



**QUEENS CROSS HOUSING ASSOCIATION LIMITED**

***Registered Number: SP1860RS***

**Report and Financial Statements**

**For the year ended 31 March 2014**

**QUEENS CROSS HOUSING ASSOCIATION LIMITED**  
**Report and Financial Statements**

**For the year ended 31 March 2014**

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**Registration information**

Financial Conduct Authority	Industrial and Provident Societies 1965 Registered number SP1860RS
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered number 172
Registered Scottish Charity	SC036434

**Members, Executives and Advisers**

**Board of Management – elected**

Margaret Glass	Chair
Marilyn Clewes	Vice Chair
Colin Williams	Vice Chair (until 12 November 2013)
David Horner	Vice Chair (from 28 January 2014)
John Gray	
Sadie Gordon	
Mohammed Razaq	
Kathy Somers	Resigned 25 November 2013
Tom Whyte	Resigned 17 September 2013
Colin Cassie	
Andrew Stewart	
Tam McPhater	
Bridget McGeechan	Resigned 17 September 2013
Doctor Stephen Barr	Appointed 17 September 2013

**Registered Office**

45 Firhill Road  
Glasgow  
G20 7BE

**Auditor**

Scott-Moncrieff  
Chartered Accountants  
25 Bothwell Street  
G2 6NL

**Bankers**

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

**Executive Officers**

Shona Stephen	Chief Executive
Bill Brown	Director of Corporate Services and Secretary
Fin McElhinney	Director of Housing and Support Services
Neil Manley	Director of Finance and Business Strategy
Louise Smith	Director of Property and Customer Services

**Solicitors**

T C Young  
7 West George St  
Glasgow  
G2 1BA

**Report of the Board of Management  
For the year ended 31 March 2014**

The Board of Management present their report and the audited financial statements for the year ended 31 March 2014.

**Principal activities**

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

**Review of operations**

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

**Community Development Initiatives**

A wide range of community initiatives including youth work, volunteering and employment counselling, and life skills were continued during the year. A number of grants were received from the Scottish Government, under its Wider Action agenda, and other bodies to assist with the provision of these activities.

**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.

**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.

**Report of the Board of Management  
For the year ended 31 March 2014**

**Internal Financial Controls (continued)**

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 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 auditor 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 2014. 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.

**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 £21,034 (2013: £8,565). This included £14,308 (2013: £6,000) to the Garscube Community Foundation as a contribution to the annual gala day expenses.

**Report of the Board of Management  
For the year ended 31 March 2014**

**Disclosure of information to the auditor**

To the knowledge and belief of each of the persons who are members of the Board of Management at the time the report is approved:

- So far as the Board members are aware, there is no relevant information of which the Association's auditor is unaware, and
- He/she has taken all the steps that he/she ought to have taken as a Board member in order to make himself/herself aware of any relevant information, and to establish that the Association's auditor is aware of the information.

**Auditor**

A resolution to reappoint Scott-Moncrieff, Chartered Accountants, as auditor will be brought to the members at the Annual General Meeting.

**By order of the Board of Management**

*Margaret B A Glass*

**Margaret Glass  
Chair**

Dated: 12.8.2014

## Operating and Financial Review For the year ended 31 March 2014

### Overview

Queens Cross Housing Association Limited 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 outright 4,227 units as at 31 March 2014 and manages the tenancies for the majority of these homes. The Association also has a share in 58 shared ownership units. Within this total stock the Association leases 123 units/bed spaces to other care providers who manage these tenancies. Of the total stock over 500 units are dedicated to the provision of supported housing to care groups such as the elderly, people experiencing mental health related issues and young people.

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 Limited (G.H.A). The Association has completed two stock transfers from Glasgow Housing Association Limited in recent years with 438 homes transferring during 2010 in the Hamiltonhill area. Of these properties added to the housing stock, 290 were demolished as part of a clearance programme. The Association also completed the transfer of two other Local Housing Organisations from GHA on 28 March 2011, with 781 properties at Dundasvale, and 1,057 at Woodside South Maryhill transferring. The Association continues to have an active development programme with new housing stock released in 2013 at Oban Drive, Garscube Road and Ancroft Street.

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 Limited, an independent development agency promoting economic regeneration in the area. The Association fully owns a subsidiary company called Queens Cross Factoring Limited which provides a factoring service to over 2,300 owners of property in the area.

### Objectives and Strategy

The Association has completed a business planning process for the period 2014-2017 and an internal management plan which is reviewed annually and approved by the Board of Management.

From our vision *Excellent Housing, Vibrant Communities*, and reflecting our values of Respect, Integrity and Aspiration strategic objectives have been agreed.

The strategic objectives for 2014-17 are:

- Work with local communities to create neighbourhoods people want live in; and
- Deliver excellent services across the organisation.

How we will do it

- Empower our people to lead the changes we need to make;
- Deliver excellent value for money; and
- Be ready for opportunities.

Below these strategic objectives, key departmental tasks are laid out in the internal management plan with the key risks that the Association faces in order to achieve these key objectives. As part of this plan, actions have been identified to mitigate these risks.

