

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Group Accounts

Registered Number: SP1860RS

Report and Financial Statements

For the year ended 31 March 2018

Report and Financial Statements

For the year ended 31 March 2018

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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

Report of the Board of Management (incorporating the Strategic Report) For year ended 31 March 2018

Board, Executives and Advisers

Board of Management – elected

| | |
|-------------------|-------------------------|
| Marilyn Clewes | Chair |
| David Horner | Vice Chair |
| Sadie Gordon | Vice Chair |
| Margaret Glass | |
| Daisy Woo | Resigned September 2017 |
| Ian Elrick | |
| Paul Hush | Resigned September 2017 |
| Andrew Burns | |
| John McIntyre | |
| Christine Thomson | |
| Anne Ramsey | |

Executive Officers

| | |
|---------------|--|
| Shona Stephen | Chief Executive |
| Bill Brown | Director of Corporate & Community Services and Secretary (Resigned July 2017) |
| Neil Manley | Director of Finance and Corporate Support |
| Louise Smith | Director of Neighbourhood Services |
| Rona Anderson | Director of Property Enterprise and Regeneration (Appointed September 2017) |

Registered Office

45 Firhill Road
Glasgow
G20 7BE

Auditor

Wylie & Bisset LLP
168 Bath Street
Glasgow
G2 4TP

Bankers

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

Solicitors

T C Young
7 West George St
Glasgow
G2 1BA

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Report of the Board of Management (incorporating the Strategic Report) For year ended 31 March 2018

The Board of Management present their report (incorporating the Strategic Report) and the audited consolidated financial statements for the year ended 31 March 2018.

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 2,491 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 currently 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 4,339 properties as at 31 March 2018 and manages the tenancies for the majority of these homes. The Association also has a share in 41 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 510 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 309 new homes built in a mix of affordable tenures in the past five years. 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 2017-2020 and an internal management plan which is reviewed annually and approved by the Board of Management. From our vision *Excellent Housing in vibrant Communities*, and reflecting our values of *respect, integrity* and *aspiration* strategic objectives have been agreed.

The strategic aims for 2017-20 are:

- Build more desirable homes in popular neighbourhoods;
- Deliver more excellent services to suit our tenants' lives;
- Invest in our people to grow and develop their skills;
- Find more ways to ensure value for money;
- Continue to challenge fuel poverty;
- Put more focus on community health and wellbeing; and
- Be ready for opportunities.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Report of the Board of Management (incorporating the Strategic Report) For year ended 31 March 2018

Objectives and Strategy (continued)

Below these strategic objectives, key departmental priorities are laid out in the internal management plan. As part of this plan, actions and desired outcomes have been identified.

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
- Proportion of housing stock meeting the Scottish Housing Quality Standard and the Energy Efficiency Standard of Social Housing (ESSH)

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 2017/18 for specific key performance indicators.

Housing

The average void re-let period was 27 days against the set target of 16 days with a void rent loss of £239,156 (2016/17: £132,828) in the year. This decline in performance has been exacerbated by our significant capital investment programmes in Westercommon and Cedar over the last year and a number of new approaches and initiatives have been introduced and performance is now improving.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Report of the Board of Management (incorporating the Strategic Report) For year ended 31 March 2018

The net tenant rent arrears were £421,649 (2017: £514,979). This represents 2.3% (2017: 3.0%) of the total rental and service charge income figure and we continue to focus closely on managing this aspect of the business. A bad debt write off of £152,596 (2017: £118,335) in relation to former tenants was made in the year.

Operating and Financial Review

As at 31 March 2018 there were 1,070 applicants on the housing list with 1,076 new applicants added in 2017/18. 918 (719 - 2016/17) tenancy offers were made in the year.

Asset Management

There were 19,186 reactive maintenance jobs in the year (18,591 in 16/17) with 98% completed right first time against a target of 85%. This equates to an average of 4.43 repairs per property in the year at an average reactive cost of £132.87 per reactive repair. Of the total, 5,000 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 | 99.85% | 100% |
| Urgent | 99.5% | 98.5% |
| Routine | 99.24% | 98.5% |

As at 31 March 2018, 100% of all properties (2,852) requiring one had a current gas safety certificate. Across the year 100% of stock requiring a gas certificate renewal were inspected within the set timescale.

The major repairs programme continued with significant investment during the year in stock transfer properties on heating and ventilation systems, new lifts and foyers, cladding and other housing improvements.

As at 31 March 2018, 96% of our stock met the Scottish Housing Quality Standard (SHQS), whilst the remaining 158 properties are exempt from the standard due to their nature. The Association therefore has brought all properties where possible up to the SHQS and is now focussed on achieving full compliance with EESSH by 2020. At 31 March 2018, 66% of our properties met the required Energy Efficiency standard (up from 52% the previous year).

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 2018/19 budgeting process the Board continued the strategy of addressing the increased financial challenges and risks faced through the achievement of a prescribed savings target having achieved a £1m saving on recurring costs from 2013. A target of savings of £150k was agreed this year to meet the financial challenges the Association continues to face from the changes to housing support funding, increasing cost of stock investment and fire safety and to ensure rents continue to meet the affordability measures we apply using the SFHA's model.

