



QUEENS CROSS HOUSING ASSOCIATION LIMITED

Registered Number: SP1860RS

Report and Financial Statements

For the year ended 31 March 2012

QUEENS CROSS HOUSING ASSOCIATION LIMITED
Report and Financial Statements

For the year ended 31 March 2012

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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	Chair
Margaret Glass	Vice Chair
Marilyn Clewes	
Jim Aird	Resigned 27 th March 2012
Elizabeth Campbell	
Sadie Gordon	
Danny Pace	Deceased 20 th August 2011
Mohammed Razaq	
Kathy Somers	
Colin Williams	
Tom Whyte	
Mohammed Zahid	

Registered Office

45 Firhill Road
Glasgow
G20 7ET

Auditors

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

Executive Officers

Shona Stephen	Chief Executive
Bill Brown	Director Corporate Services, Secretary
Fin McElhinney	Director, Housing
Neil Manley	Director, Finance
Louise Smith	Director, Technical Services
David Martin	Director, Operations

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 2012**

The Board of Management present their report and the audited financial statements for the year ended 31 March 2012.

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 2012**

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 2012. 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 2012**

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

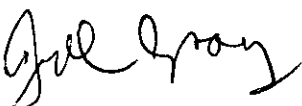
During the year, the Association made charitable donations amounting to £12,521 (2011 - £10,917). This included £11,821 to the Garscube Community Foundation as a contribution to the annual gala day expenses.

Auditors

The association is currently undertaking a procurement exercise for both internal and external audit services with the aim of confirming the appointments at the annual general meeting.

By order of the Board of Management

John Gray
Chair



Dated:

1414 Aug 2012

Operating and Financial Review**Overview**

Queens Cross Housing Association Ltd is a social landlord and registered charity operating in the Queens Cross, Woodside, Westercommon/Hamiltonhill and Dundasvale areas of North West Glasgow. The Association was formed in 1976 with the aim of providing high quality social housing.

The Association's main business is the provision of long term rented housing and the provision of housing support for those who need additional help. This housing support service is funded by a Supporting People grant from Glasgow City Council and service charge income.

The Association owned 4,132 units, at the 31st of March 2012 and manages the tenancies for the majority of these homes. The Association also have a share in 58 shared ownership units. The Association also leases 123 units/bed spaces to other care providers who manage these tenancies. The Association's housing stock has been increased through construction, funded through grant and loan finance, and by stock transfer from other bodies such as Scottish Homes, Glasgow City Council (G.C.C) and Glasgow Housing Association Ltd (G.H.A).

The Association has completed two stock transfers from Glasgow Housing Association in recent years with 438 homes transferring during 2010 in the Hamiltonhill area. Of these properties added to the housing stock, 290 were due for demolition as part of a clearance programme, and this process is on going. 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 transferring. A cash dowry of £2.7m was received to support the long term investment in this stock.

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

Objectives and Strategy

The Association has completed a business planning process for the period 2012-2014 and an Internal management plan which is reviewed annually and approved by the Board of Management supports this plan.

The strategic objectives for 2012-14 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 are also laid out in the internal management plan with the key risks that the Association faces in order 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 whose members are listed on page 1. The Board of Management has overall responsibility for managing the Association's finances and is 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 standard B which represented a good standard, with many strengths but with some areas for improvement. These areas have now been acted on. The Scottish Housing Regulator's latest regulation plan classifies the Association as being one which they see as having a medium engagement at this time. The Board of Management is charged with overseeing the management of the Association and monitoring its financial and non-financial performance.

Key performance indicators are reported to the Board quarterly and to our regulators.

Performance indicators used by 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 2011/12 for specific performance indicators.

Housing

The net rental arrears, excluding shared ownership was £352,254 compared to the target figure of £383,506. This represents 2.3% of the total rental income figure.

There were 55% 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 1.97% 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 £5,886 against a target of £6,392.

Operating and Financial Review

Asset Management

There were 15,302 contracted maintenance jobs in the year: 2,146 were emergencies and to be responded to within 4 hours; 4,026 were urgent and to be responded to within 2 working days; 8,504 were routine with a five working day target, 626 were non urgent with a 28 day response target. The target and actual response performances are stated below:

	Actual	Target
Emergency	84.0%	100%
Urgent	99.5%	97%
Routine	99.8%	92%

As at 31 March 2012, 100% of all properties had a current gas safety certificate as per the target.

100% of the close decoration programme was achieved at a total cost of £120,000. 100% of the gutter cleaning programme was achieved with a project cost of £17,000.

Development

There were 122 new units released in the year in the Murano Street and Garscube Rd developments.

