SPARE

Scott-Moncrieff
business advisers and accountants

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Group Accounts

Registered Number: SP1860RS

Report and Financial Statements

For the year ended 31 March 2016

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2016

Contents

Registration information

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered number SP1860RS
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered number 172
Registered Scottish Charity	SC036434

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Board, Executives and Advisers

Board of Management - elected

Margaret Glass	Chair
Marilyn Clewes	Vice Chair
David Horner	Vice Chair
Sadie Gordon	
Colin Cassie	
Andrew Stewart	
Daisy Woo	
Ian Elrick	
Paul Hush	
Andrew Burns	Co-opted 29 March 2016
John McIntyre	Co-opted 29 March 2016
Christine Thomson	Co-opted 31 May 2016
Anne Ramsay	Co-opted 31 May 2016
Chris Kirkwood	Appointed 21 September 2015, Resigned 26 January 2016
Mohammed Razaq	Resigned 21 September 2015

Executive Officers

Shona Stephen	Chief Executive
Bill Brown	Director of Corporate & Community Services and Secretary
Neil Manley	Director of Finance and Business Strategy
Louise Smith	Director of Property and Customer Services
Fin McElhinney	Director of Housing and Support Services (Resigned 30 September 2015)

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

Solicitors

T C Young
7 West George St
Glasgow
G2 1BA

Report of the Board of Management (incorporating the Strategic Report)
For year ended 31 March 2016

The Board of Management present their report (incorporating the Strategic Report) and the audited consolidated financial statements for the year ended 31 March 2016.

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 Group was formed in 1976 with the aim of providing high quality social housing. The Group refers to Queens Cross Housing Association Limited, and Queens Cross Factoring Limited. 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. The group also works together with Queens Cross Workspace Limited, an independent development agency promoting economic regeneration in the area.

The Group's main business is the provision of long term affordable rented housing, the provision of housing support for those who need additional help, residents property management, and the rental of mid-market housing properties. The housing support service is funded by a combination of Supporting People grant, self-directed support personalisation budgets from Glasgow City Council and service charge income.

The Association owned outright 4,280 units as at 31 March 2016 and manages the tenancies for the majority of these homes. The Association also has a share in 53 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 551 units are dedicated to the provision of supported housing to care groups such as older people, 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 (GCC) and Glasgow Housing Association Limited (GHA). 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 and current developments on site at Leny Street. During the year the Timber Basin site at Panmure Street was completed with 35 units available for shared equity. 15 shared equity units were sold in the year with 20 remaining in current developments.

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.

Objectives and Strategy

The Group has completed a business planning process for the period 2015-2017 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 2015-17 are:

- Work with local communities to create neighbourhoods people want to 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.

Report of the Board of Management (incorporating the Strategic Report)
For year ended 31 March 2016

Objectives and Strategy (continued)

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

Performance of Business

Key Performance Indicators are reported to the Board quarterly and to our regulators with the following being amongst the key indicators used:

Housing Management
- Average re-let times for void properties;
- Void losses i.e. lost rent through unlet properties;
- Current tenant arrears as a % of total rent; and
- Bad debts written off.

Asset Management
- Repair response times;
- Maintenance cost per unit; and
- Progress to achieving and then maintaining the Scottish Homes Quality Standard.

Financial Management
- Surplus;
- Actual results compared to forecast;
- Financial gearing, e.g. debt against assets; and
- Interest cover.

Development
- Cost per unit;
- New units into management; and
- Programme management.

The following are the results in 2015/16 for specific performance indicators.

Housing

The average void re-let period was 15 days against the set target of 16 days with a void rent loss of £70,462 (2015: £129,712) in the year.

The net tenant rent arrears were £442,742 (2015: £452,982). This represents 2.6 % (2015: 2.8%) of the total rental income figure and we continue to focus closely on managing this aspect of the business. A bad debt write off of £79,236 (2015: £63,447) in relation to former tenants was made in the year.

As at 31 March 2016 there were 1,872 applicants on the housing list with 1,172 new applicants added in 2015/16. 824 tenancy offers were made in the year.

Report of the Board of Management (incorporating the Strategic Report)
For year ended 31 March 2016

Operating and Financial Review

Asset Management

There were 19,437 reactive maintenance jobs in the year with 94.3% completed right first time against a target of 85%. This equates to an average of 4.55 repairs per property in the year at an average reactive cost of £138 per reactive repair. Of the total, 3,043 repairs were emergencies and were responded to within 4 hours, whilst urgent repairs have a target of 2 days and routine repairs are within 5 days. Our performance to these response targets is detailed here:

	Actual	**Target**
Emergency	100%	100%
Urgent	99.81%	98%
Routine	99.92%	98.5%

As at 31 March 2016, 100% of all properties had a current gas safety certificate. Across the year 99.1% of stock requiring a gas certificate renewal was inspected within the set timescale. We continue to review the process and data to ensure the 100% target is met consistently.

The major repairs programme continued with investment in the former Scottish Homes properties which included rewiring and replacement of windows and bathrooms and work on homes transferred from Glasgow Housing Association Limited through stock transfer on heating systems, cladding and other housing components.

As at 31 March 2016, 96% of our stock met the Scottish Housing Quality Standard. Ongoing works on the Cedar multi-storey flats is an area that will address further areas of current non-compliance. The Scottish Housing Regulator is aware of the timescale for our compliance.

Financial and non-financial key performance indicators

The Association's key objectives include the achievement of sound finances and good value for money in the delivery of its services. 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 these financial assumptions are prudent and realistic and should ensure that we can continue to deliver affordable rents. The key risks incorporated into the model are detailed in the risk assessment section. The Association's financial plan and cash forecast, the projection of operating surpluses and the major repairs and maintenance expenditure, retained reserves and borrowing assumptions behind them are central to the organisation's business plan. It is this business plan which projects the future flows of resources in and out of the Association and against which any new developments or activities are assessed. This assessment measures the benefits of new activity against any impact on the financial objectives described above.

Within the 2016/17 budgeting process the Board continued the strategy of addressing the increased financial challenges and risks faced through the achievement of a prescribed savings target 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 2016/17, achieved £980k of recurring savings and work is ongoing to meet the overall target. The Association is a member of the HouseMark benchmarking club which provides the Association with a scorecard for its services in terms of their costs, quality, quantity and overall effectiveness of the services provided compared to a selected peer group.

The HouseMark results demonstrate that the organisation is in the upper quartile for performance in its key services of housing management and repairs services although this performance is achieved with a higher cost per property than those within the peer group. The driver for this cost position is the ratio of staff to properties within housing management and the high number of repair jobs per property. The continuing challenge for the organisation from a value for money perspective will be to review these costs whilst maintaining performance quality.

Financial and non-financial key performance indicators (continued)

The Association has introduced a web based purchase order system to support better and controlled procurement as well as improving the accuracy and timeliness of financial reporting in the organisation. A value for money strategy supported by staff across the organisation has been introduced leading to costs and working practices being reviewed within a value for money context. The Association continues to support a review of the SHAPS pension scheme in terms of its affordability, benefit and governance structure. In addition, and as a result of funding reductions for the housing support service, a review of staffing structures and conditions took place with some additional costs borne by the Association as a result of these funding cuts.

The Association wants to be in a position to take advantage of any development opportunities that 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 below illustrates this point.

Association's results	2016/17	2015/16	2013/14	2012/13	2012/11
	£'000	£'000	£'000	£'000	£'000
Turnover	23,400	25,771	21,077	29,653	19,661
Operating expenditure	19,218	17,994	19,002	27,458	16,945
Operating surplus	4,182	7,777	2,075	2,195	2,716
Capitalised Major Repairs	6,509	4,355	4,692	994	811

The Association is required to meet financial covenants in respect of its borrowings which are linked to the level of surplus each year and so future commitments on major repairs spend must be affordable through retained surpluses.

The Association is currently on site delivering on those areas not meeting the Scottish Housing Quality Standard and this expenditure is incorporated into the budget plan. Over the next 5 years, the Association is budgeting to invest £35.5m on capital repairs to its housing stock. The current business plan indicates that to fund the major repairs programme the Association needed to extend borrowing from 2015 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 has prioritised regeneration investment in key areas of its stock and is working with a number of contractors in accessing ECO funding to supplement the Association's investment plans and provide enhanced specifications in the works with the aim of making it easier and cheaper to heat our homes.