**Operating and Financial Review  
For the year ended 31 March 2014**

**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 specific responsibility for overseeing the financial controls of the Association. The Audit Sub-Committee meets quarterly, and the Committee is supported by the work of both the internal and external auditors. 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"> <li>- Average re-let times for void properties;</li> <li>- Current tenant arrears as a % of the total rent;</li> <li>- Bad debts written off; and</li> <li>- Void losses i.e. lost rent through unlet properties.</li> </ul> |
| Asset Management     | <ul style="list-style-type: none"> <li>- Repair response times;</li> <li>- Maintenance cost per unit; and</li> <li>- Scottish Homes Quality Standard.</li> </ul>  |
| Financial Management | <ul style="list-style-type: none"> <li>- Surplus;</li> <li>- Actual results compared to forecast;</li> <li>- Financial gearing, e.g. debt against assets; and</li> <li>- Interest cover.</li> </ul>   |
| Development          | <ul style="list-style-type: none"> <li>- Cost per unit;</li> <li>- New units into management; and</li> <li>- Programme management.</li> </ul>   |

The following are the results in 2013/14 for specific performance indicators.

**Housing**

The net rental arrears was £349,756 compared to the target figure of £386,562. This represents 2.4% of the total rental income figure. We continue to focus closely on managing this aspect of the business. A bad debt write off of £86,375 was made in the year.

The average void re- let period was 20 days against the set target of 14 days.



**Operating and Financial Review  
For the year ended 31 March 2014**

**Asset Management**

There were 17,553 reactive maintenance jobs in the year with 16,648 completed right first time. 4,338 repairs were emergencies and to be responded to within 4 hours, whilst urgent repairs have a target of 2 days and routine within 5 days. Our performance to these response targets is detailed here.

	Actual	Target
Emergency	99.67%	100%
Urgent	99.84%	97%
Routine	99.90%	98%

As at 31 March 2014, 94.87% of all properties had a current gas safety certificate against the target of 100%. We are addressing specific process issues for this shortfall and actively working with the contractor to improve performance for gas safety.

As at 31<sup>st</sup> of March 2014 78% of the stock met the Scottish Housing Quality Standard with on-going works on Woodside deck access properties and various other properties due to meet the Standard by March 2015. This will only leave Cedar MSF stock where work will be on going, not meeting the Standard by the target date and the Scottish Housing Regulator is aware of this.

**Financial Objectives**

The Association has the achievement of sound finances and good value for money as one of its key objectives. Central to this is ensuring the Association continues to demonstrate its financial viability through its 30 year cash-flow. The Association completes this 30 year plan using the BRIXX financial model. This model, the key assumptions within it and the key business risks for the Association are reviewed, validated and approved by the Board each year. It is the Board's view that the financial assumptions are prudent and realistic. The key risks incorporated into the model are detailed in the risk assessment section. The 2014/15 budgeting process continued the Board's strategy of addressing the increased financial challenges and risks through the achievement of savings over a four year period. A target of recurring savings of £250k each year was agreed in 2013/14. Through a review of staffing and non-pay costs the Association has by the start of 2014/15 achieved £500k of recurring savings of this overall target. The Association has a number of additional projects in progress reviewing its cost structure and is implementing a more structured purchase order system to ensure better controlled procurement. A value for money strategy supported by staff across the organisation has been introduced and costs and working practices are being reviewed within a value for money context.

The Association continues to want 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. The level of major repairs work is determined from the 30 year asset lifecycle work-plan.

The table 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.

	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000
<b>Turnover</b>	21,077	29,653	19,661	10,678	9,678
<b>Operating Costs</b>	19,002	27,458	16,945	9,698	8,477
<b>Operating Surplus</b>	2,075	2,195	2,716	980	1,201
<b>Capitalised Major Repairs</b>	4,692	994	811	1,098	1,424

**Operating and Financial Review  
For the year ended 31 March 2014**

**Financial objectives (cont'd)**

The projection of operating surpluses, major repairs and maintenance 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 or be on site delivering 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 2014 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 was 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 the Association has in the past contributed to them to ensure continuity of service provision. Given the current changes to the sector the ability to do this going forward may be more limited. 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 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 and has made specific adjustments to forward budget forecasts, service delivery and communication to tenants through the welfare reform strategy;
- 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;
- The Association has seen a considerable increase in its pension scheme contributions to the SHAPS pension scheme in 2013/14 as a result of the triennial pension valuation. It has decided to close the final salary scheme and transfer staff into a CARE 80ths closed scheme and offer the CARE 120ths scheme to new members of staff. The Association also offers a defined contribution scheme which it is using to meet its pension auto enrolment obligations. It will continue to explore options to mitigate the risks in this area;
- The funding for the Association's support services is under review by the city council. 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. The managers of these services are undertaking a detailed review of the service, reviewing both terms and conditions and structures to ensure we can continue to offer these services viably. This work is on-going;
- Reductions in levels of capital grant for securing progress on development plans which would increase the need for private finance to facilitate new schemes; and

**Operating and Financial Review  
For the year ended 31 March 2014**

**Risk assessment and arising actions (cont'd)**

- 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.

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 £32,794,086 and were raised either from banks or 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	7,657,648	4,000,000
Royal Bank of Scotland	7,158,311	6,806,221
Clydesdale Bank	4,000,000	3,171,906
<b>Total</b>	<u>18,815,959</u>	<u>13,978,127</u>

The Association has a further undrawn facility of £4.9m with the Clydesdale Bank to support the investment programme associated with the stock transfer stock. The Association has agreed a 50% hedging strategy for the Clydesdale stock transfer loan.

Cash reserves continue to be placed on deposit with the Association's main banker, Clydesdale Bank, the Co-operative Bank and with 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 2014 continues to be augmented by the cash dowry received as part of the stock transfer process and loan funding to support the Timber Basin development. 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.

**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.

**Future Developments**

The Association has completed a substantial development programme at sites on Oban Drive, Murano Street and Garscube Estate. In total these sites provided 337 units of mixed tenure developments with 93 new shared equity units being delivered as part of the project. The Association also redeveloped 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 is now developing Timber Basin, where a further 108 units of mixed tenure will add to the affordable housing stock of the area. The Association has agreed additional bridging and long term finance with the Royal Bank to support this development.