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 the achievement of sound finances and good value for money. Key to the achievement of sound finances is ensuring continuing financial viability, demonstrated by 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 as well as meeting any financial covenants. The Association completes a detailed financial plan over a 30 year period using the BRIXX financial model to ensure that this viability is maintained. This model and the key assumptions underpinning it as well as the key business risks for the Association are reviewed, validated and approved by the Board each year. The key risks incorporated into the model are detailed shortly in the risk assessment section.

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. Following recent changes to accounting policy, the Association now capitalises and depreciates over its lifespan, all relevant major repair work, where formerly this would have been written off in the year of the works. This has resulted in a change to the prior year figures.

	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000
Turnover	17,533	10,678	9,678	9,222	8,892
Operating Costs	14,817	9,698*	8,477*	7,965*	7,524*
Operating Surplus	2,716	980	1,201	1,257	1,368
Major Repairs (inc above*)	0	1,098	1,424	1,378	862

Operating and Financial Review

Financial Objectives (cont'd)

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 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 2012 for a period of up to five years and so as part of the stock transfer process a loan facility with the Clydesdale Bank for £12m has been agreed. The Association would like to prioritise regeneration investment in key areas of its stock and is currently reviewing both its investment programme and business planning assumptions to provide a clearer picture of its financial capacity and/or borrowing requirements to support this strategic aim.

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. Risks are also reviewed 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 2012/13 and the Association has opted to only offer the CARE 120ths scheme to new members of staff;
- Proposed changes to the Housing Benefit system will adversely affect the Association, in particular its ability to control future income and arrear 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.

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 £21,774,321 and were raised either from banks, building societies. 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 £
Dunfermline Building Society	4,900,809	7,545,000
Royal Bank of Scotland	6,562,975	2,765,537
Total	11,463,784	10,310,537

Undrawn facilities

The Association has a further facility of £12m with the Clydesdale Bank to support the investment programme associated with the stock transfer stock and a £2m bridging facility with the Co-operative Bank to cover shared equity and bridging costs. The Association has agreed a 50% hedging strategy for the new Clydesdale stock transfer loan.

Cash reserves continue to be placed on deposit with the Co-operative Bank, with the Association's main banker, the Clydesdale Bank and with the Cater Allen 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 2012 continues to be augmented by 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 has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been identified by the Association:

Land - not depreciated
 Structure – over 50 years
 Windows – over 30 years
 Bathroom- over 30 years
 Electrical –over 30 years
 Roofing – 30 years
 Boiler Plumbing – 15 years
 Kitchen – over 15 years
 Lifts – over 10 years

Operating and Financial Review**Future Developments**

The Association has a substantial development programme with sites at Oban Drive, Murano Street and Garscube Estate. The Garscube and Murano Street sites are nearing completion with 32 units already released in 2010/2011 and a further 122 units let for social rent in 2011/12. In addition the Association has completed 24 flats of new style shared equity units at these sites. The Oban Drive project started on site in May 2011 with the first units expected in 2012/2013. In total these sites will provide 337 units of mixed tenure developments with 93 new shared equity units being delivered as part of the project. The Association has also started a redevelopment of five existing tenements in Ancroft Street providing 44 units in a mix of units for let and for sale. All these sites are funded through a combination of housing grant, private finance and sale receipts.

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 Limited is committed to promoting an environment of respect and understanding, encouraging diversity and eliminating discrimination by providing equality of opportunity for all. Throughout the Association there will be a consistent approach to promoting equality and diversity across all areas. In addition to our statutory responsibility contained in the Housing Scotland Act 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.

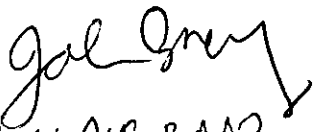
Investors in People

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

By order of the Board of Management

John Gray
Chair

Dated:


14th AUG 2012

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 2012 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 housing providers issued in 2010.

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 and the Operating and Financial Review 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.

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 2012 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 housing providers issued in 2010;
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Part 6 of the Housing (Scotland) Act 2010 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Report of the Auditors to the Members of Queens Cross Housing Association Limited (cont'd)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 require us to report to you, if, in our opinion:

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

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



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

Dated: 14 August 2012

**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 14 AUGUST 2013

**Income and Expenditure Account
For the year ended 31 March 2012**

	Note	2012 £	2011 restated £
Turnover	2	17,533,229	10,678,067
Operating costs	2	(14,817,236)	(9,698,124)
Operating surplus	2	2,715,993	979,943
(Loss)/gain on disposal of fixed assets		(6,602)	109,603
Interest receivable and other income	5	112,268	94,347
Interest payable and similar charges	6	(750,326)	(615,799)
Surplus for the year		<u>2,071,333</u>	<u>568,094</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.