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.

Capital Structure

At the year-end borrowings totalled £35,278,525 (2015: £33,805,869) 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	4,941,410	5,965,102
Royal Bank of Scotland	5,923,865	7,516,889
Clydesdale Bank	5,856,000	5,254,609
Amortised Loan fees	-	(179,350)
Total	16,721,275	18,557,250

The Association has a further undrawn facility of £2.5m with the Clydesdale Bank to support the investment programme associated with stock transfer properties. The Association has agreed a 50% hedging strategy for the Clydesdale stock transfer loan. In order to support new build work at Leny Street the Association is also converting a short term bridging facility with the Royal Bank of Scotland into a £5m 5 year facility.

Cash reserves continue to be placed on deposit with the Group's main banker, Clydesdale Bank, the Royal Bank of Scotland and with Cater Allen Bank. The retained reserves will support the future major repairs programme as detailed earlier.

Development

As mentioned above, the Association has completed 108 new units of mixed tenure housing at Timber Basin and is working on 76 new units at two sites in Leny Street and Garscube Road. The average total development cost per unit across these projects is anticipated to be:

Timber Basin	£117k
Leny Street	£115k
Garscube Road	£127k

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.

Risk and Uncertainties

As part of the business planning process the Group 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. Strategies to address these risks 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;
- In addition and linked to the above point, the Association has within its financial planning over the last 3 years reduced the assumption of rent growth over and above inflation. Our aim is, where possible, to ensure that our rents continue to be seen as affordable;

Risk and Uncertainties (continued)

- 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 2015/16 as a result of the triennial pension valuation. It decided in 2015 to close the final salary scheme and transfer staff into a CARE 1/80th closed scheme and offer the CARE 1/120th 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 continues to be reviewed by Glasgow 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 have undertook a detailed review of the service and both employee terms and conditions and service structures were changed to ensure these services continued to be viable. This funding review is ongoing across these services;
- 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
- 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.

Future Plans

The Association's development at Timber Basin, north of the canal, is a 108 unit mixed tenure nearing completion with most housing units now occupied. The Association has agreed additional bridging and long term finance with the Royal Bank of Scotland to support this development. The Association is also progressing forward a scheme at Leny Street for 68 funding units of social rented housing, funded again through the Royal Bank of Scotland's loan facility and through grant funding, and similarly a site at Garscube Road for 8 units for social rent.

The Association continues to identify future potential sites that it would like to develop although the ability to fully develop these opportunities will depend on the availability of appropriate funding as well as the capacity in financial terms of the organisation to meet its current loan covenant obligations. The regeneration of the Hamiltonhill area as part of the wider canal strategy with Scottish Waterways and Glasgow City Council presents a number of potential development opportunities for the Association.

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.

Accounting Policies

The accounting policies applied by the Group 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. 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. Deferred Capital grant is held as a creditor on the Statement of Financial Position and in line with FRS 102, it is amortised to the Statement of Comprehensive Income over the useful life of the asset.

Report of the Board of Management (incorporating the Strategic Report)
For year ended 31 March 2016

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.

Governance

The Association is regulated by the Scottish Housing Regulator and managed by an elected Board of Management. 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.

Health and Safety

The Board and senior staff of the Association and its subsidiaries are aware of their responsibilities with regards to health and safety. The Association and its subsidiary prepare 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

The Association has 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.

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.

Statement on Internal Financial Controls

The Board of Management acknowledge their ultimate responsibility for ensuring that the Group 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 Group 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 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; and

(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 Group for the year ended 31 March 2016. 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. Details of transactions with Board members can be found at note 31.

Charitable Donations

During the year the Association made charitable donations amounting to £1,494 (2015: £1,380).

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 each Board member is aware, there is no relevant information of which the Group'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 Group'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: 30th August 2016

Statement of the Board of Management's Responsibilities
For the year ended 31 March 2016

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 surplus or deficit 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;
- 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 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
For the year ended 31 March 2016

We have audited the consolidated financial statements of Queens Cross Housing Association Limited for the year ended 31 March 2016 which comprise the Group and Association's Statement of Comprehensive Income, the Group and Association's Statement of Changes in Capital and Reserves, the Group and Association's Statement of Financial Position, the Group's Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice – Accounting for Social Housing Providers issued in 2014.

This report is made solely to the Association's members as a body, in accordance with the Co-operative and Community Benefit Societies Act 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 the auditor

As explained more fully in the Statement of the Board of Management's Responsibilities set out on page 11, the Board of Management, is responsible for the preparation of financial statements which 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/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2016 and of the Group's and Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for Social Housing Providers issued in 2014; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

Report of the Auditor to the Members of Queens Cross Housing Association Limited
For the year ended 31 March 2016

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 Act 2014, requires 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

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

Dated: 30th August 2016

Report of the Auditor to the Board of Management of Queens Cross Housing Association Limited on Corporate Governance Matters
For the year ended 31 March 2016

In addition to our audit of the Financial Statements, we have reviewed your statements on page 9 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Controls on page 9 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through our enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Controls appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Scott-Moncrieff

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

Dated : 30th August 2016

Group Statement of Comprehensive Income
For the year ended 31 March 2016

	Note	2016 £	Restated 2015 £
Turnover	4	24,733,798	27,173,359
Operating expenditure	4	(20,491,760)	(19,329,812)
Operating surplus	4	4,242,038	7,843,547
Gain on disposal of property, plant and equipment		206,320	127,308
Income from fixed asset investments		69,286	73,864
Increase in value of investment properties		700,000	-
Interest receivable and other income	7	238,545	329,291
Interest payable and similar charges	8	(1,442,239)	(1,342,300)
Surplus before tax		4,013,950	7,031,710
Taxation	12	(100,688)	(9,683)
Surplus for the year		3,913,262	7,022,027
Other comprehensive income			
Actuarial gain/(loss) on the defined benefit pension scheme	29	681,000	(708,000)
Total comprehensive income for the year		4,594,262	6,314,027

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Association Statement of Comprehensive Income
For the year ended 31 March 2016

	Note	2016 £	Restated 2015 £
Turnover	4	23,399,509	25,771,219
Operating expenditure	4	(19,217,756)	(17,994,019)
Operating surplus	4	4,181,753	7,777,200
Gift aid income		40,000	40,000
Gain on disposal of property, plant and equipment		206,320	127,308
Increase in value of investment properties		150,000	-
Interest receivable and other income	7	289,995	381,086
Interest payable and similar charges	8	(1,442,239)	(1,342,300)
Surplus before tax		3,425,829	6,983,294
Taxation	12	-	-
Surplus for the year		3,425,829	6,983,294
Other comprehensive income			
Actuarial gain/(loss) on the defined benefit pension scheme	29	681,000	(708,000)
Total comprehensive income for the year		4,106,829	6,275,294

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

Group Statement of Changes in Capital and Reserves at 31 March 2016

	Share Capital £	Revenue Reserves £	Pension Reserves £	Other Reserves £	Total Reserves £
Balance at 1 April 2015 (restated)	325	31,537,815	(1,372,000)	-	30,166,140
Share capital issued	15	-	-	-	15
Share capital cancelled	(20)	-	-	-	(20)
Total comprehensive income	-	3,913,262	681,000	-	4,594,262
Transfers	-	(393,776)	(65,000)	458,776	-
Balance at 31 March 2016	320	35,057,301	(756,000)	458,776	34,760,397

Group Statement of Changes in Capital and Reserves at 31 March 2015

	Share Capital £	Revenue Reserves £	Pension Reserves £	Total Reserves £
Balance at 1 April 2014 (restated)	346	24,542,788	(691,000)	23,852,134
Share capital issued	10	-	-	10
Share capital cancelled	(31)	-	-	(31)
Total comprehensive income	-	7,022,027	(708,000)	6,314,027
Transfers	-	(27,000)	27,000	-
Balance at 31 March 2015 (restated)	325	31,537,815	(1,372,000)	30,166,140

