	£	£
Major repairs reserve	3,649,328	-	3,649,328
CHYP restricted reserve	75,898	(4,706)	71,192
Hamiltonhill stock transfer dowry	2,522,147	(310,664)	2,211,483
South Maryhill stock transfer dowry	-	8,727,794	8,727,794
	<u>6,247,373</u>	<u>8,412,424</u>	<u>14,659,797</u>
	<u><u>6,247,373</u></u>	<u><u>8,412,424</u></u>	<u><u>14,659,797</u></u>

The CHYP (Council for Homeless Young People) reserve was transferred on 1st April 2008 when the CHYP's assets and liabilities were absorbed by Queens Cross Housing Association Limited. CHYP now operates as part of the Association's community services section.

The stock transfer dowry reserves represent 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 (Hamiltonhill) and 28th of March 2011 (South Maryhill). These funds will be released as this major repairs expenditure is incurred.

8. Revenue Reserves including Pension reserve	2011	2010
	£	£
At 1 April 2010	2,396,322	2,334,907
Total recognised gains and losses	358,563	661,415
	<u>2,754,885</u>	<u>2,996,322</u>
Transfer to designated reserves	-	(600,000)
	<u>2,754,885</u>	<u>2,396,322</u>
At 31 March 2011	<u><u>2,754,885</u></u>	<u><u>2,396,322</u></u>
Split as:		
Revenue reserve excluding pension reserve	2,941,285	2,613,722
Pension reserve	(186,400)	(217,400)
	<u>2,754,885</u>	<u>2,396,322</u>
	<u><u>2,754,885</u></u>	<u><u>2,396,322</u></u>

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2011**

9a Tangible Fixed Assets – Housing Properties

	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Housing Properties Under Construction £	2011 Total £	2010 Total £
Cost					
At start of year	79,557,886	1,954,883	17,326,166	98,838,935	94,640,210
Additions during year	3,754,352	-	12,611,644	16,365,996	4,495,151
Disposals	(136,939)	-	-	(136,939)	(296,426)
Transfers	5,337,262	-	(5,337,262)	-	-
At end of year	<u>88,512,561</u>	<u>1,954,883</u>	<u>24,600,548</u>	<u>115,067,992</u>	<u>98,838,935</u>
Depreciation					
At start of year	1,802,801	48,030	-	1,850,831	1,648,229
Charge for year	217,018	8,150	-	225,168	212,052
On disposals	(3,048)	-	-	(3,048)	(9,450)
Transfers	-	-	-	-	-
At end of year	<u>2,016,771</u>	<u>56,180</u>	<u>-</u>	<u>2,072,951</u>	<u>1,850,831</u>
Cost less depreciation	<u>86,495,790</u>	<u>1,898,703</u>	<u>24,600,548</u>	<u>112,995,041</u>	<u>96,988,104</u>
SHG and Other Grants					
At start of year	66,294,556	1,583,607	16,739,790	84,617,953	81,394,962
Additions during year	-	-	7,397,956	7,397,956	3,495,943
Disposals	(114,114)	-	-	(114,114)	(272,952)
Transfers	3,768,744	-	(3,768,744)	-	-
At end of year	<u>69,949,186</u>	<u>1,583,607</u>	<u>20,369,002</u>	<u>91,901,795</u>	<u>84,617,953</u>
Net Book Value					
At end of year	<u>16,546,604</u>	<u>315,096</u>	<u>4,231,546</u>	<u>21,093,246</u>	<u>12,370,151</u>
At start 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>

Development administration costs and clerk of works fees of £182,931 and related HAG of £182,931 were capitalised in the year (2010 – £Nil).