**Operating and Financial Review  
For the year ended 31 March 2014**

**Future Developments (cont'd)**

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.

**Development**

There were 62 new units released in the year in the development at Garscube Road.

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

Murano Street	£163k
Garscube Estate	£144k
Oban Drive	£179k

**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.

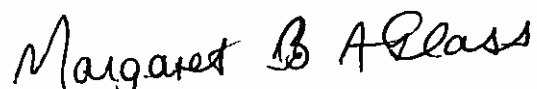
**Equality and Diversity**

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 2010 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**

  
Margaret Glass  
Chair

Dated: 12. 8. 2014

**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 is required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; 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 Auditor 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 2014 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with the Co-operative and Community Benefit Societies and Credit Union Acts 2010, 2014. 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 the Board of Management and auditor**

As explained more fully in the Statement of Board of Management's Responsibilities set out on page 12, the Board is 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**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**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 2014 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies and Credit Union Acts 2010, 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies and Credit Union Acts 2010, 2014, 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.



Scott-Moncrieff  
Statutory Auditor  
Chartered Accountants  
25 Bothwell Street  
Glasgow  
G2 6NL  
Dated: 01/8/14

**Report of the Auditor 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: 12/8/12

**Income and Expenditure Account  
For the year ended 31 March 2014**

	Note	2014 £	2013 £
<b>Turnover</b>	2	21,077,265	29,653,273
Operating costs	2	<u>(19,002,658)</u>	<u>(27,457,781)</u>
<b>Operating surplus</b>	2	2,074,607	2,195,492
Gift aid income		40,000	-
(Loss)/gain on disposal of fixed assets		(19,090)	48,626
Interest receivable and other income	5	204,837	152,247
Interest payable and similar charges	6	<u>(897,341)</u>	<u>(1,050,253)</u>
<b>Surplus for the year</b>		<u><u>1,403,013</u></u>	<u><u>1,346,112</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.

The notes form part of these financial statements



**Statement of Total Recognised Gains and Losses  
For the year ended 31 March 2014**

	<b>2014 £</b>	<b>2013 £</b>
Retained surplus for the year	1,403,013	1,346,112
Actuarial loss recognised in the retirement benefit scheme (Note 21)	(173,600)	(294,000)
Total recognised gains and losses relating to the year	<u>1,229,413</u>	<u>1,052,112</u>

The notes form part of these financial statements

Balance Sheet  
As at 31 March 2014

	Note	2014 £	2013 £
<b>Tangible fixed assets</b>			
Housing properties – cost less depreciation	9a	122,186,892	117,616,287
Less: SHG and other grants	9a	(88,872,339)	(86,154,704)
		<u>33,314,553</u>	<u>31,461,583</u>
Other fixed assets	9b	3,000,782	2,922,299
		<u>36,315,335</u>	<u>34,383,882</u>
Investments	10	1	1
		<u>36,315,336</u>	<u>34,383,883</u>
<b>Current assets</b>			
Debtors (amounts falling due within one year)	11	2,472,381	2,019,707
Debtors (amounts falling due after more than one year)	11	849,160	860,000
Cash at bank and in hand		23,124,004	15,142,328
Work In Progress	12	-	1,569,369
		<u>26,445,545</u>	<u>19,591,404</u>
<b>Creditors: amounts falling due within one year</b>	13	(7,220,839)	(6,908,481)
<b>Net current assets</b>		<u>19,224,706</u>	<u>12,682,923</u>
<b>Total assets less current liabilities</b>		55,540,042	47,066,806
<b>Creditors: amounts falling due after more than one year</b>	14	(31,233,948)	(23,828,915)
Pension liability	21	(691,000)	(531,400)
<b>Net assets</b>		<u><u>23,615,094</u></u>	<u><u>22,706,491</u></u>
<b>Capital and reserves</b>			
Share capital	15	346	332
Designated reserves	7	8,406,173	13,423,299
Revenue reserve excluding pension reserve	8	15,899,575	9,814,260
Pension reserve	8	(691,000)	(531,400)
		<u>23,615,094</u>	<u>22,706,491</u>

The financial statements were authorised for issue by the Board of Management on 12.3.14 and were signed on its behalf by:

Margaret Glass *Margaret B A Glass*

Chair

Marilyn Clewes *M. Clewes*

Vice Chair

David Horner *David Horner*

Vice Chair

The notes form part of these financial statements.

**Cash Flow Statement**  
**For the year ended 31 March 2014**

	<b>Notes</b>	<b>2014</b> <b>£</b>	<b>2013</b> <b>£</b>
Net cash inflow from operating activities	1	5,054,241	1,526,829
Returns on investments and servicing of finance	2	(695,504)	(916,006)
Capital expenditure	2	(2,029,859)	(2,916,618)
		<u>2,328,878</u>	<u>(2,305,795)</u>
Financing	2	5,652,798	5,366,728
Increase in cash	4	<u>7,981,676</u>	<u>3,060,933</u>

The notes form part of these financial statements.