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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 for the 2016/17 year, the latest available, demonstrate that the organisation is in the upper quartile for performance measured by both satisfaction and performance against time to complete targets in its repairs services and this performance is achieved with a lower quartile cost per property than those within the peer group. Within Housing services top quartile performance in areas like void letting period sits along mid to lower quartile performance in rent arrears and housing management cost per unit. We have seen changes in the 2017/18 year to our void performance as highlighted and put in place actions to address these although we have seen some improvement in the year on arrears recovery. The driver for this cost position is the ratio of staff to properties within housing management. The continuing value for money challenge for the Association is to improve performance quality in areas like arrears performance and improve on the housing management cost per property. The use of best practice training and the introduction of a tenancy sustainment team are being undertaken to support these aims.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Report of the Board of Management (incorporating the Strategic Report) For year ended 31 March 2018

Financial and non-financial key performance indicators (continued)

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 has a web based purchase order system to support better and controlled procurement and, in line with new procurement legislation, has developed new procurement policies and procedures which outline the required routes to market. These outline thresholds where the use of appropriate frameworks and or procurement portals, such as Public Contracts Scotland, are required and also suggests where social benefits should be included in any tendering exercise.

The Association continues to review its pension schemes for their affordability in line with each schemes' valuation cycle. 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 | 2017/18 | 2016/17 | 2015/16 | 2014/15 | 2013/14 |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| | £' 000 | £'000 | £'000 | £'000 | £'000 |
| Turnover | 21,871 | 23,971 | 23,400 | 25,771 | 21,077 |
| Operating expenditure | 18,624 | 19,756 | 19,218 | 17,994 | 19,002 |
| Operating surplus | 3,247 | 4,215 | 4,182 | 7,777 | 2,075 |
| Capitalised major repairs | 9,204 | 11,577 | 6,509 | 4,355 | 4,692 |

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 completing the investment project enabling us to meet the Scottish Housing Quality Standard and this expenditure is incorporated into the budget plan. Over the next five years, the Association is budgeting to invest £31.5m on capital repairs to its housing stock. A loan facility with the Clydesdale Bank for £12m was agreed prior to the stock transfer to fund this investment in stock and this has now been fully drawn. 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 innovative ground source heating system installation at Westercommon was impacted by the contractor entering administration at a late stage of the programme and the Association has worked with alternate providers to complete the works. The refurbishment of the Cedar multi storey flats is currently the major project being undertaken.

The Association sees its wider contribution to the economic and social development of the area as very important. Whilst the Association's care work has been supported through supporting people income, our wider action activities benefit from other grant funding sourced by the Social Regeneration 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.

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Capital Structure

At the year-end borrowings totalled £41,037,294 (2017: £39,138,549) with the additional borrowing in the year being the final £3m drawdown of an RBS facility to support the Leny Street new build and investment expenditure. 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 £ |
|------------------------|-------------------|------------------------|
| Nationwide Bank | 1,651,585 | 8,401,125 |
| Royal Bank of Scotland | 5,525,144 | 15,383,419 |
| Clydesdale Bank | 5,572,916 | 4,682,542 |
| Amortised loan fees | - | (179,350) |
| Total | 12,749,645 | 28,287,736 |

The Association is finalising a refinancing and funding strategy to support its plans for future development in particular the large scale regeneration project at Hamiltonhill. The Association is seeking to access additional finance through long term bond funding to sit alongside more traditional commercial debt. As part of the refinancing the banking covenants will be aligned to the revised business plan and new accounting rules.

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

Development

Over the last two years the Association completed 184 new units of mixed tenure housing at Panmure Gate, Leny Street and Garscube Road. The average total development cost per unit across these projects has been:

| | |
|---------------|-------|
| Panmure Gate | £117k |
| Leny Street | £115k |
| Garscube Road | £127k |

The Association has led work with Scottish Canals and Glasgow City Council to develop a masterplan for the site at Hamiltonhill as part of a wider regeneration of the canal corridor. The masterplan contains proposals for the development of 600 units across this extensive site in a mix of tenures. This will include up to 300 for sale, built by a developer in partnership with QCHA.

Social Regeneration Initiatives

A wide range of community initiatives focussing on youth work, volunteering, digital inclusion, health and wellbeing, and community integration 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. We are discussing with the board of Queens Cross Workspace, a local charitable organisation whose regeneration and economic development aims are complementary to the association, regarding a potential merger into an enlarged formal Queens Cross Group. We have undertaken some due diligence on this and are working on the required legal structures and Company articles. It is believed the merger would increase the overall impact of both parties on the local economy, delivering on our shared anti-poverty objectives. The Queens Cross Community Chest, a joint initiative between the parties has been an example of how by working together the impact and reach within our community can be increased.

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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. It has also invested in Rentsense, a software application to assist arrears management.
- In addition and linked to the above point, the Association has within its financial planning, over the last three 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;
- 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 2016/17 as a result of the triennial pension valuation. It was decided in 2016 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 Association was advised that funding for its Sheltered Housing services from Glasgow City Council would end from December 2017. The Association has worked with Social Work Services on reworking the model of care and is now delivering through an Older People's Service model.
- 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 (page 7).
- The Association has always had a robust approach to fire safety. Following the Grenfell Tower fire and the subsequent and on-going reviews there may be a requirement for additional investment, with an as yet unidentified financial impact. The forward financial plan makes provision to install an integrated fire and smoke detection system in all our properties over the next couple of years.