The notes form part of these financial statements

Statement of Total Recognised Gains and Losses
For the year ended 31 March 2012

	2012 £	2011 restated £
Retained surplus for the year	2,071,333	568,094
Actuarial (loss)/gain recognised in the retirement benefit scheme (Note 21)	(100,000)	1,253,900
Pension deficit acquired as a result of the second stage transfer (Note 21)	-	(1,514,100)
Prior year adjustment (Note 27)	3,504,530	
Total recognised gains and losses relating to the year	<u>5,475,863</u>	<u>307,894</u>

The notes form part of these financial statements

Balance Sheet
As at 31 March 2012

		2012 £	2011 restated £
Tangible fixed assets	Note		
Housing properties – cost less depreciation	9a	115,355,658	104,694,913
Less: SHG and other grants	9a	86,287,448	80,097,137
	9a	<u>29,068,210</u>	<u>24,597,776</u>
Other fixed assets	9b	2,741,575	2,848,619
		<u>31,809,785</u>	<u>27,446,395</u>
Investments	10	1	2
		<u>31,809,786</u>	<u>27,446,397</u>
Current assets			
Debtors	11	1,088,880	904,623
Cash at bank and in hand		12,081,395	13,306,695
Work In Progress	12	3,085,814	-
		<u>16,256,089</u>	<u>14,211,318</u>
Creditors: amounts falling due within one year	13	(4,645,385)	(4,711,589)
Net current assets		<u>11,610,704</u>	<u>9,499,729</u>
Total assets less current liabilities		43,420,490	36,946,126
Creditors: amounts falling due after more than one year	14	(20,720,934)	(15,839,929)
Pension liability	21	(303,400)	(186,400)
Net assets		<u>22,396,156</u>	<u>20,919,797</u>
Capital and reserves			
Share capital	15	585	585
Designated reserves	7	14,164,823	14,659,797
Revenue reserve excluding pension reserve	8	8,534,148	6,445,815
Pension reserve	8	(303,400)	(186,400)
		<u>22,396,156</u>	<u>20,919,797</u>

The financial statements were authorised for issue by the Board of Management on 14th April 2012 and were signed on its behalf by:

John Gray



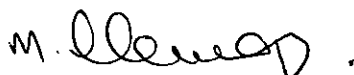
Chair

Margaret Glass



Vice Chair

Marilyn Clewes



Board member

The notes form part of these financial statements.

Cash Flow Statement
For the year ended 31 March 2012

	Notes	2012 £	2011 £
Net cash inflow from operating activities	1	3,017,038	3,176,375
Returns on investments and servicing of finance	2	(672,058)	(500,652)
Capital expenditure	2	(8,848,136)	(12,046,882)
		<u>(6,503,156)</u>	<u>(9,371,159)</u>
Financing	2	<u>5,277,856</u>	<u>12,789,210</u>
(Decrease)/increase in cash	4	<u><u>(1,225,300)</u></u>	<u><u>3,418,051</u></u>

The notes form part of these financial statements.

Notes to the Cash Flow Statement
For the year ended 31 March 2012

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

	2012 £	2011 £
Operating surplus	2,715,993	979,943
Depreciation	1,392,330	1,218,377
Investment written off	1	-
Increase in debtors	(184,257)	(133,983)
(Decrease) / increase in creditors	(463,055)	1,739,408
FRS 17 pension staff costs	51,000	(312,000)
Demolition costs – release from dowry	(494,974)	(310,664)
Release from CHYP restricted reserve	-	(4,706)
Net cash inflow	<u>3,017,038</u>	<u>3,176,375</u>

2) Gross cash flows

Returns on investments and servicing of finance

	2012 £	2011 £
Interest received	112,268	94,347
Interest paid (excluding FRS 17 finance charge)	(784,326)	(594,999)
	<u>(672,058)</u>	<u>(500,652)</u>

Capital expenditure

Purchase and development of housing properties including NSSE in WIP	(14,986,377)	(16,880,224)
SHG and other grants received including NSSE in WIP	6,156,389	7,912,184
SHG repaid	(20,957)	(92,174)
Sale of properties	29,161	221,554
Payments to acquire other tangible fixed assets	(26,352)	(3,208,222)
	<u>(8,848,136)</u>	<u>(12,046,882)</u>

Financing

Issue of ordinary share capital	43	89
Loan finance received / (repaid)	5,277,856	4,061,385
Stock transfer Dowry	-	8,727,794
Shares forfeited	(43)	(58)
	<u>5,277,856</u>	<u>12,789,210</u>