Notes to the Cash Flow Statement  
For the year ended 31 March 2014

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

	2014 £	2013 £
Operating surplus	2,074,607	2,195,492
Depreciation	1,648,685	1,907,592
Increase in debtors	(441,834)	(1,790,827)
Increase in creditors	2,064,607	4,096
FRS 17 pension staff costs	(11,000)	(48,000)
Demolition costs – release from dowry	(320,824)	(741,524)
Gift aid	40,000	-
	<u>5,054,241</u>	<u>1,526,829</u>

2) Gross cash flows

	2014 £	2013 £
<b>Returns on investments and servicing of finance</b>		
Interest received	204,837	152,247
Interest paid (excluding FRS 17 finance charge)	(900,341)	(1,068,253)
	<u>(695,504)</u>	<u>(916,006)</u>

**Capital expenditure**

Purchase and development of housing properties including NSSE in WIP	(6,660,630)	(13,810,309)
SHG and other grants received including NSSE in WIP	3,315,469	653,792
SHG repaid	(588,397)	(15,114)
Sale of properties including NSSE	2,181,900	10,619,618
Payments to acquire other tangible fixed assets	(278,201)	(364,605)
	<u>(2,029,859)</u>	<u>(2,916,618)</u>

**Financing**

Issue of ordinary share capital	14	17
Loan finance received less repaid	5,652,784	5,366,981
Shares forfeited	-	(270)
	<u>5,652,798</u>	<u>5,366,728</u>

Notes to the Cash Flow Statement  
For the year ended 31 March 2014

<b>3) Analysis of changes in net debt</b>	<b>At 1 April 2013 £</b>	<b>Cash Flow £</b>	<b>At 31 March 2014 £</b>
Cash at bank and in hand	15,142,328	7,981,676	23,124,004
Debt due within 1 year	(3,312,387)	1,752,249	(1,560,138)
Debt due after 1 year	(23,828,915)	(7,405,033)	(31,233,948)
	<u>(11,998,974)</u>	<u>2,328,892</u>	<u>(9,670,082)</u>
<b>4) Reconciliation of net cash flow to movement in net debt</b>		<b>2014 £</b>	<b>2013 £</b>
Increase for the year		(7,981,676)	(3,060,933)
Cash used to repay loans		(2,747,216)	(633,019)
Loans received		8,400,000	6,000,000
Change in net debt		<u>(2,328,892)</u>	<u>2,306,048</u>
<b>Net debt at 1 April 2013</b>		<u>11,998,974</u>	<u>9,692,926</u>
<b>Net debt at 31 March 2014</b>		<u><u>9,670,082</u></u>	<u><u>11,998,974</u></u>

**Notes to the Financial Statements  
For the year ended 31 March 2014**

**1. Accounting policies**

**(a) Introduction and accounting basis**

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

These financial statements are prepared under the historical cost convention in accordance with applicable accounting standards, and comply with the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator 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 2014/15 and 2015/16. 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, 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 2014**

**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; and
3. Capitalisation interest during the development phase.

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 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/Doors - over 30 years  
 Bathroom - over 30 years  
 Electrical - over 30 years  
 Roofing - over 30 years  
 Boiler Plumbing - over 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 where capitalised

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 2014**

**1. Accounting policies (continued)**

**(h) Depreciation (continued)**

**3. Investment property**

Properties are dealt with as investment properties in accordance with Statement of Standard Accounting Practice No 19 and as such no depreciation is provided on these properties which is in accordance with Statement of Standard Accounting Practice No. 19. In the opinion of the Board of Management this departure from the statutory rules is necessary to provide a true and fair view.

**(i) Work in Progress (Note 12)**

Properties being built under the NSSE 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 Limited to Queens Cross Housing Association Limited 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 28 March 2010 and 28 March 2011. These funds will be released as this major repairs expenditure is incurred.

**(k) Pensions (Note 21)**

**Scottish Housing Association Pension Scheme (SHAPS)**

The Association contributes to a defined benefit scheme. It is not possible in the normal course of events for the actuary to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Scheme, and in line with FRS17, the Scheme is accounted for as a defined contribution 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.



**Notes to the Financial Statements  
For the year ended 31 March 2014**

**(I) 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 a rent review will take place in 2018.

Notes to the Financial Statements  
For the year ended 31 March 2014

2. Particulars of Turnover, Operating Costs and Operating Surplus

	2014		2013	
	Turnover £	Operating Costs £	Turnover £	Operating Costs £
<b>Income and Expenditure from lettings</b>				
Social Lettings (Note 3)	15,909,755	(13,133,480)	15,177,340	(12,464,749)
Other activities (Note 4)	5,167,510	(5,869,178)	14,475,933	(14,993,032)
	<u>21,077,265</u>	<u>(19,002,658)</u>	<u>29,653,273</u>	<u>(27,457,781)</u>
				<u>2,195,492</u>
				<u>(517,099)</u>
				<u>2,712,591</u>