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Association Statement of Changes in Capital and Reserves at 31 March 2016

	Share Capital £	Revenue Reserves £	Pension Reserves £	Total Reserves £
Balance at 1 April 2015 (restated)	325	31,344,746	(1,372,000)	29,973,071
Share capital issued	15	-	-	15
Share capital cancelled	(20)	-	-	(20)
Total comprehensive income	-	3,425,829	681,000	4,106,829
Transfers	-	65,000	(65,000)	-
Balance at 31 March 2016	320	34,835,575	(756,000)	34,079,895

Association Statement of Changes in Capital and Reserves at 31 March 2015

	Share Capital £	Revenue Reserves £	Pension Reserves £	Total Reserves £
Balance at 1 April 2014 (restated)	346	24,388,452	(691,000)	23,697,798
Share capital issued	10	-	-	10
Share capital cancelled	(31)	-	-	(31)
Total comprehensive income	-	6,983,294	(708,000)	6,275,294
Transfers	-	(27,000)	27,000	-
Balance at 31 March 2015 (restated)	325	31,344,746	(1,372,000)	29,973,071

The notes form part of these financial statements.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Group Statement of Financial Position
As at 31 March 2016

	Note	2016 £	Restated 2015 £
Tangible fixed assets			
Housing properties	13	127,961,839	120,090,680
Other fixed assets	16	3,866,589	3,228,633
		131,828,428	123,319,313
Current assets			
Debtors (amounts falling due within one year)	18	2,477,012	1,710,218
Stock and work in progress	19	1,429	1,219
Investments	20	6,523,010	6,394,913
Cash and cash equivalents	21	10,371,571	14,308,503
		19,373,022	22,414,853
Creditors: amounts falling due within one year	22	(8,853,012)	(9,271,163)
Net current assets		10,520,010	13,143,690
Total assets less current liabilities		142,348,438	136,463,003
Creditors: amounts falling due after more than one year	23	(106,739,680)	(104,924,863)
Pension liability	29	(756,000)	(1,372,000)
Deferred tax	26	(92,361)	-
Net assets		34,760,397	30,166,140
Capital and reserves			
Share capital	27	320	325
Revenue reserve excluding pension reserve		35,057,301	31,537,815
Other reserves		458,776	-
Pension reserve		(756,000)	(1,372,000)
		34,760,397	30,166,140

The financial statements were authorised for issue by the Board of Management on 30th August 2016 and were signed on its behalf by:

Margaret Glass Margaret B A Glass Chair

Marilyn Clewes M. Clewes. Vice Chair

David Horner Vice Chair

The notes form part of these financial statements.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Association Statement of Financial Position
As at 31 March 2016

	Note	2016 £	Restated 2015 £
Tangible fixed assets			
Housing properties	13	127,961,839	120,090,680
Other fixed assets	16	2,410,270	2,320,054
		130,372,109	122,410,734
Investments	17	1	1
		130,372,110	122,410,735
Current assets			
Debtors (amounts falling due within one year)	18	2,396,585	1,295,863
Debtors (amounts falling due after more than one year)	18	910,710	859,160
Investments	20	6,523,010	6,394,913
Cash and cash equivalents	21	9,661,828	13,667,885
		19,492,133	22,217,821
Creditors: amounts falling due within one year	22	(8,288,668)	(8,358,622)
Net current assets		11,203,465	13,859,199
Total assets less current liabilities		141,575,575	136,269,934
Creditors: amounts falling due after more than one year	23	(106,739,680)	(104,924,863)
Pension liability	29	(756,000)	(1,372,000)
Net assets		34,079,895	29,973,071
Capital and reserves			
Share capital	27	320	325
Revenue reserve excluding pension reserve		34,835,575	31,344,746
Pension reserve		(756,000)	(1,372,000)
		34,079,895	29,973,071

The financial statements were authorised for issue by the Board of Management on 30TH August 2016 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.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Group Statement of Cash Flows
For the year ended 31 March 2016

	Notes	2016 £	Restated 2015 £
Net cash generated from operating activities	1	6,132,625	8,882,719
Cashflow from investing activities			
Purchase of property, plant and equipment		(14,069,849)	(19,087,916)
Proceeds from the sale of property, plant and equipment		345,298	550,361
Grants received		3,234,828	6,249,768
Interest received		238,545	329,291
		(10,251,178)	(11,958,496)
Cashflow from financing activities			
Interest paid		(1,232,239)	(1,137,300)
New secured loans		2,500,000	2,500,000
Repayment of borrowings		(1,027,344)	(1,292,167)
Deposits in current asset investments		(128,097)	(267,712)
Issue of share capital		15	10
Income from fixed asset investments		69,286	73,864
		181,621	(123,305)
Net change in cash and cash equivalents		(3,936,932)	(3,199,082)
Cash and cash equivalents at 1 April		14,308,503	17,507,585
Cash and cash equivalents at 31 March		10,371,571	14,308,503
		(3,936,932)	(3,199,082)

The notes form part of these financial statements.

Notes to the Group Statement of Cash Flows
For the year ended 31 March 2016

1. Net cash generated from operating activities

	2016 £	Restated 2015 £
Surplus for the year	4,013,950	7,031,710
Adjustments for non cash items		
Carrying amount of housing property disposals	138,978	526,601
Depreciation of property assets	4,047,174	3,425,082
Depreciation of other fixed assets	120,455	199,368
(Increase) in stock	(210)	(1)
(Increase)/decrease in debtors	(766,794)	938,437
(Decrease) in creditors	(726,593)	(1,275,201)
Proceeds from sale of tangible fixed assets	(345,298)	(550,361)
Repayment of HAG on disposal of housing property	(100,413)	(354,779)
SHAPS past deficit movements	137,000	794,000
Non-cash movement relating to Strathclyde pension liability	65,000	(27,000)
Adjustments for investing and financing activities		
(Increase) in valuation of investment properties	(700,000)	-
Interest payable	1,232,239	1,137,300
Interest received	(238,545)	(329,291)
Release of deferred capital government grant	(2,016,680)	(1,966,582)
SHAPS deficit contribution paid	(602,525)	(584,000)
Sale of shared ownership properties	1,954,127	-
Forfeited share capital	(20)	(31)
Income from fixed asset investments	(69,286)	(73,864)
Taxation paid	(9,934)	(8,669)
	6,132,625	8,882,719

Notes to the Financial Statements
For the year ended 31 March 2016

1. General Information

The consolidated financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and the Housing SORP 2014: Statement of Recommended Practice for Social Housing Providers issued in 2014.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Group's accounting policies (see note 3).

The presentation currency is pounds sterling and the financial statements are rounded to the nearest whole number.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities. The Association is a registered social landlord in Scotland and its registered number is 172. The registered address is 45 Firhill Road, Glasgow G20 7BE.

2. Accounting policies

Introduction and accounting basis

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 March 2016, which occurred before the date of approval of the financial statements by the Board of Management have been included in the financial statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2016 and of the results for the year ended on that date. The accounting policies of the Group are set out below.

This is the first year the financial statements have been prepared under FRS 102 and the new SORP. The impact of this transition is detailed in note 33.

Going concern

The Group has a healthy cash position and the Board of Management anticipate an operating surplus for 2016/17 and 2017/18. However, overall the financial forecasts indicate that the Association will make a net deficit in 2016/17 and 2017/18 when depreciation and interest payments are accounted for with a reversion to a net surplus by 2018/19. The Board is satisfied that there are sufficient resources in place to continue operating for the foreseeable future and meet the planned capital investment programme over the next 5 years with finance facilities in place. Forward cash-flow forecasts have been prepared for the Board to evidence this forward viability. Thus the Board continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

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

2. Accounting policies (continued)

Queens Cross Factoring Limited

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Apportionment of management expenses

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

Interest receivable

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Lessor

The Association rents out commercial property under formal leases. The rental income is recognised within other activities (note 6) on an accruals basis and when the Association is entitled to that income.

Fixed assets - Housing properties

Housing properties are stated at cost, 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 of interest during the development phase.

These costs are either termed "qualifying costs" by the Scottish Government for approved social housing grant 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.