**Notes to the Cash Flow Statement
For the year ended 31 March 2012**

	At 1 April 2011 £	Cash Flow £	At 31 March 2012 £
3) Analysis of changes in net debt			
Cash in hand, at bank	13,306,695	(1,225,300)	12,081,395
	<u>13,306,695</u>	<u>(1,225,300)</u>	<u>12,081,395</u>
Debt due within 1 year	(656,536)	(396,851)	(1,053,387)
Debt due after 1 year	(15,839,929)	(4,881,005)	(20,720,934)
	<u>(3,189,770)</u>	<u>(6,503,156)</u>	<u>(9,692,926)</u>
4) Reconciliation of net cash flow to movement in net debt (Note 3)		2012 £	2011 £
Decrease/(increase) for the year		1,225,300	(3,418,051)
Cash used to repay loans		(2,053,170)	(328,167)
Loans received		7,331,026	4,389,552
		<u>6,503,156</u>	<u>643,334</u>
Change in net debt		3,189,770	2,546,436
Net debt at 1 April 2011		<u>3,189,770</u>	<u>2,546,436</u>
Net debt at 31 March 2012		<u>9,692,926</u>	<u>3,189,770</u>

**Notes to the Financial Statements
For the year ended 31 March 2012**

1. Accounting policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in paragraphs (b) to (f) 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 housing providers issued in 2010.

(b) Going concern

The Association has a healthy cash position and the Board of Management anticipate a surplus for 2012/13. 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 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 2012

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

Land - not depreciated
 Structure – over 50 years
 Windows – over 30 years
 Bathroom- over 30 years
 Electrical –over 30 years
 Roofing – 30 years
 Boiler Plumbing – 15 years
 Kitchen – over 15 years
 Lifts – over 10 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.

Notes to the Financial Statements
For the year ended 31 March 2012

1. Accounting policies (continued)

(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.

(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.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2012

2. Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover £	2012 Operating Costs £	Operating Surplus £	2011 (restated) Operating Costs £	Operating Surplus £
Income and Expenditure From lettings					
Social Lettings (Note 3)	14,208,441	(10,901,745)	3,306,696	(6,058,307)	1,628,242
Other activities (Note 4)	3,324,788	(3,915,491)	(590,703)	(3,639,817)	(648,299)
	<u>17,533,229</u>	<u>(14,817,236)</u>	<u>2,715,993</u>	<u>(9,698,124)</u>	<u>979,943</u>
	7,686,549			(6,058,307)	1,628,242
	<u>2,991,518</u>			<u>(3,639,817)</u>	<u>(648,299)</u>
	<u>10,678,067</u>			<u>(9,698,124)</u>	<u>979,943</u>

QUEENS CROSS HOUSING ASSOCIATION LIMITED

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Notes to the Financial Statements For the year ended 31 March 2012

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2012 Total £	2011 Total, (restated) £
Income from rent and service charges					
Rent receivable net of service charges	12,162,077	1,499,947	145,836	13,807,860	7,459,436
Service charges	307,644	180,803	-	488,447	305,045
	<u>12,469,721</u>	<u>1,680,750</u>	<u>145,836</u>	<u>14,296,307</u>	<u>7,764,481</u>
Gross income from rents and service charges	<u>(117,842)</u>	<u>(17,942)</u>	<u>-</u>	<u>(135,784)</u>	<u>(87,932)</u>
Less voids					
	<u>12,351,879</u>	<u>1,662,808</u>	<u>145,836</u>	<u>14,160,523</u>	<u>7,676,549</u>
Net income from rents and service charges					
Grants from the Scottish Ministers	-	47,918	-	47,918	10,000
Other revenue grants	-	-	-	-	-
	<u>12,351,879</u>	<u>1,710,726</u>	<u>145,836</u>	<u>14,208,441</u>	<u>7,686,549</u>
Total turnover from social letting activities					
	<u>12,351,879</u>	<u>1,710,726</u>	<u>145,836</u>	<u>14,208,441</u>	<u>7,686,549</u>
Expenditure					
Management and maintenance administration costs	(4,265,509)	(525,362)	(23,758)	(4,814,629)	(1,879,966)
Service charges	(190,645)	(56,961)	-	(247,606)	(199,245)
Planned cyclical maintenance	(1,494,630)	-	-	(1,494,630)	(1,097,770)
Reactive maintenance costs	(2,527,667)	(485,670)	-	(3,013,337)	(1,733,396)
Bad debts – rents and service charge	(64,623)	(7,987)	-	(72,610)	(46,294)
Depreciation of social housing	(1,123,354)	(135,579)	-	(1,258,933)	(1,101,636)
	<u>(9,666,428)</u>	<u>(1,211,559)</u>	<u>(23,758)</u>	<u>(10,901,745)</u>	<u>(6,058,307)</u>
Operating costs for social letting activities					
	<u>2,685,451</u>	<u>499,167</u>	<u>122,078</u>	<u>3,306,696</u>	
Operating Surplus on letting activities, 2012					
	<u>1,241,003</u>	<u>273,887</u>	<u>113,352</u>		
Operating Surplus on letting activities, 2011					
					<u>1,628,242</u>