Notes to the Financial Statements  
For the year ended 31 March 2014

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2014 Total £	2012 Total £
Income from rent and service charges	13,483,539	1,943,851	148,500	15,575,890	14,763,783
Rent receivable net of service charges	282,154	138,972	-	421,126	458,694
Service charges					
<b>Gross income from rents and service charges</b>	<b>13,765,693</b>	<b>2,082,823</b>	<b>148,500</b>	<b>15,997,016</b>	<b>15,222,477</b>
<b>Less voids</b>	<b>(139,334)</b>	<b>(20,087)</b>	<b>-</b>	<b>(159,421)</b>	<b>(124,443)</b>
<b>Net income from rents and service charges</b>	<b>13,626,359</b>	<b>2,062,736</b>	<b>148,500</b>	<b>15,837,595</b>	<b>15,098,034</b>
Grants from the Scottish Ministers	-	72,160	-	72,160	79,306
Other revenue grants	-	-	-	-	-
<b>Total turnover from social letting activities</b>	<b>13,626,359</b>	<b>2,134,896</b>	<b>148,500</b>	<b>15,909,755</b>	<b>15,177,340</b>
<b>Expenditure</b>					
Management and maintenance administration costs	(4,904,976)	(707,125)	(56,561)	(5,668,662)	(4,789,062)
Service charges	(148,981)	(73,378)	-	(222,359)	(284,661)
Planned cyclical maintenance	(1,704,336)	(245,705)	-	(1,950,041)	(2,068,510)
Reactive maintenance costs	(3,109,658)	(445,629)	-	(3,555,287)	(3,274,250)
Bad debts – rents and service charge	(75,807)	(10,929)	-	(86,736)	(324,555)
Depreciation of social housing	(1,442,445)	(207,950)	-	(1,650,395)	(1,723,711)*
<b>Operating costs for social letting activities</b>	<b>(11,386,203)</b>	<b>(1,690,716)</b>	<b>(56,561)</b>	<b>(13,133,480)</b>	<b>(12,464,749)</b>
<b>Operating Surplus on letting activities, 2014</b>	<b>2,240,156</b>	<b>444,180</b>	<b>91,939</b>	<b>2,776,275</b>	
<b>Operating Surplus on letting activities, 2013</b>	<b>1,885,801</b>	<b>700,882</b>	<b>125,908</b>		<b>2,712,591</b>

\* This is made up of £1,448,967 depreciation charge per note 9a and the loss on disposal of components of £201,428 included in depreciation in accordance with the SORP. Depreciation of £199,718 in relation to other fixed assets is included in management and maintenance administration costs.

**QUEENS CROSS HOUSING ASSOCIATION LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2014**

**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)	
	£		£		£		£		2014	2013	2014	2013	2014	2013
Wider role activities #	30,754		61,075		-		157,613		249,442	254,428	(383,041)	(530,169)	(133,599)	(275,241)
Development and construction of property activities	-		-		-		-		-	140,724	(488,095)	(430,451)	(488,095)	(289,727)
Support activities	-		-		1,434,340		590,071		2,024,411	2,015,357	(2,118,255)	(2,022,679)	(93,844)	(7,322)
Agency/management services for RSLs	-		-		-		-		-	51,586	-	(48,191)	-	3,395
Other agency / management services	-		-		-		339,000		339,000	320,000	(326,160)	(320,824)	12,840	(824)
Developments for sale to RSLs	-		-		-		-		-	-	-	-	-	-
Development and improvements for sale to non RSLs	-		-		-		-		-	-	-	-	-	-
Other activities	-		-		-		1,030		1,030	53,120	-	-	1,030	53,120
Demolition Costs *	-		-		-		320,824		320,824	741,524	(320,824)	(741,524)	-	-
Shared equity property sales	-		407,702		-		1,825,101		2,232,803	10,899,194	(2,232,803)	(10,899,194)	-	-
Total from other activities, 2014	30,754		468,777		1,434,340		3,233,639		5,167,510		(5,869,178)		(701,668)	
Total from other activities, 2013	140,724		5,238,307		1,432,937		7,663,965			14,475,933		(14,993,032)		(517,099)

# 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 and the café even when the grant funding declines. There is a specific action plan in place to tackle this deficit.

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

Notes to the Financial Statements  
For the year ended 31 March 2014

<b>5. Interest Receivable and Other Income</b>		<b>2014</b>	<b>2013</b>
		£	£
Interest receivable on deposits		152,087	123,510
Interest receivable from subsidiary loan		52,750	28,737
		<u>204,837</u>	<u>152,247</u>
<b>6. Interest payable and similar charges</b>		<b>2014</b>	<b>2013</b>
		£	£
On private loans		900,341	1,068,253
FRS 17 finance charge (note 21)		(3,000)	(18,000)
		<u>897,341</u>	<u>1,050,253</u>
<b>7. Designated Reserves</b>	<b>Opening Balance</b>	<b>Transfer</b>	<b>Closing Balance</b>
	£	£	£
Major repairs reserve	3,649,328	(2,491,597)	1,157,731
CHYP restricted reserve	71,192	(4,705)	66,487
Hamiltonhill stock transfer dowry	974,985	(320,824)	654,161
South Maryhill stock transfer dowry	8,727,794	(2,200,000)	6,527,794
	<u>13,423,299</u>	<u>(5,017,126)</u>	<u>8,406,173</u>

The CHYP (Council for Homeless Young People) reserve was transferred on 1 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 28 March 2010 (Hamiltonhill) and 28 March 2011 (South Maryhill). These funds will be released as this major repairs expenditure is incurred. In the year to 31 March 2014, £320,824 was released to income (note 4) to cover the demolition costs incurred in the year in respect of properties at Hamiltonhill.

<b>8. Revenue Reserves including Pension reserve</b>	<b>2014</b>	<b>2013</b>
	£	£
At 1 April 2013	9,282,860	8,230,748
Transfer from designated reserve	4,705	-
Transfer from South Maryhill stock transfer dowry	2,200,000	-
Transfer from Major repairs reserve	2,491,597	-
Total recognised gains and losses	1,229,413	1,052,112
At 31 March 2014	<u>15,208,575</u>	<u>9,282,860</u>
Split as:		
Revenue reserve excluding pension reserve	15,899,575	9,814,260
Pension reserve	(691,000)	(531,400)
	<u>15,208,575</u>	<u>9,282,860</u>