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

QUEENS CROSS HOUSING ASSOCIATION LIMITED

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Future Plans

The regeneration of the Hamiltonhill area as part of the wider canal strategy with Scottish Canals and Glasgow City Council presents a number of potential development opportunities for the Association and will be the central focus for the Association in the next few years. On-going discussions on the development and financing strategy for the project continue.

The Association continues to identify other future potential sites that it would like to develop and will consider these in line with its development strategy and an assessment of each one's financial viability and cash-flow calculation and funding availability. As already outlined, the Association will use the financing need of the Hamiltonhill development as an opportunity to restructure its overall loan portfolio and seek to access bond financing.

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.

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, and are working to embed a risk management culture across the Group. The Association and its subsidiary prepare detailed policies on health and safety and provide appropriate training and education to all staff on these areas.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Report of the Board of Management (incorporating the Strategic Report) For the year ended 31 March 2018

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. The provision of services to others ensures the effective use of our staff resource, and is a source of income to the Association.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Report of the Board of Management (incorporating the Strategic Report) For year ended 31 March 2018

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 auditor 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 2018. 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 33.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Report of the Board of Management (Incorporating the Strategic Report)
For the year ended 31 March 2018**

Charitable Donations

During the year the Association made charitable donations amounting to £2,587 (2017: £4,990).

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

Wylie & Bisset LLP were appointed as external auditors through a formal tender process for 2017/18. Wylie & Bisset LLP will stand for re-election as external auditor at the AGM.

By order of the Board of Management



**Marilyn Clewes
Chair**

Dated: 7 August 2018

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Statement of the Board of Management's Responsibilities For the year ended 31 March 2018

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.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Report of the Auditor to the Members of Queens Cross Housing Association Limited For the year ended 31 March 2018

Opinion

We have audited the financial statements of Queens Cross Housing Association (the 'Association') and its subsidiary (the 'group') for the year ended 31 March 2018 which comprise the Group Statement of Comprehensive Income, the Association Statement of Comprehensive Income, the Group Statement of Changes in Capital and Reserves, the Association Statement of Changes in Capital and Reserves, the Group Statement of Financial Position, the Association Statement of Financial Position, the Group Statement of Cash Flows and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the Association's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Communities Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board of Managements' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Board of Management are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Report of the Auditor to the Members of Queens Cross Housing Association Limited For the year ended 31 March 2018

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Board of Managements' Report. 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:

- The information given in the Report of the Board of Management is inconsistent with the Financial Statements;
- Proper books of accounts have not been kept by the Association in accordance with the requirements of the legislation;
- A satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirement of the legislation;
- The financial statements are not in agreement with the books of accounts; or
- We have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.

Responsibilities of The Board of Management

As explained more fully in the Boards' Responsibilities Statement set out on page 13, the Board of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management are responsible for assessing the group's and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Management either intend to liquidate the group or Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Communities 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.



Statutory Auditor
Chartered Accountants
168 Bath Street
Glasgow G2 4TP

Date: 7 August 2018

QUEENS CROSS HOUSING ASSOCIATION LIMITED

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 2018

In addition to our audit of the financial statements, we have reviewed your statements on page 11 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 any non-compliance.

Opinion

In our opinion your Statement on Internal Financial Controls on page 11 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 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.



Statutory Auditor
Chartered Accountants
168 Bath Street
Glasgow G2 4TP

Date: 7 August 2018

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Group Statement of Comprehensive Income
For the year ended 31 March 2018**

| | Note | 2018 | 2017 £ |
|---|-------------|------------------|-------------------------|
| Turnover | 4 | 23,064,299 | 25,218,676 |
| Operating expenditure | 4 | (19,682,236) | (20,915,145) |
| Operating surplus | 4 | 3,382,063 | 4,303,531 |
| Gain on disposal of property, plant and equipment | | 457,578 | 205,559 |
| Income from fixed asset investments | | 70,836 | 66,013 |
| Interest receivable and other income | 7 | 96,734 | 185,184 |
| Interest payable and similar charges | 8 | (1,182,421) | (1,327,227) |
| Surplus before tax | | 2,824,790 | 3,433,060 |
| Taxation | 12 | (2,241) | (13,189) |
| Surplus for the year | | 2,822,549 | 3,419,871 |
| Other comprehensive income | | | |
| Actuarial gain/(loss) on the defined benefit pension scheme | 31 | 1,616,000 | (827,000) |
| Total comprehensive income for the year | | <u>4,438,549</u> | <u>2,592,871</u> |

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 2018**

| | Note | 2018 £ | 2017 £ |
|---|-------------|-------------------|-------------------|
| Turnover | 4 | 21,871,202 | 23,971,223 |
| Operating expenditure | 4 | (18,623,779) | (19,756,457) |
| Operating surplus | 4 | 3,247,423 | 4,214,766 |
| Gift aid income | | 65,000 | 40,000 |
| Gain on disposal of property, plant and equipment | | 457,578 | 205,559 |
| Interest receivable and other income | 7 | 145,644 | 234,017 |
| Interest payable and similar charges | 8 | (1,182,421) | (1,327,227) |
| Surplus before tax | | 2,733,224 | 3,367,115 |
| Taxation | 12 | - | - |
| Surplus for the year | | 2,733,224 | 3,367,115 |
| Other comprehensive income | | | |
| Actuarial gain/(loss) on the defined benefit pension scheme | 31 | 1,616,000 | (827,000) |
| Total comprehensive income for the year | | 4,349,224 | 2,540,115 |