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements for the year ended 31 March 2012

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

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	2012 £	2011 £	Other operating Costs 2012 £	2011 £	Operating surplus or (deficit) 2012 £	2011 £
Wider role activities #	104,084	21,225	-	44,756	170,065	120,476	(592,305)	(433,149)	(422,240)	(312,673)
Factoring	-	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	34,734	34,734	219,787	(301,718)	(392,284)	(266,984)	(172,497)
Support activities	-	-	1,414,381	596,914	2,011,295	1,795,488	(1,995,262)	(1,789,779)	16,033	5,709
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	46,352	46,352	176,707	(66,480)	(177,353)	(20,128)	(646)
Other agency / management services	-	-	-	310,386	310,386	245,538	(304,567)	(240,857)	5,819	4,681
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	94,658	94,658	4,988	-	-	94,658	4,988
Second Stage Transfer	-	162,324	-	-	162,324	117,870	(160,185)	(295,731)	2,139	(177,861)
Demolition Costs *	-	-	-	494,974	494,974	310,664	(494,974)	(310,664)	-	-
Total from other activities, 2012	104,084	183,549	1,414,381	1,622,774	3,324,788		(3,915,491)		(590,703)	
Total from other activities, 2011	408,146	23,800	1,258,609	1,300,963		2,991,518		(3,639,817)		(648,299)

Undertaken to support the community, other than the provision, construction, improvement and management of housing. The deficit is a result of both overheads and our commitment to fund areas like youth employability when the grant declines and a loss in the café which we are addressing through specific actions.

* Demolition costs relating to the properties at Hamiltonhill. This has been funded by the release from the Hamiltonhill stock transfer dowsy designated reserve (note 7).

Notes to the Financial Statements
For the year ended 31 March 2012

5. Interest Receivable and Other Income	2012	2011
	£	£
Interest receivable on deposits	112,268	94,347
	<u>112,268</u>	<u>94,347</u>
6. Interest payable and similar charges	2012	2011
	£	£
On loans from the Scottish Government	48,032	87,573
On private loans	736,294	507,426
FRS 17 finance charge (note 21)	(34,000)	20,800
	<u>750,326</u>	<u>615,799</u>
7. Designated Reserves	Opening Balance	Closing Balance
	£	£
Major repairs reserve	3,649,328	3,649,328
CHYP restricted reserve	71,192	71,192
Hamiltonhill stock transfer dowry	2,211,483	1,716,509
South Maryhill stock transfer dowry	8,727,794	8,727,794
	<u>14,659,797</u>	<u>14,164,823</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. In the year to 31 March 2012, £494,974 was released to income (note 4) to cover the demolition costs incurred in the year in respect of properties at Hamiltonhill.

8. Revenue Reserves including Pension reserve	2012	2011
	£	£
At 1 April 2011	6,259,415	2,396,322
Prior year adjustments	-	3,555,199
As restated at 1 April 2011	<u>6,259,415</u>	<u>5,951,521</u>
Total recognised gains and losses	1,971,333	307,894
At 31 March 2012	<u>8,230,748</u>	<u>6,259,415</u>
Split as:		
Revenue reserve excluding pension reserve	8,534,148	6,445,815
Pension reserve	(303,400)	(186,400)
	<u>8,230,748</u>	<u>6,259,415</u>

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2012**

9a Tangible Fixed Assets – Housing Properties

	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Housing Properties Under Construction £	2012 Total £	2011 Total £
Cost					
At start of year, as restated	88,255,412	1,954,883	23,083,114	113,293,409	96,495,702
Additions during year	1,169,392	-	15,938,835	17,108,227	17,191,795
Disposals	(35,763)	-	-	(35,763)	(136,939)
Transfers (Note 1)	17,835,089	-	(22,987,874)	(5,152,785)	(257,149)
At end of year	<u>107,224,130</u>	<u>1,954,883</u>	<u>16,034,075</u>	<u>125,213,088</u>	<u>113,293,409</u>
Depreciation					
At start of year, as restated	8,542,316	56,180	-	8,598,496	7,499,908
Charge for year	1,232,762	26,172	-	1,258,934	1,101,636
On disposals	-	-	-	-	(3,048)
At end of year	<u>9,775,078</u>	<u>82,352</u>	<u>-</u>	<u>9,857,430</u>	<u>8,598,496</u>
Cost less depreciation	<u>97,449,052</u>	<u>1,872,531</u>	<u>16,034,075</u>	<u>115,355,658</u>	<u>104,694,913</u>
SHG and Other Grants					
At start of year, as restated	58,144,528	1,583,607	20,369,002	80,097,137	72,813,295
Additions during year	-	-	6,211,268	6,211,268	7,397,956
Disposals	(20,957)	-	-	(20,957)	(114,114)
Transfers	12,193,557	-	(12,193,557)	-	-
	<u>70,317,128</u>	<u>1,583,607</u>	<u>14,386,713</u>	<u>86,287,448</u>	<u>80,097,137</u>
Net Book Value					
At end of year	<u>27,131,924</u>	<u>288,924</u>	<u>1,647,362</u>	<u>29,068,210</u>	<u>24,597,776</u>
At start of year	<u>21,568,568</u>	<u>315,096</u>	<u>2,714,112</u>	<u>24,597,776</u>	<u>16,182,499</u>