Notes to the Financial Statements  
For the year ended 31 March 2014

9a Tangible Fixed Assets – Housing Properties

	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Housing Properties Under Construction £	2014 Total £	2013 Total £
<b>Cost</b>					
At start of year	117,102,366	1,954,883	9,636,620	128,693,869	125,213,088
Additions during year	251,904	-	1,717,129	1,969,033	7,860,399
Component accounting additions	4,691,597	-	-	4,691,597	994,076
Disposals	(559,379)	-	-	(559,379)	(417,860)
Transfers (Note 1)	9,219,297	-	(9,610,799)	(391,502)	(4,955,834)
At end of year	130,705,785	1,954,883	1,742,950	134,403,618	128,693,869
<b>Depreciation</b>					
At start of year	10,966,544	111,038	-	11,077,582	9,857,430
Charge for year	1,420,168	28,799	-	1,448,967	1,410,268
On disposals	(309,823)	-	-	(309,823)	(190,116)
At end of year	12,076,889	139,837	-	12,216,726	11,077,582
<b>Cost less depreciation</b>	118,628,896	1,815,046	1,742,950	122,186,892	117,616,287
<b>SHG and Other Grants</b>					
At start of year	77,427,286	1,583,607	7,143,811	86,154,704	86,287,448
Additions during year	1,632,052	-	1,683,417	3,315,469	653,792
Disposals	(588,397)	-	-	(588,397)	(15,114)
Transfers	7,134,206	-	(7,143,643)	(9,437)	(771,422)
At end of year	85,605,147	1,583,607	1,683,585	88,872,339	86,154,704
<b>Net Book Value</b>					
At end of year	33,023,749	231,439	59,365	33,314,553	31,461,583
At start of year	28,708,536	260,238	2,492,809	31,461,585	29,068,210

Note 1: These are costs which have been transferred to shared equity and are included under WIP or to Property held for letting.

Note 2: Properties with a cost of £48,129 have been disposed of in the year with net proceeds totalling £50,856.

Note 3: Component replacement costs totalled £4,691,597 in the year. Of this £2,200,000 was met from the retained restricted reserve for investment in the South Maryhill stock transfer designated reserve and £2,491,597 from the major repairs reserve (see note 7).

Notes to the Financial Statements  
For the year ended 31 March 2014

9b. Tangible Fixed Assets – Other Tangible Assets

	Leasehold Property £	Furniture, Fittings & Equipment £	Motor Vehicles £	Furniture Provided in Furnished Flats £	Commercial Investment Properties £	2014 Total £	2013 Total £
<b>Cost</b>							
At start of year	749,213	322,269	118,388	258,058	2,143,288	3,591,216	3,250,726
Additions during year	236,130	32,488	-	9,583	-	278,201	364,605
Disposals	-	(37,582)	(118,388)	(267,641)	-	(423,611)	(24,115)
At end of year	985,343	317,175	-	-	2,143,288	3,445,806	3,591,216
<b>Depreciation</b>							
At start of year	187,303	140,897	118,388	222,329	-	668,917	509,151
Charge for year	39,414	114,992	-	45,312	-	199,718	183,881
Write off on disposal	-	(37,582)	(118,388)	(267,641)	-	(423,611)	(24,115)
At end of year	226,717	218,307	-	-	-	445,024	668,917
<b>Net Book Value</b>							
At end of year	758,626	98,868	-	-	2,143,288	3,000,782	2,922,299
At start of year	561,910	181,372	-	35,729	2,143,288	2,922,299	2,741,575

Notes to the Financial Statements  
For the year ended 31 March 2014

10. Investments	2014 £	2013 £
Investment in subsidiary undertaking	<u>1</u>	<u>1</u>
<p>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.</p> <p>Details of transactions during the year with the above company can be found at note 25.</p> <p>For the year ended 31 March 2014, Queens Cross Factoring Limited recorded a profit of £35,360 (2013: £21,683) and has net assets of £154,337 (2013: £118,977).</p>		
11. Debtors	2014 £	2013 £
Amounts falling due within one year:		
Rental arrears	688,575	719,275
Less provision for bad debts	(338,819)	(338,819)
	<u>349,756</u>	<u>380,456</u>
Other debtors and prepayments	738,973	1,458,398
Accrued income	914,128	-
Amounts owed by subsidiary (less than one year)	469,524	180,853
Amounts owed by subsidiary (more than one year)	849,160	860,000
	<u>3,321,541</u>	<u>2,879,707</u>
Debtors due less than one year	2,472,381	2,019,707
Debtors due more than one year	849,160	860,000
	<u>3,321,541</u>	<u>2,879,707</u>
12. Work in Progress	2014 £	2013 £
The following relates to the NSSE scheme administered by the Association.		
Work in Progress – Cost	-	1,967,633
Work in Progress – HAG	-	(398,264)
	<u>-</u>	<u>1,569,369</u>
13. Creditors: amounts falling due within one year	2014 £	2013 £
Other loans repayable within one year	1,560,138	3,312,387
SHG repayable on disposals	1,028,478	440,081
Other taxes and social security costs	153,972	127,147
Other creditors	3,564,123	3,018,060
Amounts owed to subsidiary	-	10,806
Deferred income	914,128	-
	<u>7,220,839</u>	<u>6,908,481</u>



Notes to the Financial Statements  
For the year ended 31 March 2014

14. Creditors: amounts falling due outwith one year	2014 £	2013 £
Loans:		
Due between one and two years	1,560,138	1,312,388
Due between two and five years	9,680,410	3,937,161
Due in five years or more	19,993,400	18,579,366
	<u>31,233,948</u>	<u>23,828,915</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	2014 £	2013 £
At beginning of year	332	585
Shares of £1 each fully paid and issued during the year	14	17
Shares forfeited in year	-	(270)
	<u>346</u>	<u>332</u>

There are no rights to receive dividends attached to the shares, or any ranking in the event of a winding up.