2. Accounting policies (continued)

Shared equity

On completion of construction, shared equity units are held in stock along with the grant received. On completion of the first tranche sale, the Association's obligation ceases and the cost and grant are de-recognised through the Statement of Comprehensive Income.

Fixed assets – investment properties

Investment properties are initially recorded at cost. Thereafter investment properties are held at market value with any changes in market value recognised in the Statement of Comprehensive Income.

Fixed assets – other fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'operating expenditure' in the Statement of Comprehensive Income.

Depreciation

1. Housing properties

Housing properties are stated at cost 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

In the year of addition, the component is depreciated from the date of addition.

In the year of disposal, the net book value of the component being replaced is written off and is included in the depreciation charge for the year.

2. Accounting policies (continued)

Depreciation (continued)

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
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.

Development administration costs

Development administration costs relating to development activities are capitalised based on an apportionment of the staff time spent directly on this activity.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to sell.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Rental arrears

Rental arrears represent amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in note 18.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Current asset investments

Current asset investments are represented by long term deposits with financial institutions repayable after more than three months.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

Financial instruments

The Group enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Group has transferred substantially all the risks and rewards or ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Government capital grants

Government Capital Grants, at amounts approved by The Scottish Government or Glasgow City Council, are paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Government revenue grants

Government revenue grants are recognised using the accrual model which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Non-government grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

2. Accounting policies (continued)

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.

Financial commitments

Rentals paid under operating leases are charged to the Statement of Comprehensive Income 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.

Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the group operates and generates income.

Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences that have originated but not reversed at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis, at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Accounting policies (continued)

Pensions (note 29)

Strathclyde Pension Fund

In accordance with FRS 102, the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Comprehensive Income. 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, is recognised in Other Comprehensive Income.

Scottish Housing Association Pension Scheme (SHAPS)

The Association participates in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

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.

Thus the Scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

Other Reserves

In line with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities), any gain on revaluation is recognised in the Statement of Comprehensive Income. As this gain is non-distributable a transfer has been made to other reserves in order to keep this separate from distributable reserves.

3. Judgements in applying policies and key sources of estimation uncertainty

Estimate	Basis of estimation
Useful lives of property, plant and equipment	The useful lives of property, plant and equipment are based on the knowledge of senior management at the Group, with reference to expected asset life cycles.
The main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.
The obligations under the SHAPs pension scheme and the Strathclyde pension scheme	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.
The valuation of investment properties	The investment properties were valued by an appropriately qualified surveyor using market data at the date of valuation.

Notes to the Financial Statements
For the year ended 31 March 2016

4. Particulars of Turnover, Operating Expenditure and Operating Surplus/(Deficit)

Group	2016			Restated 2015		
	Turnover £	Operating Costs £	Operating Surplus/ (Deficit £	Turnover £	Operating Costs £	Operating Surplus £
Income and Expenditure from lettings						
Social Lettings (Note 5)	19,039,596	(14,177,662)	4,861,934	23,044,426	(14,319,310)	8,725,116
Other activities (Note 6a)	4,129,913	(4,810,094)	(680,181)	2,501,793	(3,449,709)	(947,916)
Queens Cross Factoring Limited	1,564,289	(1,504,004)	60,285	1,627,140	(1,560,793)	66,347
	24,733,798	(20,491,760)	4,242,038	27,173,359	(19,329,812)	7,843,547

Association	2016			Restated 2015		
	Turnover £	Operating Expenditure £	Operating Surplus/ (Deficit) £	Turnover £	Operating Expenditure £	Operating Surplus/ (Deficit) £
Social Lettings (Note 5)	19,039,596	(14,177,662)	4,861,934	23,044,426	(14,319,310)	8,725,116
Other activities (Note 6b)	4,359,913	(5,040,094)	(680,181)	2,726,793	(3,674,709)	(947,916)
	23,399,509	(19,217,756)	4,181,753	25,771,219	(17,994,019)	7,777,200

Notes to the Financial Statements
For the year ended 31 March 2016

5. Particulars of turnover, operating expenditure and operating surplus from social letting activities

Association	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2016 Total £	Restated 2015 Total £
Income from rent and service charges					
Rent receivable net of service charges	14,479,708	2,087,464	144,397	16,711,569	16,238,532
Service charges	312,634	-	-	312,634	362,016
Gross income from rents and service charges	14,792,342	2,087,464	144,397	17,024,203	16,600,548
Less voids	(54,538)	(15,924)	-	(70,462)	(129,712)
Net income from rents and service charges	14,737,804	2,071,540	144,397	16,953,741	16,470,836
Release of deferred Government capital grants	2,016,680	-	-	2,016,680	1,966,582
Grants from the Scottish Ministers	69,175	-	-	69,175	65,000
Other revenue grants	-	-	-	-	4,542,008
Total turnover from social letting activities	16,823,659	2,071,540	144,397	19,039,596	23,044,426
Expenditure					
Management and maintenance administration costs	(4,178,659)	(658,262)	(56,244)	(4,893,165)	(5,546,377)
Service charges	(69,073)	(9,958)	-	(79,031)	(104,661)
Planned cyclical maintenance	(2,130,772)	(318,391)	-	(2,449,163)	(1,878,203)
Reactive maintenance costs	(2,288,007)	(341,886)	-	(2,629,893)	(3,301,540)
Bad debts – rents and service charge	(69,252)	(9,984)	-	(79,236)	(63,447)
Depreciation of social housing*	(3,484,430)	(511,602)	(51,142)	(4,047,174)	(3,425,082)
Operating expenditure for social letting activities	(12,220,193)	(1,850,083)	(107,386)	(14,177,662)	(14,319,310)
Operating surplus on letting activities, 2016	4,603,466	221,457	37,011	4,861,934	
Restated operating surplus on letting activities, 2015	8,313,029	310,252	101,835		8,725,116

* This is made up of £3,975,572 (2015: £3,295,205) depreciation charge per note 13 and the loss on disposal of components of £71,602 (2015: £129,877) included in depreciation in accordance with the SORP. Depreciation of £117,934 (2015: £196,509) in relation to other fixed assets is included per note 13 in management and maintenance administration costs.

Notes to the Financial Statements
For the year ended 31 March 2016

6a. Particulars of turnover, operating expenditure and operating surplus from other activities

Group	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover 2016	Total Turnover 2015	Other operating expenditure 2016	Other operating expenditure 2015	Operating surplus/(deficit) 2016	Operating surplus/(deficit) 2015
	£	£	£	£	£	£	£	£	£	£
Wider role activities #	119,338	83,082	-	-	202,420	186,368	(484,871)	(523,034)	(282,451)	(336,666)
Development and construction of property activities	207,855	-	-	-	207,855	191,870	(456,487)	(525,805)	(248,632)	(333,935)
Support activities	-	-	1,008,063	445,858	1,453,921	1,857,623	(1,772,598)	(2,180,280)	(318,677)	(322,657)
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	145,000	145,000	145,075	(142,011)	(139,723)	2,989	5,352
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	16,490	16,490	-	-	-	16,490	-
Car park income	-	-	-	150,100	150,100	120,857	-	-	150,100	120,857
Demolition Costs	-	-	-	-	-	-	-	(80,867)	-	(80,867)
Shared equity property sales	-	802,067	-	1,152,060	1,954,127	-	(1,954,127)	-	-	-
Total from other activities, 2016	327,193	885,149	1,008,063	1,909,508	4,129,913		(4,810,094)		(680,181)	
Total from other activities, 2015	308,204	36,795	1,339,637	817,157		2,501,793		(3,449,709)		(947,916)

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

Notes to the Financial Statements
For the year ended 31 March 2016

6b. Particulars of turnover, operating expenditure and operating surplus from other activities