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Group Statement of Changes in Capital and Reserves at 31 March 2018

| | Share Capital £ | Revenue Reserves £ | Other Reserves £ | Total Reserves £ |
|----------------------------|--------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Balance at 1 April 2017 | 280 | 36,894,172 | 458,776 | 37,353,228 |
| Share capital issued | 3 | - | - | 3 |
| Share capital cancelled | (19) | - | - | (19) |
| Total comprehensive income | - | 4,438,549 | - | 4,438,549 |
| Transfers | - | (15,861) | 15,861 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2018 | <u>264</u> | <u>41,316,860</u> | <u>474,637</u> | <u>41,791,761</u> |

Group Statement of Changes in Capital and Reserves at 31 March 2017

| | Share Capital £ | Revenue Reserves £ | Other Reserves £ | Total Reserves £ |
|----------------------------|--------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Balance at 1 April 2016 | 320 | 34,301,301 | 458,776 | 34,760,397 |
| Share capital issued | 6 | - | - | 6 |
| Share capital cancelled | (46) | - | - | (46) |
| Total comprehensive income | - | 2,592,871 | - | 2,592,871 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2017 | <u>280</u> | <u>36,894,172</u> | <u>458,776</u> | <u>37,353,228</u> |

The notes form part of these financial statements.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Association Statement of Changes in Capital and Reserves at 31 March 2018

| | Share Capital £ | Revenue Reserves £ | Total Reserves £ |
|----------------------------|--------------------------------|-----------------------------------|---------------------------------|
| Balance at 1 April 2017 | 280 | 36,619,690 | 36,619,970 |
| Share capital issued | 3 | | 3 |
| Share capital cancelled | (19) | | (19) |
| Total comprehensive income | - | 4,349,224 | 4,349,224 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2018 | <u>264</u> | <u>40,968,914</u> | <u>40,969,178</u> |

Association Statement of Changes in Capital and Reserves at 31 March 2017

| | Share Capital £ | Revenue Reserves £ | Total Reserves £ |
|----------------------------|--------------------------------|-----------------------------------|---------------------------------|
| Balance at 1 April 2016 | 320 | 34,079,575 | 34,079,895 |
| Share capital issued | 6 | - | 6 |
| Share capital cancelled | (46) | - | (46) |
| Total comprehensive income | - | 2,540,115 | 2,540,115 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2017 | <u>280</u> | <u>36,619,690</u> | <u>36,619,970</u> |

The notes form part of these financial statements.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Group Statement of Financial Position As at 31 March 2018

| | Note | 2018 £ | 2017 £ |
|--|------|----------------------|----------------------|
| Tangible fixed assets | | | |
| Housing properties | 13 | 140,372,073 | 136,171,989 |
| Other fixed assets | 16 | 3,988,735 | 3,975,429 |
| | | <u>144,360,808</u> | <u>140,147,418</u> |
| Current assets | | | |
| Debtors (amounts falling due within one year) | 18 | 1,127,118 | 1,274,188 |
| Stock and work in progress | 19 | 2,098 | 1,870 |
| Investments | 20 | 5,335,571 | 6,632,534 |
| Cash and cash equivalents | 21 | 6,981,261 | 6,944,111 |
| | | <u>13,446,048</u> | <u>14,852,703</u> |
| Creditors: amounts falling due within one year | 22 | <u>(9,716,683)</u> | <u>(8,926,981)</u> |
| Net current assets | | <u>3,729,365</u> | <u>5,925,722</u> |
| Total assets less current liabilities | | 148,090,173 | 146,073,140 |
| Creditors: amounts falling due after more than one year | 23 | (106,122,255) | (107,021,551) |
| Pension liability | 31 | (100,000) | (1,606,000) |
| Deferred tax | 26 | (76,157) | (92,361) |
| | | <u>(106,908,412)</u> | <u>(108,719,912)</u> |
| Net assets | | <u>41,791,761</u> | <u>37,353,228</u> |
| Capital and reserves | | | |
| Share capital | 27 | 264 | 280 |
| Revenue reserve | 28 | 41,316,860 | 36,894,172 |
| Other reserves | 28 | 474,637 | 458,776 |
| | | <u>41,791,761</u> | <u>37,353,228</u> |

The financial statements were authorised for issue by the Board of Management on 7 August 2018 and were signed on its behalf by:

| | | |
|----------------|---|------------|
| Marilyn Clewes |  | Chair |
| David Horner |  | Vice Chair |
| Sadie Gordon |  | Vice Chair |