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2011**

9b. Tangible Fixed Assets – Other Tangible Assets

	Leasehold Property	Furniture, Fittings & Equipment	Motor Vehicles	Furniture Provided in Furnished Flats	Commercial Investment Properties	2011 Total	2010 Total
	£	£	£	£	£	£	£
Cost							
At start of year	606,904	252,472	118,388	52,033	-	1,029,797	1,193,369
Additions during year	-	33,499	-	205,636	2,143,288	2,382,423	17,627
Disposals	-	(44,610)	-	-	-	(44,610)	(181,199)
At end of year	606,904	241,361	118,388	257,669	2,143,288	3,367,610	1,029,797
Depreciation							
At start of year	65,698	215,815	113,314	52,033	-	446,860	565,348
Charge for year	67,820	43,847	5,074	-	-	116,741	62,711
Write off on disposal	-	(44,610)	-	-	-	(44,610)	(181,199)
At end of year	133,518	215,052	118,388	52,033	-	518,991	446,860
Net Book Value							
At end of year	473,386	26,309	-	205,636	2,143,288	2,848,619	582,937
At start of year	541,206	36,657	5,074	-	-	582,937	628,021

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 2011

10. Investments		2011	2010
		£	£
Investment in subsidiary undertakings		2	2
		2	2

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 £23,107 for the year ended 31 March 2010. At 31 March 2010, Queens Cross Factoring has net assets of £45,456. The results for 31 March 2011 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 company is to be struck off in 2011/12 and when it is the investment of £1 will be written off.

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

11. Debtors		2011	2010
		£	£
Amounts falling due within one year:			
Rental arrears		398,557	278,434
Less provision for bad debts		(38,320)	(57,169)
		360,237	221,265
Other debtors and prepayments		544,386	549,375
		904,623	770,640

12. Stock		2011	2010
		£	£
The following relates to the Lift scheme administered by the Association on behalf of Glasgow City Council.			
Work in Progress –Cost		4,854,138	4,339,910
Work in Progress –HAG		(4,854,138)	(4,339,910)
		-	-

13. Creditors: amounts falling due within one year		2011	2010
		£	£
Other loans repayable within one year		656,536	485,395
Deferred Income		292,996	130,672
SHG repayable on disposals		404,010	311,836
Other taxes and social security costs		102,598	111,825
Other creditors		3,255,449	1,761,312
		4,711,589	2,801,040

Notes to the Financial Statements
For the year ended 31 March 2011

14. Creditors: amounts falling due outwith one year	2011 £	2010 £
Loans:		
Due between one and two years	656,537	485,396
Due between two and five years	1,969,610	1,456,329
Due in five years or more	13,213,782	10,007,960
	<u>15,839,929</u>	<u>11,949,685</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.

After the year end, the Association has entered into a hedging arrangement with the Royal Bank of Scotland forward fixing £4m of debt at long term rates which come into force in May 2011. The interest rate on this debt is 3.81% plus margin and cost of money for 10 years.

15. Share Capital	2011 £	2010 £
At beginning of year	554	557
Shares of £1 each fully paid and issued during the year	89	7
Shares forfeited in year	(58)	(10)
	<u>585</u>	<u>554</u>

Notes to the Financial Statements
For the year ended 31 March 2011

16. Directors' Emoluments

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

		2011 £	2010 £
Emoluments of chief executive (excluding pension contributions)			
	Acting Chief Executive		Chief Executive
	£99,082	£16,690	
		<u>115,772</u>	<u>94,381</u>

Until February 2011, Paul Rydquist was the temporary Chief Executive in charge until the permanent appointment of Shona Stephen as Chief Executive. The temporary chief executive did not receive any pension contributions in the year. The chief executive received pension contributions of £1,732 in the year.

	2011 £	2010 £
Emoluments payable to highest paid director (excluding pension contributions)	<u>99,082</u>	<u>94,381</u>

	2011 No of Directors	2010 No of Directors
The emoluments (excluding pension contributions) of the directors were in the following ranges:		
£60,001 to £65,000	2	-
£65,001 to £70,000	-	-
£70,001 to £75,000	-	-
£75,001 to £80,000	-	-
£80,001 to £85,000	-	1
£85,001 to £90,000	-	-
£90,001 to £95,001	-	1
£95,001 to £99,500	<u>1</u>	<u>-</u>

	2011 £	2010 £
Pension contributions of directors earning > £60,000	<u>20,468</u>	<u>22,457</u>
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	<u>24,263</u>	<u>2,839</u>