Association	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover		Other operating expenditure		Operating surplus/(deficit)	
					2016	2015	2016	2015	2016	2015
	£	£	£	£	£	£	£	£	£	£
Wider role activities #	119,338	83,082	-	-	202,420	186,368	(484,871)	(523,034)	(282,451)	(336,666)
Development and construction of property activities	207,855	-	-	-	207,855	191,870	(456,487)	(525,805)	(248,632)	(333,935)
Support activities	-	-	1,008,063	445,858	1,453,921	1,857,623	(1,772,598)	(2,180,280)	(318,677)	(322,657)
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	375,000	375,000	370,075	(372,011)	(364,723)	2,989	5,352
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	16,490	16,490	-	-	-	16,490	-
Car park income	-	-	-	150,100	150,100	120,857	-	-	150,100	120,857
Demolition Costs	-	-	-	-	-	-	-	(80,867)	-	(80,867)
Shared equity property sales	-	802,067	-	1,152,060	1,954,127	-	(1,954,127)	-	-	-
Total from other activities, 2016	327,193	885,149	1,008,063	2,139,508	4,359,913		(5,040,094)		(680,181)	
Total from other activities, 2015	308,204	36,795	1,339,637	1,042,157		2,726,793		(3,674,709)		(947,916)

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

Notes to the Financial Statements
For the year ended 31 March 2016

7. Interest Receivable and Other Income

	Group		Association	
	2016	Restated 2015	2016	Restated 2015
	£	£	£	£
Interest receivable on deposits	238,545	329,291	238,445	328,336
Interest receivable from subsidiary loan	-	-	51,550	52,750
	238,545	329,291	289,995	381,086

8. Interest payable and similar charges

	Group		Association	
	2016	Restated 2015	2016	Restated 2015
	£	£	£	£
On private loans	1,232,239	1,137,300	1,232,239	1,137,300
Defined benefit finance charge (note 27)	210,000	205,000	210,000	205,000
	1,442,239	1,342,300	1,442,239	1,342,300

9. 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. The Association considers key management personnel to be the Board of Management and the senior management team (the Executive Officers as per page 1) of the Association.

	2016	2015
	£	£
Emoluments of Chief Executive (excluding pension contributions)	98,773	95,035

Pension contributions in respect of the Chief Executive including past service deficit payments totalled £39,509 (2015: £31,995) in the year.

	2016	2015
	£	£
Emoluments payable to highest paid director (excluding pension contributions)	98,773	95,035

The emoluments (excluding pension contributions) of the directors were in the following ranges:

	2016 No of Directors	2015 No of Directors
£60,000 to £65,000	1	-
£65,001 to £70,000	2	4
£70,001 to £75,000	1	-
£75,001 to £80,000	-	-
£80,001 to £85,000	-	-
£85,001 to £90,000	-	-
£90,001 to £95,000	1	1

Notes to the Financial Statements
For the year ended 31 March 2016

9. Directors' Emoluments (continued)

	2016 £	2015 £
Total emoluments (excluding pension contributions) paid to those earning more than £60,000 and key management	367,808	360,590
Pension contributions of directors earning more than £60,000 for future accrual	31,264	30,650
Pension contributions of directors earning more than £60,000 for past service deficit	104,051	90,749
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	519	1,065

10. Employee Information

	2016 No	2015 No
The full time equivalent number of persons employed during the year was:	206	210
Split as:		
Admin	24	24
Finance	5	5
Housing and Housing Support	150	154
Maintenance	24	24
Development	3	3
	206	210

	2016 £	Restated 2015 £
Staff costs (including Directors' Emoluments):		
Wages and salaries	5,939,057	6,344,954
Social security costs	476,616	529,615
Pension costs	1,243,928	1,105,418
Defined benefit pension charge (note 29)	21,000	16,000
	7,680,601	7,995,987

Included in wages and salaries is £130,541 (2015: £201,382) of agency staff costs.

Included in wages and salaries is £26,000 (2015: £nil) for loss of office.

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are deemed to be the Executive Officers as noted on page 1 was £503,123 (2015: £481,991).

11. Operating Surplus

	Group		Association	
		Restated		Restated
	2016	2015	2016	2015
	£		£	£
Operating surplus is stated after charging:				
Depreciation (note 5)				
- social housing	3,975,572	3,295,205	3,975,572	3,295,205
- loss on disposed components	71,602	129,877	71,602	129,877
- other fixed assets	120,453	199,368	117,934	196,509
Auditor's remuneration (excluding VAT)				
- In their capacity as auditor's - audit	21,600	21,472	15,100	14,675
- In their capacity as auditor's – FRS 102	2,850	-	2,350	-
- In their capacity as tax, VAT advisors	10,482	7,650	8,400	6,600

12. Taxation

Group	2016	2015
	£	£
Current tax on profits for the year	8,076	9,683
Adjustments in respect of previous years	251	-
Deferred taxation (note 26)	92,361	-
	100,688	9,683

The tax charge relates to Queens Cross Factoring Limited

	2016	2015
Profit on ordinary activities before tax	588,121	48,416
Profit on ordinary activities multiplied by the standard rate of corporation tax of 20% (2015: 20%)	117,624	9,683
Effects of:		
Income not taxable for tax purposes	(110,000)	-
Chargeable gains	101,360	-
Adjustments to tax charge in respect of previous periods	251	-
Adjustments to tax charge in respect of previous periods – deferred tax	1,716	-
Adjustment to closing deferred tax to average rate of 18%	(10,263)	-
	100,688	9,683

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Association

As the Association was granted charitable status from 11 April 2005, it is no longer subject to corporation tax on its charitable activities. No corporation tax was due in respect of the Association's non-charitable activities (2015: £nil).

Notes to the Financial Statements
For the year ended 31 March 2016

13. Tangible Fixed Assets – Housing Properties

	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Housing Properties Under Construction £	2016 Total £	Restated 2015 Total £
Cost					
As at 1 April 2015 as restated	139,689,995	1,677,007	10,726,245	152,093,247	134,403,618
Additions during year	329,181	-	7,173,623	7,502,804	14,331,840
Component accounting additions	6,508,634	-	-	6,508,634	4,355,402
Disposals – property	(199,611)	-	-	(199,611)	(602,253)
Disposals – components	(288,219)	-	-	(288,219)	(395,360)
Transfers (Note 1)	8,175,854	-	(10,129,981)	(1,954,127)	-
As at 31 March 2016	154,215,834	1,677,007	7,769,887	163,662,728	152,093,247
Depreciation					
As at 1 April 2015 as restated	30,703,791	1,298,776	-	32,002,567	29,048,497
Charge for year	3,924,431	51,141	-	3,975,572	3,295,205
Disposals – property	(60,633)	-	-	(60,633)	(75,652)
Disposals – components	(216,617)	-	-	(216,617)	(265,483)
As at March 2016	34,350,972	1,349,917	-	35,700,889	32,002,567
Net book value at 31 March 2016	119,864,862	327,090	7,769,887	127,961,839	120,090,680
Net book value at 31 March 2015 as restated	108,986,204	378,231	10,726,245	120,090,680	

Note 1: Transfers relate to the new build shared equity properties at Panmure Gate sold in the year per note 6.
Note 2: Properties with a cost of £199,611 (2015: £602,253) have been disposed of in the year with net proceeds totalling £345,298 (2015: £653,909).

Total cost of components capitalised for the year amounted to £6,508,634 (2015: £4,355,402). The amount spent on maintenance of housing properties held for letting can be seen in Note 5.

Additions to Housing Properties during the year includes £nil capitalised interest (2015 - £nil) and £27,583 capitalised administration costs (2015 - £nil). All housing properties are freehold. Properties with a cost of £199,611 (2015: £602,253) and accumulated depreciation of £60,633 (2015: £75,652) have been disposed of in the year for net proceeds of £345,298 (2015: £550,361). Components with a cost of £288,219 (2015: £395,360) and accumulated depreciation of £216,617 (2015: £265,483) have been disposed of for £nil (2015: £nil) net proceeds.