Development administration costs and clerk of works fees of £123,004 and related HAG of £130,010 were capitalised in the year (2011 – £182,931).

Note 1: These are costs which have been transferred to shared equity and are included under WIP.

Notes to the Financial Statements
For the year ended 31 March 2012

9b. Tangible Fixed Assets – Other Tangible Assets

	Leasehold Property £	Furniture, Fittings & Equipment £	Motor Vehicles £	Furniture Provided in Furnished Flats £	Commercial Investment Properties £	2012 Total £	2011 Total £
Cost							
At start of year	606,904	241,361	118,388	257,669	2,143,288	3,367,610	1,029,797
Additions during year	2,040	23,924	-	389	-	26,353	2,382,423
Disposals	-	(143,237)	-	-	-	(143,237)	(44,610)
At end of year	608,944	122,048	118,388	258,058	2,143,288	3,250,726	3,367,610
Depreciation							
At start of year	133,518	215,052	118,388	52,033	-	518,991	446,860
Charge for year	24,358	23,879	-	85,159	-	133,396	116,741
Write off on disposal	-	(143,236)	-	-	-	(143,236)	(44,610)
At end of year	157,876	95,695	118,388	137,192	-	509,151	518,991
Net Book Value							
At end of year	451,068	26,353	-	120,866	2,143,288	2,741,575	2,848,619
At start of year	473,386	26,309	-	205,636	2,143,288	2,848,619	582,937

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 2012

10. Investments	2012 £	2011 £
Investment in subsidiary undertakings	<u>1</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.

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 has been struck off in 2011/12 and the investment of £1 has been written off.

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

11. Debtors	2012 £	2011 £
Amounts falling due within one year:		
Rental arrears	649,157	398,557
Less provision for bad debts	(92,628)	(38,320)
	<u>556,529</u>	<u>360,237</u>
Other debtors and prepayments	532,351	544,386
	<u>1,088,880</u>	<u>904,623</u>

12. Work in Progress	2012 £	2011 £
The following relates to the NSSE scheme administered by the Association.		
Work in Progress –Cost	7,885,073	4,854,138
Work in Progress –HAG	(4,799,259)	(4,854,138)
	<u>3,085,814</u>	<u>-</u>

13. Creditors: amounts falling due within one year	2012 £	2011 £
Other loans repayable within one year	1,053,387	656,536
Deferred Income	-	292,996
SHG repayable on disposals	424,967	404,010
Other taxes and social security costs	164,036	127,745
Other creditors	3,002,995	3,230,302
	<u>4,645,385</u>	<u>4,711,589</u>

Notes to the Financial Statements
For the year ended 31 March 2012

14. Creditors: amounts falling due outwith one year	2012	2011
	£	£
Loans:		
Due between one and two years	1,053,387	656,537
Due between two and five years	3,160,161	1,969,610
Due in five years or more	16,507,386	13,213,782
	<u>20,720,934</u>	<u>15,839,929</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	2012	2011
	£	£
At beginning of year	585	554
Shares of £1 each fully paid and issued during the year	43	89
Shares forfeited in year	(43)	(58)
	<u>585</u>	<u>585</u>

Notes to the Financial Statements
For the year ended 31 March 2012

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.

	2012 £	2011 £
Emoluments of chief executive (excluding pension contributions)	<u>90,000</u>	<u>115,772</u>

	2012 £	2011 £
Emoluments payable to highest paid director (excluding pension contributions)	<u>90,000</u>	<u>99,082</u>

In the prior year, the emoluments related to 11 months of the previous acting Chief Executive and one month of the current Chief Executive. This year relates to 12 months of the current Chief Executive.