The notes form part of these financial statements.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Association Statement of Financial Position
As at 31 March 2018

| | Note | 2018 £ | 2017 £ |
|--|------|--------------------|--------------------|
| Tangible fixed assets | | | |
| Housing properties | 13 | 140,372,073 | 136,171,989 |
| Other fixed assets | 16 | 2,534,552 | 2,519,229 |
| | | <u>142,906,625</u> | <u>138,691,218</u> |
| Investments | 17 | 1 | 1 |
| | | <u>142,906,626</u> | <u>138,691,219</u> |
| Current assets | | | |
| Debtors (amounts falling due after more than one year) | 18 | 735,160 | 849,070 |
| Debtors (amounts falling due within one year) | 18 | 1,105,451 | 1,059,154 |
| Investments | 20 | 5,335,571 | 6,632,534 |
| Cash and cash equivalents | 21 | 6,019,791 | 6,250,156 |
| | | <u>13,195,973</u> | <u>14,790,914</u> |
| Creditors: amounts falling due within one year | 22 | <u>(8,911,166)</u> | <u>(8,234,612)</u> |
| Net current assets | | <u>4,284,807</u> | <u>6,556,302</u> |
| Total assets less current liabilities | | 147,191,433 | 145,247,521 |
| Creditors: amounts falling due after more than one year | 23 | (106,122,255) | (107,021,551) |
| Pension liability | 31 | (100,000) | (1,606,000) |
| | | <u>40,969,178</u> | <u>36,619,970</u> |
| Net assets | | <u>40,969,178</u> | <u>36,619,970</u> |
| Capital and reserves | | | |
| Share capital | 27 | 264 | 280 |
| Revenue reserve | 28 | 40,968,914 | 36,619,690 |
| | | <u>40,969,178</u> | <u>36,619,970</u> |

The financial statements were authorised for issue by the Board of Management on 7 August 2018 and were signed on its behalf by:

| | | |
|----------------|---|------------|
| Marilyn Clewes |  | Chair |
| David Horner |  | Vice Chair |
| Sadie Gordon |  | 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 2018

| | Notes | 2018 | 2017 |
|---|-------|-------------|--------------|
| | | £ | £ |
| Net cash generated from operating activities | 1 | 7,040,849 | 8,425,349 |
| Cashflow from investing activities | | | |
| Purchase of property, plant and equipment | | (9,748,292) | (15,448,076) |
| Proceeds from the sale of property, plant and equipment | | 777,764 | 663,860 |
| Grants received | | 107,882 | 68,931 |
| Interest received | | 96,734 | 185,184 |
| | | <hr/> | <hr/> |
| | | (8,765,912) | (14,530,101) |
| Cashflow from financing activities | | | |
| Interest paid | | (1,182,421) | (1,139,227) |
| New secured loans | | 3,000,000 | 5,000,000 |
| Repayment of borrowings | | (1,423,168) | (1,139,976) |
| Deposits in current asset investments | | 1,296,963 | (109,524) |
| Issue of share capital | | 3 | 6 |
| Income from fixed asset investments | | 70,836 | 66,013 |
| | | <hr/> | <hr/> |
| | | 1,818,213 | 2,677,292 |
| Net change in cash and cash equivalents | | 37,150 | (3,427,460) |
| Cash and cash equivalents at 1 April | | 6,944,111 | 10,371,571 |
| Cash and cash equivalents at 31 March | | 6,981,261 | 6,944,111 |
| | | <hr/> | <hr/> |
| | | 37,150 | (3,427,460) |
| | | <hr/> <hr/> | <hr/> <hr/> |

The notes form part of these financial statements.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Notes to the Group Statement of Cash Flows
For the year ended 31 March 2018**

1. Net cash generated from operating activities

| | 2018 | 2017 |
|---|------------------|------------------|
| | £ | £ |
| Surplus for the year | 2,824,790 | 3,433,060 |
| <u>Adjustments for non cash items</u> | | |
| Carrying amount of housing property disposals | 678,625 | 248,930 |
| Depreciation of property assets | 5,029,257 | 4,544,703 |
| Depreciation of other fixed assets | 185,724 | 82,572 |
| (Increase) in stock | (228) | (441) |
| Decrease in debtors | 147,070 | 1,202,824 |
| Increase in creditors | 706,973 | 51,221 |
| Proceeds from sale of tangible fixed assets | (777,764) | (663,860) |
| Repayment of HAG on disposal of housing properties | (358,439) | (204,831) |
| SHAPS past deficit movements | 56,000 | 99,429 |
| Non-cash movement relating to Strathclyde pension liability | 295,000 | 23,000 |
| Loss on disposal of other fixed assets | - | 4,540 |
| <u>Adjustments for investing and financing activities</u> | | |
| (Increase) in valuation of investment properties | - | - |
| Interest payable | 1,182,421 | 1,139,227 |
| Interest received | (96,734) | (185,184) |
| Release of deferred capital government grant | (1,934,000) | (2,904,047) |
| Pension deficit contribution paid | (824,000) | (620,000) |
| Sale of shared ownership properties | - | 2,248,341 |
| Forfeited share capital | (19) | (46) |
| Income from fixed asset investments | (70,836) | (66,013) |
| Taxation paid | (2,991) | (8,076) |
| | <hr/> | <hr/> |
| | 7,040,849 | 8,425,349 |
| | <hr/> <hr/> | <hr/> <hr/> |

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2018

1. General Information

The consolidated financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014. The principal accounting policies are set out below:

The preparation of these financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement 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 a Co-operative and Community Benefit Society Limited by shares and is incorporated in the United Kingdom. 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.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities.

2. Principal 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 2018, 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 2018 and of the results for the year ended on that date.