**Notes to the Financial Statements
For the year ended 31 March 2011**

17. Employee Information

	2011 No	2010 No
The full time equivalent number of persons employed during the year was:	140	131

	2011 £	2010 £
Staff costs (including Directors' Emoluments):		
Wages and salaries	3,668,214	3,432,896
Compensation for loss of office	-	118,843
Social security costs	287,041	273,703
Pension costs	331,651	303,634
FRS 17 pension charge (note 21)	(312,000)	-
	<u>3,974,906</u>	<u>4,129,076</u>

18. Operating Surplus

	2011 £	2010 £
Operating surplus is stated after charging:		
Depreciation	341,909	274,763
Auditors' remuneration (excluding VAT)		
- In their capacity as auditors	13,430	13,000
-In their capacity as tax and VAT advisors	6,710	12,523
	<u>362,049</u>	<u>300,286</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

	2011 £	2010 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements.	<u>18,856,576</u>	<u>25,150,995</u>
This is to be funded by:		
HAG	7,779,329	10,687,359
Private Finance	<u>11,077,247</u>	<u>14,463,636</u>
	<u>18,856,576</u>	<u>25,150,995</u>
Capital expenditure that has been approved but not contracted for	<u>-</u>	<u>6,304,004</u>
This is to be funded by:		
HAG	-	4,758,490
Private Finance	-	<u>1,545,514</u>
	<u>-</u>	<u>6,304,004</u>

**Notes to the Financial Statements
For the year ended 31 March 2011**

21. Pensions

SFHA Pension Scheme

General

Queens Cross Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three 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 last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

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

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a 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 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 2011**

21. Pensions (cont'd)

Queens Cross Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Queens Cross Housing Association Limited was £13,407,877.

Strathclyde Pension Fund

As a result of the second stage transfers, 36 employees were transferred from Glasgow Housing Association Ltd to Queens Cross Housing Association Limited. These 36 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 2011	31 March 2010
Price increases	2.8%	3.8%
Salary increases	5.1%	5.3%
Expected return on assets	6.9%	7.2%
Discount rate	5.5%	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	26.0 years

Notes to the Financial Statements
For the year ended 31 March 2011

Scheme assets

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

	Long term rate of return 31 March 2011	Value at 31 March 2011 £000's	Long term rate of return 31 March 2010	Value at 31 March 2010 £000's
Equities	7.5%	2,323.9	7.8%	385.3
Government securities	4.9%	392.3	5.0%	65.1
Property	5.5%	181.1	5.8%	35.0
Cash	4.6%	120.7	4.8%	15.0
Total		3,018.00		500.4
Present value of scheme liabilities		(3,204.4)		(717.8)
Net pension liability		(186.4)		(217.4)

Reconciliation of defined benefit obligation

Year Ended:	31 Mar 2011 £	31 Mar 2010 £
Opening Defined Benefit Obligation	717,800	682,900
Current Service Cost	24,600	400
Interest Cost	59,500	200
Contributions by Members	7,400	100
Actuarial (Gains) / Losses	(1,250,300)	34,200
Past Service (Gains) / Costs	444,400	-
Losses/(gains) on curtailments	-	-
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed in a Business Combination	3,201,000	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	-	-
Closing Defined Benefit Obligation	3,204,400	717,800

Notes to the Financial Statements
For the year ended 31 March 2011

Reconciliation of fair value of employer assets

Year Ended:	31 Mar 2011 £	31 Mar 2010 £
Opening Fair Value of Employer Assets	500,400	502,900
Expected Return on Assets	38,700	200
Contributions by Members	7,400	100
Contributions by the Employer	28,900	400
Contributions in respect of Unfunded Benefits	-	-
Actuarial Gains / (Losses)	3,600	(3,200)
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	2,439,000	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	-	-
	<hr/>	<hr/>
Closing Fair Value of Employer Assets	3,018,000	500,400
	<hr/>	<hr/>
Net pension liability	(186,400)	(217,400)
	<hr/>	<hr/>

Analysis of amounts included in Income & Expenditure Account

	2011 £(000)	2010 £(000)
Expected return on pension scheme assets	39	0.2
Interest on pension scheme liabilities	(60)	(0.2)
	<hr/>	<hr/>
Net Return – finance charge	21	-
	<hr/>	<hr/>
	2011 £(000)	2010 £(000)
Current service cost	25	0.4
Past service cost	(308)	-
Contribution by employers	(29)	(0.4)
	<hr/>	<hr/>
Charge to staff costs	(312)	-
	<hr/>	<hr/>

In the UK budget statement on 22 June 2010, the Chancellor announced that with effect from 1 April 2011 public sector pensions would be up-rated in line with the Consumer Price Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing Queens Cross Housing Association Limited's liabilities in the Strathclyde Pension Fund by £308,000 and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement.