	2012 No of Directors	2011 No of Directors
The emoluments (excluding pension contributions) of the directors were in the following ranges:		
Less than £60,000	3	-
£60,001 to £65,000	2	2
£65,001 to £70,000	-	-
£70,001 to £75,000	-	-
£75,001 to £80,000	-	-
£80,001 to £85,000	-	-
£85,001 to £90,000	-	-
£90,001 to £95,001	1	-
£95,001 to £99,500	<u> </u>	<u> </u>
	2012 £	2011 £
Pension contributions of directors earning > £60,000	<u>43,975</u>	<u>20,468</u>
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	<u>1,661</u>	<u>24,263</u>

Notes to the Financial Statements
For the year ended 31 March 2012

17. Employee Information	2012	2011
	No	No
The full time equivalent number of persons employed during the year was:	214	140
	2012	2011
	£	£
Staff costs (including Directors' Emoluments):		
Wages and salaries	5,406,498	3,668,214
Social security costs	456,994	287,041
Pension costs	651,293	331,651
FRS 17 pension charge (note 21)	51,000	(312,000)
	<u>6,565,785</u>	<u>3,974,906</u>
18. Operating Surplus	2012	2011
	£	£
Operating surplus is stated after charging:		
Depreciation	1,392,330	1,218,377
Auditors' remuneration (excluding VAT)		
- In their capacity as auditors	14,750	13,430
- In their capacity as tax and VAT advisors	5,332	6,710
	<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	2012	2011
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements.	<u>4,539,586</u>	<u>18,856,576</u>
This is to be funded by:		
HAG	-	7,779,329
Private Finance	<u>4,539,586</u>	<u>11,077,247</u>
	<u>4,539,586</u>	<u>18,856,576</u>
Capital expenditure that has been approved but not contracted for	<u>-</u>	<u>-</u>

**Notes to the Financial Statements
For the year ended 31 March 2012**

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.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate;
- Career average revalued earnings with a 1/60th accrual rate; a 1/70th accrual rate; a 1/80th accrual rate; and
- a 1/120th accrual rate, contracted in.

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 elected to operate the Final salary with 1/60th accrual rate benefit option for active members and new entrants from 1 April 2011.

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.

During the accounting period the Association paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%. There is an additional employer rate for deficit contributions (see details below).

As at the balance sheet date there were 77 active members of the Scheme employed by the Association. The Association 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 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 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 to 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 2011. 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 £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

Notes to the Financial Statements
For the year ended 31 March 2012

21. Pensions (cont'd)

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30th September 2009 were as follows:-

- Investment return pre retirement		7.40% per annum
- Investment return post retirement	- Non-pensioners	4.60% per annum
- Investment return post retirement	- Pensioners	4.80% per annum
- Rate of salary increases		4.50% per annum
- Rate of pension increases	- pension accrued pre 6 April 2005	2.90% per annum
	- pension accrued from 6 April 2005	2.20% per annum
	(for leavers before 1 October 1993 pension increases are 5%)	
Rate of price inflation		3.00% per annum

The valuation was carried out using the SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement mortality tables for pensioners and non-pensioners.

The joint contribution rates required from employers and members to meet the cost of future benefit accrual for the final salary 60ths benefit structure was assessed as 19.2%.

This is split equally between employers and members. Accordingly the contribution rates for the Final salary 60ths benefit structure from 1 April 2011 is 9.6% employer contributions and 9.6% member contributions.

There is an additional employer rate for deficit contributions of 10.4% expressed in nominal pound terms for each employer increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.

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

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

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for the Association was £15,848,340.

Notes to the Financial Statements
For the year ended 31 March 2012

21. Pensions (cont'd)

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.

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

Assumptions as at	31 March 2012	31 March 2011
Price increases	2.5%	2.8%
Salary increases	4.8%	5.1%
Expected return on assets	5.8%	6.9%
Discount rate	4.8%	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	21 years	23.4 years
Future Pensioners	23.3 years	25.3years

Notes to the Financial Statements
For the year ended 31 March 2012

21. Pensions (cont'd)

Scheme assets

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

	Long term rate of return 31 March 2012	Value at 31 March 2012	Long term rate of return 31 March 2011	Value at 31 March 2011
		£000's		£000's
Equities	6.3%	2,367	7.5%	2,323.9
Government securities	3.9%	338	4.9%	392.3
Property	4.4%	215	5.5%	181.1
Cash	3.5%	154	4.6%	120.7
Total		<u>3,074</u>		<u>3,018.00</u>
Present value of scheme liabilities		(3,204.40)		(3,204.4)
Present value of unfunded liabilities		(173.00)		-
Net pension liability		<u><u>(303.40)</u></u>		<u><u>(186.4)</u></u>