Notes to the Financial Statements
For the year ended 31 March 2016

14. Housing Stock – Group and Association

	Units in management 2016	2015
The number of units of accommodation in management was as follows:-		
General needs housing	3,729	3,664
Supported housing accommodation	551	551
Shared ownership accommodation	53	53
	4,333	4,268

15. Accommodation managed by others – Group and Association

	No of units/bedspaces 2016	2015
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
	123	123

Notes to the Financial Statements
For the year ended 31 March 2016

16. Tangible Fixed Assets – Other Tangible Assets

Group

	Leasehold Property £	Furniture, Fittings & Equipment £	Commercial Investment Properties £	Computer Equipment £	2016 Total £	Restated 2015 Total £
Cost						
At start of year as restated	1,109,331	595,221	2,160,000	14,803	3,879,355	3,480,767
Additions during year	2,432	55,979	-	-	58,411	400,674
Disposals	-	(217,733)	-	-	(217,733)	(2,086)
	-	-	700,000	-	700,000	-
At end of year	1,111,763	433,467	2,860,000	14,803	4,420,033	3,879,355
Depreciation						
At start of year	266,131	376,145	-	8,446	650,722	453,440
Charge for year	46,471	72,394	-	1,590	120,455	199,368
Write off on disposal	-	(217,733)	-	-	(217,733)	(2,086)
At end of year	312,602	230,806	-	10,036	553,444	650,722
Net Book Value						
At 31 March 2016	799,161	202,661	2,860,000	4,767	3,866,589	3,228,633
At 31 March 2015 as restated	843,200	219,076	2,160,000	6,357	3,228,633	3,027,327

Notes to the Financial Statements
For the year ended 31 March 2016

16. Tangible Fixed Assets – Other Tangible Assets (continued)

Association	Leasehold Property £	Furniture, Fittings & Equipment £	Commercial Investment Properties £	2016 Total £	Restated 2015 Total £
Cost					
At start of year as restated	1,109,331	590,170	1,260,000	2,959,501	2,562,518
Additions during year	2,432	55,720	-	58,152	399,069
Disposals	-	(217,733)	-	(217,733)	(2,086)
Revaluation	-	-	150,000	150,000	-
At end of year	1,111,763	428,157	1,410,000	2,949,920	2,959,501
Depreciation					
At start of year	266,131	373,316	-	639,447	445,024
Charge for year	46,471	71,465	-	117,936	196,509
Write off on disposal	-	(217,733)	-	(217,733)	(2,086)
At end of year	312,602	227,048	-	539,650	639,447
Net book value at 31 March 2016	799,161	201,109	1,410,000	2,410,270	2,320,054
Net book value at 31 March 2015 as restated	843,200	216,854	1,260,000	2,320,054	2,117,494

The commercial investment properties were revalued as at 31 March 2016 (by DM Hall Chartered Surveyors).

17. Investments - Association

	2016 £	2015 £
Investment in subsidiary undertaking	1	1

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.

Details of transactions during the year with the above company can be found at note 31.

For the year ended 31 March 2016, Queens Cross Factoring Limited recorded a profit of £487,433 (2015: £38,733) and has net assets of £680,503 (2015: £193,070).

18. Debtors

	Group		Association	
	2016 £	2015 £	2016 £	2015 £
Amounts falling due within one year:				
Rental arrears	781,561	791,801	781,561	791,801
Less provision for bad debts	(338,819)	(338,819)	(338,819)	(338,819)
	442,742	452,982	442,742	452,982
Trade debtors	626,670	911,611	-	-
Other debtors and prepayments	509,979	345,625	502,120	261,204
Accrued income	897,621	-	897,621	-
Amounts owed by the subsidiary (less than one year)	-	-	554,102	581,677
Amounts owed by the subsidiary (more than one year)	-	-	910,710	859,160
	2,477,012	1,710,218	3,307,295	2,155,023
Debtors due less than one year	2,477,012	1,710,218	2,396,585	1,295,863
Debtors due more than one year	-	-	910,710	859,160
	2,477,012	1,710,218	3,307,295	2,155,023

19. Stock and work in Progress

	Group		Association	
	2016 £	2015 £	2016 £	2015 £
Stock	1,429	1,219	-	-

20. Current asset investments

	Group		Association	
	2016 £	2015 £	2016 £	2015 £
Balances held in deposit accounts greater than 3 months	6,523,010	6,394,913	6,523,010	6,394,913

21. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Association 2016 £	Association 2015 £
Balances held in current accounts	10,371,571	14,308,503	9,661,828	13,667,885

22. Creditors: amounts falling due within one year

	Group 2016 £	Group Restated 2015 £	Association 2016 £	Association Restated 2015 £
Bank loans repayable within one year	1,906,286	1,657,054	1,906,286	1,657,054
Trade creditors	46,738	1,719	-	-
SHG repayable on disposals	466,037	400,069	466,037	400,069
Other taxes and social security costs	305,958	1,156,300	305,958	1,116,833
Corporation tax	8,076	9,683	-	-
Other creditors	3,462,501	3,477,231	2,980,463	2,615,559
Deferred income	27,492	-	-	-
Deferred capital grants (note 24)	2,016,680	1,966,582	2,016,680	1,966,582
SHAPS pension deficit (note 29)	613,244	602,525	613,244	602,525
	8,853,012	9,271,163	8,288,668	8,358,622

Included within other creditors are outstanding pension contributions totalling £94,961 (2015: £115,723).

23. Creditors: amounts falling due outwith one year

	Group 2016 £	Group Restated 2015 £	Association 2016 £	Association Restated 2015 £
Bank loans	33,372,239	32,148,815	33,372,239	32,148,815
Deferred capital grant (note 24)	70,285,114	69,217,477	70,285,114	69,217,477
SHAPS pension deficit (note 29)	3,082,327	3,558,571	3,082,327	3,558,571
	106,739,680	104,924,863	106,739,680	104,924,863
Loan analysis as follows:				
Due between one and two years	1,897,936	1,657,054	1,897,936	1,657,054
Due between two and five years	10,693,808	9,971,162	10,693,808	9,971,162
Due in five years or more	20,780,495	20,520,599	20,780,495	20,520,599
	33,372,239	32,148,815	33,372,239	32,148,815

Loans are secured by specific charges on the Association's properties and are repayable at rates of interest between Libor + 1.75% and 6% in instalments over the next 30 years.

24. Deferred capital grants – Group and Association

	2016 £	Restated 2015 £
Government Capital Grants		
At 1 April	71,184,059	67,255,652
Grants received in year	4,036,895	6,249,768
Released to income in year	(2,016,680)	(1,966,582)
Release to shared equity sales (note 6)	(802,067)	-
Grants repaid in the year	(100,413)	(354,779)
At 31 March	72,301,794	71,184,059
Loans:		
Due in less than one year	2,016,680	1,966,582
Due between one and two years	2,016,680	1,966,582
Due between two and five years	6,050,040	5,899,746
Due in five years or more	62,218,394	61,351,149
At 31 March	72,301,794	71,184,059

25. Financial Instruments

	Group		Association	
	2016 £	Restated 2015 £	2016 £	Restated 2015 £
Financial Assets				
Financial assets measured at amortised cost	2,463,808	1,648,660	3,294,091	2,100,504
Financial Liabilities				
Financial liabilities measured at amortised cost	42,452,155	42,110,006	41,895,887	41,246,615

Financial assets measured at amortised cost comprise rental arrears, trade debtors, other debtors, accrued income and amounts owed by the subsidiary.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, SHG repayable on disposals, other creditors, the SHAPS pension deficit and the Strathclyde Pension Fund liability.

26. Deferred tax – Group

	2016 £	2015 £
Accelerated capital allowances	1,137	-
Capital gain on investment properties	91,224	-
	92,361	-

This relates to Queens Cross Factoring Limited (refer to note 12). There is no deferred tax provision in respect of the Association (2015: £nil).

27. Share Capital – Group and Association

	2016 £	2015 £
At beginning of year	325	346
Shares of £1 each fully paid and issued during the year	15	10
Shares forfeited in year	(20)	(31)
At end of year	320	325

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

28. Capital Commitments – Group and Association

	2016 £	2015 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements.	18,083,874	11,342,549
This is to be funded by:		
SHG	950,000	3,676,473
Private Finance	4,402,288	5,161,076
Sales	12,731,586	2,505,000
	18,083,874	11,342,549
Capital expenditure that has been approved but not Contracted for	-	-

29. Pensions
Association

Scottish Housing Association Pension Scheme (SHAPS)

Queens Cross Housing Association Limited (the "Association") participates in the Scottish Housing Association Pension Scheme (SHAPS) (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. There are six benefit structures available, namely:

(a) Final salary with a 1/60th accrual rate;
(b) Career average revalued earnings with a 1/60th accrual rate;
(c) Career average revalued earnings with a 1/70th accrual rate;
(d) Career average revalued earnings with a 1/80th accrual rate;
(e) Career average revalued earnings with a 1/120th accrual rate, contracted-in; and
(f) 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.