Going concern

The Group has a healthy cash position and the Board of Management anticipate a surplus for 2018/19 and 2019/20. 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.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2018

2. Principal 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.

The costs of cyclical and major repairs are charged to the Statement of Comprehensive Income in the year in which they are incurred.

Interest receivable

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

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2018

2. Principal 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 Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income 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 Group:

- 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.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2018

2. Principal 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 |
| Computer Equipment | - | 25% reducing balance |

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.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2018

2. Principal accounting policies (continued)

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.

Financial instruments

The Group only 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 Group 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 Group to recognise income on a systematic basis over the period in which the Group 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 Group recognises the grant in income on a systematic basis over the period in which the Group recognises the related costs for which the grant is intended to compensate.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2018

2. Principal accounting policies (continued)

Non-government capital and revenue 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.

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 Group are held on a full repairing lease. The lease termination date is 2023, and a rent review took 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 Statement of Financial Position date in the United Kingdom 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 Statement of Financial Position 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 Statement of Financial Position date.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2018

2. Principal accounting policies (continued)

Pensions (note 31)

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 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 entities 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 Group 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

Useful lives of property, plant and equipment

The main components of housing properties and their useful lives

Recoverable amount of rental and other trade receivables

The obligations under the SHAPs pension scheme and the Strathclyde pension scheme

The valuation of investment properties

Basis of estimation

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 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.

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.

This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.

The investment properties were valued by an appropriately qualified surveyor using market data at the date of valuation.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2018

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

| Group | 2018 | | | 2017 | | |
|--------------------------------|-------------------|-----------------------|------------------|-------------------|-----------------------|------------------|
| | Turnover | Operating Expenditure | Surplus /Deficit | Turnover | Operating Expenditure | Surplus /Deficit |
| | £ | £ | £ | £ | £ | £ |
| Social Lettings (Note 5) | 19,617,075 | (15,540,456) | 4,076,619 | 19,377,437 | (14,572,072) | 4,805,365 |
| Other activities (Note 6a) | 2,020,127 | (2,849,323) | (829,196) | 4,359,786 | (4,950,385) | (590,599) |
| Queens Cross Factoring Limited | 1,427,097 | (1,292,457) | 134,640 | 1,481,453 | (1,392,688) | 88,765 |
| | <u>23,064,299</u> | <u>19,682,236</u> | <u>3,382,063</u> | <u>25,218,676</u> | <u>(20,915,145)</u> | <u>4,303,531</u> |

| Association | 2018 | | | 2017 | | |
|----------------------------|-------------------|-----------------------|------------------------------|-------------------|-----------------------|------------------------------|
| | Turnover | Operating Expenditure | Operating Surplus/ (Deficit) | Turnover | Operating Expenditure | Operating Surplus/ (Deficit) |
| | £ | £ | £ | £ | £ | £ |
| Social Lettings (Note 5) | 19,617,075 | (15,540,456) | 4,076,619 | 19,377,437 | (14,572,072) | 4,805,365 |
| Other activities (Note 6b) | 2,254,127 | (3,083,323) | (829,196) | 4,593,786 | (5,184,385) | 590,599 |
| | <u>21,871,202</u> | <u>18,623,779</u> | <u>3,247,423</u> | <u>23,971,223</u> | <u>(19,756,457)</u> | <u>4,214,766</u> |

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2018

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

| Association | General Needs Housing £ | Supported Housing Accommodation £ | Shared Ownership Accommodation £ | 2018 Total £ | 2017 Total £ |
|--|-------------------------------|--|---|---------------------|---------------------|
| Income from rent and service charges | | | | | |
| Rent receivable net of service charges | 15,384,763 | 2,097,922 | 119,496 | 17,602,181 | 17,032,480 |
| Service charges | 220,072 | 30,010 | - | 250,082 | 300,860 |
| Gross income from rents and service charges | 15,604,835 | 2,127,932 | 119,496 | 17,852,263 | 17,333,340 |
| Less voids | (210,457) | (28,699) | - | (239,156) | (132,828) |
| Net income from rents and service charges | 15,394,378 | 2,099,233 | 119,496 | 17,613,107 | 17,200,512 |
| Release of deferred Government capital grants | 1,701,921 | 232,080 | | 1,934,001 | 2,106,374 |
| Grants from the Scottish Ministers | 69,967 | | | 69,967 | 70,551 |
| Total turnover from social letting activities | 17,166,266 | 2,331,313 | 119,496 | 19,617,075 | 19,377,437 |
| Expenditure | | | | | |
| Management and maintenance administration costs | (4,687,046) | (640,234) | (78,077) | (5,405,357) | (5,389,921) |
| Service charges | (40,549) | (5,529) | - | (46,078) | (82,416) |
| Planned cyclical maintenance | (1,838,324) | (250,681) | - | (2,089,005) | (1,966,470) |
| Reactive maintenance costs | (2,642,948) | (360,402) | - | (3,003,350) | (2,470,227) |
| Bad debts – rents and service charge | (134,285) | (18,312) | - | (152,597) | (118,335) |
| Depreciation of social housing* | (4,237,462) | (577,836) | (28,771) | (4,844,069) | (4,544,703) |
| Operating expenditure for social letting activities | (13,580,614) | (1,852,994) | (106,848) | (15,540,456) | (14,572,072) |
| Operating surplus on letting activities, 2018 | 3,585,652 | 478,319 | 12,648 | 4,076,619 | 4,805,365 |
| Operating surplus on letting activities, 2017 | 4,157,336 | 632,500 | 15,529 | 4,805,365 | |