Notes to the Financial Statements  
For the year ended 31 March 2014

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.

	2014 £	2013
Emoluments of chief executive (excluding pension contributions)	<u>92,718</u>	<u>90,000</u>

Pension contributions in respect of the Chief Executive totalled £18,544 (2013: £18,000) in the year.

	2014 £	2013 £
Emoluments payable to highest paid director (excluding pension contributions)	<u>92,718</u>	<u>90,000</u>

	2014 No of Directors	2013 No of Directors
The emoluments (excluding pension contributions) of the directors were in the following ranges:		
£60,000 to £65,000	3	4
£65,001 to £70,000	1	1
£70,001 to £75,000	-	-
£75,001 to £80,000	-	-
£80,001 to £85,000	-	-
£85,001 to £90,000	-	1
£90,001 to £95,000	1	-

	2014 £	2013 £
Total emoluments (excluding pension contributions) paid to those earning more than £60,000	<u>351,798</u>	<u>404,271</u>
Pension contributions of directors earning more than £60,000	<u>40,552</u>	<u>37,319</u>
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	<u>1,645</u>	<u>1,513</u>

Notes to the Financial Statements  
For the year ended 31 March 2014

**17. Employee Information**

	2014 No	2013 No
The full time equivalent number of persons employed during the year was:	204	215
Split as:		
Admin	17	18
Finance	5	5
Housing and Housing Support	162	171
Maintenance	17	18
Development	3	3
	<u>204</u>	<u>215</u>
	£	£
Staff costs (including Directors' Emoluments):		
Wages and salaries	6,533,061	5,883,341
Social security costs	507,710	494,731
Pension costs	809,326	643,473
FRS 17 pension charge (note 21)	(11,000)	(48,000)
	<u>7,839,097</u>	<u>6,973,545</u>

Included above is £238,100 (2013: £112,149) of agency staff costs.

**18. Operating Surplus**

	2014 £	2013 £
Operating surplus is stated after charging:		
Depreciation (note 3)	1,850,113	1,907,592
Auditor's remuneration (excluding VAT)		
- In their capacity as auditors	14,503	15,400
- In their capacity as tax and VAT advisors	950	4,806
	<u>14,503</u>	<u>15,400</u>
	<u>950</u>	<u>4,806</u>

**19. Taxation**

As the Association is a charity, no corporation tax is chargeable on its charitable activities.

**20. Capital Commitments**

	2014 £	2013 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements.	10,959,395	913,583
This is to be funded by:		
HAG	4,672,395	-
Private Finance	3,782,000	913,583
Sales	2,505,000	-
	<u>10,959,395</u>	<u>913,583</u>
Capital expenditure that has been approved but not Contracted for	2,296,655	-

**Notes to the Financial Statements  
For the year ended 31 March 2014**

**21. Pensions**

**Scottish Housing Association Pension Scheme (SHAPS)**

Queens Cross Housing Association Limited (the Association) 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 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 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 2012 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared to liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

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 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 2013. As of this date the estimated employer debt for the Association was £15,048,108.

**Notes to the Financial Statements  
For the year ended 31 March 2014**

**21. Pensions (continued)**

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate, contracted in.
- Defined contribution (DC) option.

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. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice. The Association has elected to move from the final salary with a 1/60th accrual rate to the career average revalued earnings with a 1/80th accrual rate benefit option for active members. New members can opt to join the career average revalued earnings with a 1/120th accrual rate. The Association also offers a defined contribution scheme which it is using to meet its pension auto enrolment obligations.

During the accounting period the Association paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 64 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £2,247,845.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

<b>2012 Valuation Assumptions</b>	<b>% p.a.</b>
Investment return pre retirement	5.3
Investment return post retirement – non pensioners	3.4
Investment return post retirement – pensioners	3.4
Rate of salary increases	4.1
<b>Rate of pension increases</b>	
Pension accrued pre 6 April 2005 in excess of GMP	2.0
Pension accrued post 5 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6
<b>Mortality Tables</b>	
Non-pensioners	44% of SP1MA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females.
Pensioners	90% of SP1MA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females.
<b>Contribution Rates for Future Service (payable from 1 April 2011)</b>	<b>%</b>
Final salary 1.60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

Additional deficit contributions are payable from 1 April 2014 and will increase by 3% per annum each 1 April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating additional contributions.

Notes to the Financial Statements  
For the year ended 31 March 2014

21. Pensions (continued)

**Strathclyde Pension Fund**

There are 30 employees who 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 2014	31 March 2013
Price increases	2.8%	2.8%
Salary increases	5.1%	5.1%
Expected return on assets	6.0%	5.2%
Discount rate	4.3%	4.5%

**Mortality**

Life expectancy is based on the Funds VitaCurves with improvements in line with 80% of the Medium Cohort lagged for 10 years and a 1% p.a. underpin for males and a 0.75% p.a. underpin for females from 2011. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.0 years	23.4 years
Future Pensioners	23.3 years	25.3 years

**Scheme assets**

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

	Long term rate of return 31 March 2014	Value at 31 March 2014	Long term rate of return 31 March 2013	Value at 31 March 2013
		£000's		£000's
Equities	6.6%	3,201	5.7%	2,850
Government securities	3.7%	506	3.4%	525
Property	4.8%	295	3.9%	263
Cash	3.7%	211	3.0%	113
Total		<u>4,213</u>		<u>3,751</u>
Present value of scheme liabilities		(4,704)		(4,091)
Present value of unfunded liabilities		(200)		(191)
<b>Net pension liability</b>		<u>(691)</u>		<u>(531)</u>