Queens Cross Housing Association Limited has moved 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. Also from 1 April 2014, the Association now participates in a defined contribution scheme which it is using to meet its pension auto-enrolment obligations.

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.

29. Pensions (continued)

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

During the accounting period the Association paid contributions at the following rates for members with the SHAPS scheme. For the career average revalued earnings with a 1/80th accrual rate, the contribution rate was 8.5% of pensionable salaries; for the career average revalued earnings with a 1/120th accrual rate, the contribution rate was 5.7% and the DC scheme was paid at 4%. Member contributions were 8.4%, 5.7% and 4% respectively for these schemes.

As at the Statement of Financial Position date there were 135 (2015: 137) active members of the Scheme employed by Queens Cross Housing Association Limited. The annual pensionable payroll in respect of these members was £3,484,106 (2015: £3,635,797). Queens Cross Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers 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.

Thus the scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

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 key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2012 are detailed below.

Financial Assumptions

The financial assumptions underlying the valuation were as follows:-	**% pa**
Investment return pre-retirement	5.3
Investment return post retirement	
Non pensioners	3.4
Pensioners	3.4
-Rate of salary increases	4.1
Rate of pension increases	
-pension accrued pre 6 April 2005	2.0
-pension accrued from 6 April 2005 (for leavers before 1 October 1993 pension increases are 5%	1.7
- Rate of price inflation	2.6

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

2015 valuation

As highlighted at the 2015 Employer Forums, the triennial valuation has been undertaken against a challenging economic backdrop for defined benefit (DB) schemes like SHAPS. That said, the deficit has reduced from £304m as at 30 September 2012 to £198m as at 30 September 2015; an improvement in the funding position from 56% to 76%.

A summary of the headline provisional valuation results is set out in the table below:

29. Pensions (continued)

Valuation	2012	2015
Assets (£ million)	394	612
(Liabilities) (£ million)	(698)	(810)
(Deficit) (£ million)	(304)	(198)*
Funding level	56%	76%
Aggregate annual deficit contributions for the year from 1 April 2017 (£ million)	28.7 (26.3 on inception from 1 April 2014)	28.7
Annual increases to deficit contributions	3.0%	3.0%
Proposed deficit contribution (recovery) plan) and date	30 September 2027	28 February 2022

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

The Trustees have recently supplied Queens Cross Housing Association Limited with an estimated updated contribution figure to the past service deficit. The past service deficit contribution for 2016/17 is £638,217. From 1 April 2017 Queens Cross Housing Association Limited will be required to pay £639,050 (net of administration costs) per annum as a contribution to the past service deficit. This will increase by 3% per year. The deficit is now expected to be removed from the Scheme by 28 February 2022 (previously 30 September 2027). The past service deficit liability recognised in the financial statements is based on the revised estimated contribution schedule provided to the Association on 3 March 2016 by the Pensions Trust.

Past service deficit repayment liability

	2016 £	Restated 2015 £
Provision at start of period	4,161,096	3,951,096
Unwinding of the discount factor (interest expense)	166,000	248,000
Deficit contribution paid	(602,525)	(584,000)
Re-measurements – impact of any changes in assumptions	(29,000)	546,000
Re-measurements – amendments to the contributions schedule	-	-
Provision at end of period	3,695,571	4,161,096
Liability split as:		
< 1 year	613,244	602,525
1-2 years	618,307	614,723
2-5 years	1,880,790	2,013,271
> 5 years	583,230	930,577
	3,695,571	4,161,096

Past service deficit repayment liability (continued)

Statement of Comprehensive Income Impact	2016 £	2015 £
Interest expense	166,000	248,000
Re-measurements – impact of any change in assumptions	(29,000)	546,000

Assumptions	2016	2015
Rate of discount	2.29%	2.22%

Notes to the Financial Statements
For the year ended 31 March 2016

29. Pensions (continued)

The discount rates shown above are the equivalent single discount rates, which when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate band yield curve to discount the same recovery plan 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 assets there is a buy-out debt.

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

The 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 2015 is £20,911,710 (2015: £19,840,743).

Strathclyde Pension Fund

There are 25 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 2016	31 March 2015
Price increases	2.2%	2.4%
Salary increases	4.2%	4.3%
Discount rate	3.5%	3.2%

Mortality

Life expectancy is based on the Funds VitaCurves with improvements in line with the CMI 2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.5% p.a. for males and a 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	23.6 years
Future Pensioners	24.8 years	26.2 years

Notes to the Financial Statements
For the year ended 31 March 2016

29. Pensions (continued)

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

	Value at 31 March 2016	**Value at 31 March 2015**
	£000's	**£000's**
Fair value of plan assets	5,125	4,804
Present value of scheme liabilities	(5,676)	(5,948)
Present value of unfunded liabilities	(205)	(228)
Net pension liability	(756)	(1,372)

Reconciliation of defined benefit obligation

Year Ended:	**31 March 2016**	**31 March 2015**
	£	**£**
Opening Defined Benefit Obligation	6,176,000	4,904,000
Current Service Cost	224,000	220,000
Interest Cost	201,000	214,000
Plan participants contributions	45,000	50,000
Actuarial (Gains) / Losses	(711,000)	899,000
Past Service (Gains) / Costs	8,000	-
Unfunded Benefits Paid	(7,000)	(7,000)
Benefits Paid	(55,000)	(104,000)
Closing Defined Benefit Obligation	5,881,000	6,176,000

Reconciliation of fair value of employer assets

Year Ended:	**31 March 2016**	**31 March 2015**
	£	**£**
Opening Fair Value of Employer Assets	4,804,000	4,213,000
Interim income on plan assets	157,000	257,000
Plan participants contributions	45,000	50,000
Contributions by the employer	204,000	197,000
Contributions in respect of Unfunded Benefits	7,000	7,000
Actuarial (Losses)/Gains	(30,000)	191,000
Unfunded Benefits Paid	(7,000)	(7,000)
Benefits Paid	(55,000)	(104,000)
Closing Fair Value of Employer Assets	5,125,000	4,804,000
Net pension liability	(756,000)	(1,372,000)

29. Pensions (continued)

Analysis of amounts included in the Statement of Comprehensive Income

	2016 £'000	2015 £'000
Expected return on pension scheme assets	157	257
Interest on pension scheme liabilities	(201)	(214)
Net Return – finance (cost)/income	(44)	43

	2016 £'000	2015 £'000
Current service cost	232	220
Past service cost	-	-
Losses on curtailments	-	-
Contributions in respect of unfunded benefits	(7)	(7)
Contribution by employers	(204)	(197)
Charge to staff costs	21	16

The expected employer's contribution for the year to 31 March 2017 will be approximately £187,000.

Analysis of amount recognised in the Statement of Comprehensive Income

	2016 £	2015 £
Actual return less expected return on scheme assets	(30,000)	191,000
Changes in assumptions underlying the present value of scheme liabilities	711,000	(899,000)
Actuarial gain/(loss) recognised in other comprehensive income	681,000	(708,000)

Change in assumption at 31 March 2016

	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	13%	738
1 year increase in member life expectancy	3%	176
0.5% increase in the Salary Increase Rate	5%	306
0.5% increase in the Pension Increase Rate	7%	413

Notes to the Financial Statements
For the year ended 31 March 2016

30. Revenue Commitments – Group and Association

The Group and Association has total commitments under operating leases as follows:

	2016		Restated 2015	
	Land & buildings £	Other Leases £	Land & buildings £	Other leases £
Within one year	240,000	38,706	240,000	42,981
Between two and five years	720,000	23,693	720,000	62,399
More than 5 years	1,440,000	-	1,680,000	-
	2,400,000	62,399	2,640,000	105,380

31. Related party transactions

Queens Cross Factoring Limited

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

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 £230,000 (2015: £225,000).