Reconciliation of defined benefit obligation

Year Ended:	31 Mar 2012 £	31 Mar 2011 £
Opening Defined Benefit Obligation	3,204,400	717,800
Current Service Cost	141,000	24,600
Interest Cost	191,000	59,500
Contributions by Members	49,000	7,400
Actuarial (Gains) / Losses	(558,000)	(1,250,300)
Past Service (Gains) / Costs	-	444,400
Losses/(gains) on curtailments	386,000	-
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed in a Business Combination	-	3,201,000
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	(30,000)	-
Estimated Benefits Paid	(6,000)	-
Closing Defined Benefit Obligation	<u><u>3,377,400</u></u>	<u><u>3,204,400</u></u>

Notes to the Financial Statements
For the year ended 31 March 2012

Reconciliation of fair value of employer assets

Year Ended:	31 Mar 2012 £	31 Mar 2011 £
Opening Fair Value of Employer Assets	3,018,000	500,400
Expected Return on Assets	225,000	38,700
Contributions by Members	49,000	7,400
Contributions by the Employer	446,000	28,900
Contributions in respect of Unfunded Benefits	30,000	-
Actuarial (Losses) / Gains	(658,000)	3,600
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	2,439,000
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	(30,000)	-
Estimated Benefits Paid	(6,000)	-
Closing Fair Value of Employer Assets	3,074,000	3,018,000
Net pension liability	(303,400)	(186,400)

Analysis of amounts included in Income & Expenditure Account

	2012 £(000)	2011 £(000)
Expected return on pension scheme assets	225	39
Interest on pension scheme liabilities	(191)	(60)
Net Return – finance charge	34	21
	2012 £(000)	2011 £(000)
Current service cost	141	25
Past service cost	-	(308)
Losses on curtailments	386	-
Contributions in respect of unfunded benefits	(30)	-
Contribution by employers	(446)	(29)
Charge to staff costs	51	(312)

Notes to the Financial Statements
For the year ended 31 March 2012

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

	2012 £	2011 £
Actual return less expected return on scheme assets	(658,000)	3,600
Changes in assumptions underlying the present value of scheme liabilities	558,000	1,250,300
	<hr/>	<hr/>
Actuarial (loss)/gain recognised in statement of recognised gains and losses	(100,000)	1,253,900
	<hr/>	<hr/>
Pension deficit acquired as a result of the second stage transfer	-	(1,514,100)
	<hr/>	<hr/>

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	
	2012	2011
The number of units of accommodation in management was as follows:-		
General needs housing	3,586	1,825
Supported housing accommodation	546	512
Shared ownership accommodation	58	59
	<hr/>	<hr/>
	4,190	2,396
	<hr/>	<hr/>

In addition the association held 327 units as void and ready for demolition as part of the Hamiltonhill clearance programme.

23. Accommodation managed by others

	No of units/bedspaces	
	2012	2011
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
	<hr/>	<hr/>
	123	123
	<hr/>	<hr/>

Notes to the Financial Statements
For the year ended 31 March 2012

24. Revenue Commitments

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

	2012		2011	
	Land & buildings £	Other Leases £	Land & buildings £	Other leases £
Within one year	-	-	-	-
Between two and five years	-	94,111	-	67,860
More than 5 years	240,000	-	240,000	-
	<u>240,000</u>	<u>94,111</u>	<u>240,000</u>	<u>67,860</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 2012 (2011: 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 2012 the amount outstanding was £26,099 (2011: £27,172). 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 £175,216 (2011: £115,000). At the year end there is a balance within trade debtors relating to Queens Cross Factoring Limited of £54,252 (2011: £164,725).

Queens Cross Housing Association Limited paid on behalf of Queens Cross Factoring Limited £302,184 (2011: £238,392) 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.

Notes to the Financial Statements
For the year ended 31 March 2012

27. Prior year adjustment

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Association has implemented component accounting for the first time this year. As this is a change in accounting policy the impact of component accounting has resulted in a restatement of the prior year figures via a prior year adjustment.

The principle of component accounting is to treat major components of an asset as if each component is a separate asset in its own right and depreciate the components over their individual useful economic lives. It follows therefore, that when a component is replaced, the old component is written off, in order to avoid double counting, with the new component capitalised and then amortised over its expected useful life.

The effect of this change in accounting policy is to increase the 2011 opening reserves by £5,072,633 as a result of major repairs previously written off to the Income and Expenditure account now capitalised as components less the accumulated depreciation to 31 March 2010. This change in accounting policy has also led to a decrease in the 2010/11 surplus of £50,669.

A prior year adjustment has also been posted in respect of HAG received to cover abnormal costs incurred in April 2009. The effect of this is to decrease the 2011 opening reserves by £1,517,434.

Increase in 2011 opening reserves	£3,555,199
Decrease in 2010/11 surplus	(£50,669)
Net effect	£3,504,530