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2018

- * This is made up of £4,802,089 (2017: £4,509,331) depreciation charge per note 13 and the loss on disposal of components of £42,030 (2017: £35,372) included in depreciation in accordance with the SORP as per note 13. Depreciation of £183,707(2017: 80,053) in relation to other fixed assets per note 16 is included in management and maintenance administration costs.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2018

6a. Particulars of turnover, operating expenditure and operating surplus/(deficit) from other activities

| Group | Grants from Scottish Ministers | Other revenue grants | Supporting people income | Other income | Total Turnover | | Other operating expenditure | | Operating surplus/(deficit) | |
|--|---|----------------------------|--------------------------------|------------------|-------------------|------------------|--------------------------------|--------------------|--------------------------------|------------------|
| | | | | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Wider role activities | 71,076 | 31,698 | | 38,747 | 141,521 | 209,887 | (498,124) | (569,933) | (356,603) | (360,046) |
| Development and construction of property activities | | | | | | 52,413 | (369,506) | (357,266) | (369,506) | (304,853) |
| Support activities | | 157,636 | 865,213 | 602,153 | 1,625,002 | 1,549,309 | (1,840,693) | (1,647,624) | (215,691) | (98,315) |
| Agency/management services for RSLs | | | | | | - | | | | - |
| Other agency / management services | | | | 145,000 | 145,000 | 150,111 | (141,000) | (127,221) | 4,000 | 22,890 |
| Developments for sale to RSLs | | | | | | - | | - | | - |
| Development and improvements for sale to non RSLs | | | | 20 | 20 | - | | - | | - |
| Other activities | | | | | | - | | - | | - |
| Car park income | | | | 108,584 | 108,584 | 149,725 | | - | 108,584 | 149,725 |
| Demolition Costs | | | | | | - | | - | | - |
| Shared equity property sales | | | | | | - | | | | - |
| | - | | - | | | 2,248,341 | | (2,248,341) | | - |
| Total from other activities, 2018 | <u>71,076</u> | <u>189,334</u> | <u>865,213</u> | <u>894,504</u> | <u>2,020,127</u> | | <u>(2,849,323)</u> | | <u>(829,196)</u> | |
| Total from other activities, 2017 | <u>185,628</u> | <u>858,047</u> | <u>881,700</u> | <u>2,434,411</u> | | <u>4,359,786</u> | | <u>(4,950,385)</u> | | <u>(590,599)</u> |

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.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2018

6b. Particulars of turnover, operating expenditure and operating surplus/(deficit) from other activities

| Association | Grants from Scottish Ministers | Other revenue grants | Supportin g people income | Other income | Total Turnover | | Other operating expenditure | | Operating surplus/(deficit) | |
|--|---|----------------------------|---------------------------------|------------------|-------------------|------------------|--------------------------------|--------------------|--------------------------------|------------------|
| | | | | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Wider role activities # | 71,076 | 31,698 | - | 38,747 | 141,521 | 209,887 | (498,124) | (569,933) | (356,603) | (360,046) |
| Development and construction of property activities | - | - | - | - | - | 52,413 | (369,506) | (357,266) | (369,506) | (304,853) |
| Support activities | | 157,636 | 865,213 | 602,153 | 1,625,002 | 1,549,309 | (1,840,693) | (1,647,624) | (215,691) | (98,315) |
| Agency/management services for RSLs | - | - | - | - | - | - | - | - | - | - |
| Other agency / management services | - | - | - | 379,000 | 379,000 | 384,111 | (375,000) | (361,221) | 4,000 | 22,890 |
| Developments for sale to RSLs | - | - | - | - | - | - | - | - | - | - |
| Development and improvements for sale to non RSLs | - | - | - | 20 | 20 | - | - | - | - | - |
| Other activities | - | - | - | - | - | - | - | - | - | - |
| Car park income | - | - | - | 108,584 | 108,584 | 149,725 | - | - | 108,584 | 149,725 |
| Demolition Costs | | | | | | | | | | - |
| Shared equity property sales | | | | | | 2,248,341 | | (2,248,341) | | - |
| Total from other activities, 2018 | <u>71,076</u> | <u>189,334</u> | <u>865,213</u> | <u>1,128,504</u> | <u>2,254,127</u> | | <u>(3,083,323)</u> | | <u>(829,196)</u> | |
| Total from other activities, 2017 | <u>185,628</u> | <u>858,047</u> | <u>881,700</u> | <u>2,668,411</u> | | <u>4,593,786</u> | | <u>(5,184,385)</u> | | <u>(590,599)</u> |

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.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2018

7. Interest receivable and other income

| | Group | | Association | |
|--|---------------|----------------|----------------|----------------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Interest receivable on deposits | 96,734 | 185,184 | 96,734 | 185,107 |
| Interest receivable from subsidiary loan | - | - | 48,910 | 48,910 |
| | <u>96,734</u> | <u>185,184</u> | <u>145,644</u> | <u>234,017</u> |

8. Interest payable and similar charges

| | Group | | Association | |
|--|------------------|------------------|------------------|------------------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| On private loans | 1,126,421 | 1,139,227 | 1,126,421 | 1,139,227 |
| Defined benefit finance charge (note 31) | 56,000 | 188,000 | 56,000 | 188,000 |
| | <u>1,182,421</u> | <u>1,327,227</u> | <u>1,182,421</u> | <u>1,327,227</u> |

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. 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 only.

| | 2018 £ | 2017 £ |
|---|---------------|---------------|
| Emoluments of Chief Executive (excluding pension contributions) | <u>96,355</u> | <u>93,464</u> |

Pension contributions in respect of the Chief Executive including past service deficit payments totalled £18,932 in the year.