Notes to the Financial Statements  
For the year ended 31 March 2014

21. Pensions (continued)

Reconciliation of defined benefit obligation

Year Ended:	31 Mar 2014	31 Mar 2013
	£	£
<b>Opening Defined Benefit Obligation</b>	<b>4,282,400</b>	<b>3,377,400</b>
Current Service Cost	169,000	144,000
Interest Cost	197,000	166,000
Contributions by Members	42,000	45,000
Actuarial Losses / (Gains)	233,600	580,000
Past Service (Gains) / Costs	-	-
Losses on curtailments	-	-
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	(7,000)	(7,000)
Estimated Benefits Paid	(13,000)	(23,000)
<b>Closing Defined Benefit Obligation</b>	<b>4,904,000</b>	<b>4,282,400</b>

Analysis of amounts included in Income & Expenditure Account

	2014	2013
	£(000)	£(000)
Expected return on pension scheme assets	200	184
Interest on pension scheme liabilities	(197)	(166)
<b>Net Return – finance income</b>	<b>3</b>	<b>18</b>
	<b>2014</b>	<b>2013</b>
	<b>£(000)</b>	<b>£(000)</b>
Current service cost	169	144
Past service cost	-	-
Losses on curtailments	-	-
Contributions in respect of unfunded benefits	(7)	(7)
Contribution by employers	(173)	(185)
<b>Charge to staff costs</b>	<b>(11)</b>	<b>(48)</b>

The expected employer's contribution for the year to 31 March 2014 will be approximately £166,000

Notes to the Financial Statements  
For the year ended 31 March 2014

21. Pensions (continued)

Reconciliation of fair value of employer assets

Year Ended:	31 Mar 2014 £	31 Mar 2013 £
<b>Opening Fair Value of Employer Assets</b>	<b>3,751,000</b>	<b>3,074,000</b>
Expected Return on Assets	200,000	184,000
Contributions by Members	42,000	45,000
Contributions by the Employer	173,000	185,000
Contributions in respect of Unfunded Benefits	7,000	7,000
Actuarial Gains / (Losses)	60,000	286,000
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	(7,000)	(7,000)
Estimated Benefits Paid	(13,000)	(23,000)
<b>Closing Fair Value of Employer Assets</b>	<b>4,213,000</b>	<b>3,751,000</b>
<b>Net pension liability</b>	<b>(691,000)</b>	<b>(531,400)</b>

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

	2014 £	2013 £
Actual return less expected return on scheme assets	60,000	286,000
Changes in assumptions underlying the present value of scheme liabilities	(233,600)	(580,000)
<b>Actuarial loss recognised in statement of recognised gains and losses</b>	<b>(173,600)</b>	<b>(294,000)</b>



Notes to the Financial Statements  
For the year ended 31 March 2014

21. Pensions (continued)

History of experience gains/(losses)

	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Scheme assets	4,213	3,751	3,074	3,018
Defined benefit liability	(4,904)	(4,282)	(3,377)	(3,204)
Deficit in Scheme	(691)	(531)	(303)	(186)
Experience adjustments on scheme assets	60	286	(658)	4
Experience adjustments as a % of scheme assets	1.4%	7.6%	21.4%	0.13%
Experience adjustments on scheme liabilities	-	2	692	20
Experience adjustments as a % of scheme liabilities	0%	0.05%	20.5%	0.6%

22. Housing Stock

	Units in management	
	2014	2013
The number of units of accommodation in management was as follows:-		
General needs housing	3,676	3,615
Supported housing accommodation	551	551
Shared ownership accommodation	58	58
	<u>4,285</u>	<u>4,224</u>

In addition the association held no (2013: 63) units as void and ready for demolition as part of the Hamiltonhill clearance programme.

23. Accommodation managed by others

	No of units/bedspaces	
	2014	2013
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 2014**

**24. Revenue Commitments**

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

	2014		2013	
	Land & buildings £	Other Leases £	Land & buildings £	Other leases £
Within one year	-	-	-	25,086
Between two and five years	-	54,430	-	500
More than 5 years	240,000	-	240,000	-
	<u>240,000</u>	<u>54,430</u>	<u>240,000</u>	<u>25,586</u>

**25. Related party transactions**

**Queens Cross Factoring Limited**

Queens Cross Factoring Limited is a subsidiary undertaking of Queens Cross Housing Association Limited.

During 2012/13 Queens Cross Housing Association Limited provided a loan of £900,000 to Queens Cross Factoring Limited to purchase 12 investment properties. Interest of £52,750 (2013: £28,737) was received in respect of this loan during the year. There is not a set repayment schedule in place but the loan is repayable over 20 years. £20,840 (2013: £nil) was repaid in the year leaving a balance at 31 March 2014 of £879,160 (2013: £900,000). £849,160 (£860,000) of this balance is due after more than one year with £30,000 (2013: £40,000) expected to be paid in 2014/15 and thus is included in amounts due within one year.

Gift aid of £40,000 (2013: £nil) was also received from Queens Cross Factoring Limited during the year. This has still to be paid over and is thus included in the amounts owed by Queens Cross Factoring Limited at the year end.

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 £200,000 (2013: £185,000).

Queens Cross Housing Association Limited paid on behalf of Queens Cross Factoring Limited £552,473 (2013: £448,731) of repairs, insurance, concierge, environmental and cleaning costs. This was recharged to Queens Cross Factoring Limited in the year.

The total balance due in respect of these transactions is £439,524 (2013: £140,853) and is included in debtors.

**26. Legislative Provisions**

The Association is incorporated under the Co-operative and Community Benefit Societies and Credit Unions Acts 2010, 2014.