Notes to the Financial Statements
For the year ended 31 March 2011

Analysis of amount recognised in Statement of Total Recognised Gains and Losses

	2011	2010
	£	£
Actual return less expected return on scheme assets	3,600	(217,400)
Changes in assumptions underlying the present value of scheme liabilities	1,250,300	-
	<u>1,253,900</u>	<u>(217,400)</u>
Actuarial gain / (loss) recognised in statement of recognised gains and losses	<u>1,253,900</u>	<u>(217,400)</u>
Pension deficit acquired as a result of the second stage transfer	<u>(1,514,100)</u>	<u>-</u>

As a result of the second stage transfer which took place on 28 March 2011, 32 employees were transferred from Glasgow Housing Association Ltd to Queens Cross Housing Association Ltd. The deficit on the pension scheme relating to these employees of £1,514,100 was also transferred over.

22. Housing Stock

	Units in management	
	2011	2010
The number of units of accommodation in management was as follows:-		
General needs housing	1,825	1,474
Supported housing accommodation	512	512
Shared ownership accommodation	59	61
	<u>2,396</u>	<u>2,047</u>

The housing stock transferred as part of the second stage transfer completed on 28 March 2011 is not included in the above figures. 1,838 housing units plus a commercial car park were transferred from Glasgow Housing Association Ltd, all of which were in letting and none were due for demolition.

23. Accommodation managed by others

	No of units/bedspaces	
	2011	2010
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>

Notes to the Financial Statements
For the year ended 31 March 2011

24. Revenue Commitments

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

	2011		2010	
	Land & buildings £	Other Leases £	Land & buildings £	Other leases £
Within one year	-	-	-	2,860
Between two and five years		67,860	-	73,111
More than 5 years	240,000	-	235,000	-
	<u>240,000</u>	<u>67,860</u>	<u>235,000</u>	<u>75,971</u>

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 2011 (2010: none).

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 Limited, in which the company owns 1 Ordinary share (see Note 10). At 31 March 2011 the amount outstanding was £27,172 (2010: £17,420). 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 Limited of £115,000 (2010: £110,000). At the year end there is a balance within trade debtors relating to Queens Cross Factoring Limited of £164,725 (2010: £148,425).

Queens Cross Housing Association Limited paid on behalf of Queens Cross Factoring Limited £238,392 (2010: £315,620) 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.

27. Second Stage Transfer

The Second Stage Transfer comprised the transfer of 1,838 properties and a commercial car park from Glasgow Housing Association Ltd on 28 March 2011. No rent was charged on these properties until 1 April 2011.

**Notes to the Financial Statements
For the year ended 31 March 2011**

27. Second Stage Transfer (cont'd)

These properties which were transferred to Queens Cross Housing Association Limited, were located in two areas, Dundasvale and South Maryhill.

Dundasvale

Queens Cross Housing Association Limited paid £5,823,975 for the transfer of properties, which comprises:

No of properties	Asset	Amount paid £
1	Commercial property	2,143,288
781	Housing properties	3,567,921
	Furniture	94,488
	Rental arrears	18,278
		5,823,975
		5,823,975

South Maryhill

Due to the maintenance and refurbishment work which is required at the properties at South Maryhill, Queens Cross Housing Association Limited received a dowry of £8,727,794 for the transfer of these properties. The dowry comprises:

No of properties	Asset	Amount received £
1,057	Housing properties	-
	Bank receipt	8,527,895
	Furniture	111,148
	Rental arrears	88,751
		8,727,794
		8,727,794

Thirty two employees transferred from Glasgow Housing Association Limited to Queens Cross Housing Association Limited as part of this second stage transfer. Glasgow Housing Association Limited operates a defined benefit pension scheme and the pension liability related to these employees was also transferred. This amounted to £1,514,100 and is detailed in note 21.