Queens Cross Housing Association Limited paid on behalf of Queens Cross Factoring Limited £810,311 2015: £576,732) of repairs, insurance, concierge, environmental and cleaning costs. This was recharged to Queens Cross Factoring Limited in the year.

Gift aid of £40,000 (2015: £40,000) was made by 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.

The total balance due in respect of these transactions is £534,102 (2015: £561,677) and is included in debtors.

During 2012/13 Queens Cross Housing Association Limited provided a loan of £900,000 to Queens Cross Factoring Limited to purchase 12 investment properties. The balance owed at the start of the year was £879,160. Interest of £51,550 (2015: £52,750) was accrued 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. £nil (2015: £nil) was repaid in the year leaving a balance at 31 March 2016 of £930,710 (2015: £879,160). £910,710 (2015: £859,160) of this balance is due after more than one year with £20,000 (2015: £20,000) expected to be paid in 2016/17 and thus is included in amounts due within one year.

Board members

The Association has Board members who are also tenants. The total rent received in the year relating to tenant Board members is £13,286 (2015: £20,269). The total rent arrears relating to tenant Board members included within debtors at the year-end is £nil (2015: £nil).

Two directors of Queens Cross Factoring Limited and two members of the Board of Management of Queens Cross Housing Association Limited are factored owners. The cumulative balance at 31 March 2016 in respect of these four individuals were payments in advance of £572 (2015: £257).

32. Legislative Provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and its subsidiary Queens Cross Factoring Limited is incorporated under the Companies Act 2006.

Notes to the Financial Statements
For the year ended 31 March 2016

33. Transition to FRS 102

There have been no transitional adjustments impacting on equity or profit or loss within Queens Cross Factoring Limited on transition from the entity's previous accounting framework to Section 1A of FRS 102.

The Association has adopted Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for social housing providers (SORP 2014) for the year ended 31 March 2016. This has led to a number of changes in accounting policy, judgements and estimates and necessitates the prior year comparative amounts to be restated using these new policies in order that they give a comparable view of the prior year position.

The following changes to accounting policies and estimates have been applied:

In accordance with FRS 102 the Association does not present an Income and Expenditure Account or a Statement of Recognised Gains and Losses (STRGL) as was presented in the financial statements to 31 March 2015 as items that previously appeared in these statements are now included in the Statement of Comprehensive Income.

As prescribed by FRS 102 the Association now prepares a Statement of Changes in Capital and Reserves whereas in the financial statements to 31 March 2015 capital and reserves were analysed as part of the notes to the financial statements.

As permitted by FRS 102 the Association has renamed the Balance Sheet as the Statement of Financial Position.

Depreciation on housing properties has been restated to reflect that the charge is no longer net of Government Capital Grants and is now based on gross cost.

Investment properties have been revalued at the transition date of 1 April 2014.

Government Capital Grants are now recognised in line with the accrual model. The accrual model results in the grant being recognised over the expected useful life of housing property structure. Other non-government grants are recognised in the Statement of Comprehensive Income in line with the performance model.

All employee benefits not paid to the employee at the year end must be accrued. As such, the Association accrues a monetary value for all unused holidays at the year end based on the individual employee's salary.

Loan arrangement fees previously expensed are now amortised over the life of the respective loan facility.

Cash held in deposit accounts greater than three months are no longer shown within cash and cash equivalents and are instead shown within current asset investments. This has no effect on the surplus or reserves at the date of transition.

Designated reserves are no longer shown separately in the financial statements and instead are combined with the revenue reserve.

The Association participates in the Scottish Housing Association Pension Scheme (SHAPS) pension scheme and makes annual contributions towards the deficit in line with the fund plan. Under FRS 102, the future discounted contributions in respect of the deficit must now be shown as a liability on the Statement of Financial Position with the actual payment being released to the Statement of Comprehensive Income as it falls due.

Notes to the Financial Statements
For the year ended 31 March 2016

33. Transition to FRS 102 (continued)

Group

Restated surplus for the year ended 31 March 2015	**£**
Surplus for the year ended 31 March 2015 as previously stated	2,288,426
Effects of:	
Amortisation of Government grants	1,966,582
Release of non-government grants	4,542,008
Increased depreciation charge on housing units based on gross cost	(1,474,494)
Movement in holiday pay accrual	(1,278)
Release of loan arrangement fee	(8,350)
Movement in SHAPS past service deficit repayment liability	(210,000)
Reversal of release from designated reserves	(80,867)
Restated surplus for the year ended 31 March 2015	7,022,027

Restated Statement of Financial Position at 31 March 2015	**£**
Capital and reserves at 31 March 2015 as previously stated	25,268,968
1 April 2014 FRS 102 adjustments	
Amortisation of Government grants	21,616,687
Increased depreciation charge on housing units based on gross cost	(16,831,771)
Incorporation of holiday pay accrual	(63,878)
Recognition of loan arrangement fee previously expensed	196,050
Recognition of SHAPS past service deficit repayment liability	(3,951,096)
Impairment of investment properties	(883,288)
2014/15 FRS 102 transition adjustments	
Amortisation of Government grants	1,966,582
Effect of non-government grant reclassification	4,542,008
Increased depreciation charge on housing units based on gross cost	(1,474,494)
Movement in holiday pay accrual	(1,278)
Release of loan arrangement fee	(8,350)
Movement in SHAPS past service deficit repayment liability	(210,000)
Reversal of release from designated reserves	-
Restated capital and reserves at 31 March 2015	30,166,140

Restated Statement of Financial Position as at 1 April 2014	**£**
Capital and reserves at 1 April 2014 as previously stated	23,769,430
Amortisation of Government grants	21,616,687
Increased depreciation charge on housing units based on gross cost	(16,831,771)
Incorporation of holiday pay accrual	(63,878)
Recognition of loan arrangement fee previously expensed	196,050
Recognition of SHAPS past service deficit repayment	(3,951,096)
Impairment of investment properties	(883,288)
Restated capital and reserve at 1 April 2014	23,852,134

33. Transition to FRS 102 (continued)

Association

Restated surplus for the year ended 31 March 2015	£
Surplus for the year ended 31 March 2015 as previously stated	2,249,693
Effects of:	
Amortisation of Government grants	1,966,582
Release of non-government grants	4,542,008
Increased depreciation charge on housing units based on gross cost	(1,474,494)
Movement in holiday pay accrual	(1,278)
Release of loan arrangement fee	(8,350)
Movement in SHAPS past service deficit repayment liability	(210,000)
Reversal of release from designated reserves	(80,867)
Restated surplus for the year ended 31 March 2015	6,983,294

Restated Statement of Financial Position at 31 March 2015	£
Capital and reserves at 31 March 2015 as previously stated	25,075,899
1 April 2014 FRS 102 adjustments	
Amortisation of Government grants	21,616,687
Increased depreciation charge on housing units based on gross cost	(16,831,771)
Incorporation of holiday pay accrual	(63,878)
Recognition of loan arrangement fee previously expensed	196,050
Recognition of SHAPS past service deficit repayment liability	(3,951,096)
Impairment of investment properties	(883,288)
2014/15 FRS 102 transition adjustments	
Amortisation of Government grants	1,966,582
Effect of non-government grant reclassification	4,542,008
Increased depreciation charge on housing units based on gross cost	(1,474,494)
Movement in holiday pay accrual	(1,278)
Release of loan arrangement fee	(8,350)
Movement in SHAPS past service deficit repayment liability	(210,000)
Reversal of release from designated reserves	-
Restated capital and reserves at 31 March 2015	29,973,071

Restated Statement of Financial Position as at 1 April 2014	£
Capital and reserves at 1 April 2014 as previously stated	23,615,094
Amortisation of Government grants	21,616,687
Increased depreciation charge on housing units based on gross cost	(16,831,771)
Incorporation of holiday pay accrual	(63,878)
Recognition of loan arrangement fee previously expensed	196,050
Recognition of SHAPS past service deficit repayment	(3,951,096)
Impairment of investment properties	(883,288)
Restated capital and reserve at 1 April 2014	23,697,798