During the year a salary sacrifice of £9,413 (2016/17 £8,558) was made by the Chief Executive to the pension scheme. This is not included within emoluments but is included within the employers' pension contribution figure disclosed.

| | 2018 £ | 2017 £ |
|---|---------------|---------------|
| Emoluments payable to highest paid director (excluding pension contributions) | <u>96,355</u> | <u>93,464</u> |

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

| | 2018 No of Directors | 2017 No of Directors |
|----------------------|----------------------------|----------------------------|
| £60,000 to £65,000 | - | 1 |
| £65,001 to £70,000 | 2 | 2 |
| £70,001 to £75,000 | - | - |
| £75,001 to £80,000 | - | - |
| £80,001 to £85,000 | - | - |
| £85,001 to £90,000 | - | - |
| £90,001 to £95,000 | - | 1 |
| £95,001 to £100,000) | 1 | - |

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2018**

9. Directors' Emoluments (continued)

| | 2018 | 2017 |
|---|-------------|-------------|
| | £ | £ |
| Total emoluments (excluding pension contributions) paid to those earning more than £60,000 and key management | 288,078 | 292,511 |
| Pension contributions of directors earning more than £60,000 for future accrual | 54,218 | 51,100 |
| Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax | 766 | 519 |

During the year a salary sacrifice of £26,951 (2016/17: £26,237) was made by key management personnel to the pension scheme. This is not included within emoluments but is included within the employers' pension contribution figure disclosed.

10. Employee Information

| | 2018 | 2017 |
|--|-------------|-------------|
| | No | No |
| The full time equivalent number of persons employed during the year was: | 210 | 208 |
| Split as: | | |
| Admin | 46 | 24 |
| Finance | 5 | 5 |
| Housing and Housing Support | 132 | 151 |
| Maintenance | 24 | 25 |
| Development | 3 | 3 |
| | 210 | 208 |
| | | |
| | 2018 | 2017 |
| | £ | £ |
| Staff costs (including Directors' Emoluments): | | |
| Wages and salaries | 5,965,929 | 5,760,543 |
| Social security costs | 551,448 | 543,044 |
| Pension costs | 611,661 | 619,532 |
| Defined benefit pension charge (note 31) | 67,000 | (4,000) |
| | 7,196,038 | 6,919,119 |

Included in wages and salaries is £87,239 (2017 £87,239) of agency staff costs.

Included in wages and salaries is £160,077 (2017: £nil) for loss of office.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2018

11. Operating Surplus

| | Group | | Association | |
|---|------------------|------------------|------------------|------------------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Operating surplus is stated after charging: | | | | |
| Depreciation (note 5) | | | | |
| - social housing | 5,029,257 | 4,509,331 | 5,029,257 | 4,509,331 |
| - loss on disposed components | 42,030 | 42,030 | 35,372 | 35,372 |
| - other fixed assets | 185,509 | 82,572 | 183,707 | 80,053 |
| Auditor's remuneration (excluding VAT) | | | | |
| - In their capacity as auditor - audit | 16,342 | 22,742 | 10,000 | 15,900 |
| - In their capacity as auditor – FRS 102 | - | - | - | - |
| - In their capacity as tax, VAT advisors | 4,650 | 4,650 | 1,200 | 1,200 |
| | <u>5,267,788</u> | <u>4,668,925</u> | <u>5,267,788</u> | <u>4,668,925</u> |

12. Taxation

| Group | 2018 £ | 2017 £ |
|---|--------------|---------------|
| Current tax on profits for the year | 18,421 | 13,189 |
| Adjustments in respect of previous years | 24 | - |
| Deferred taxation (note 26) | (16,204) | - |
| | <u>2,241</u> | <u>13,189</u> |
| The tax charge relates to Queens Cross Factoring Limited | | |
| Profit on ordinary activities before tax | 91,566 | 65,945 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax of 19% (2017: 20%) | 17,398 | 13,189 |
| Effects of: | | |
| Expenditure not allowable for tax purposes | 1,023 | - |
| Chargeable gains | - | - |
| Adjustments to tax charge in respect of previous periods | 24 | - |
| Adjustments to tax charge in respect of previous periods – deferred tax | - | - |
| Adjustment to closing deferred tax to average rate of 18% | (16,204) | - |
| | <u>2,241</u> | <u>13,189</u> |

Factors that may affect future tax charges

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020, setting the rate at 17%.

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 (2017: £nil).

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2018

| 13. Tangible Fixed Assets – Housing Properties | Housing, Properties Held for Letting | Completed Shared Ownership Properties | Housing Properties Under Construction | 2018 Total £ | 2017 Total £ |
|---|---|---|---|--------------------|--------------------|
| | £ | £ | £ | | |
| Cost | | | | | |
| As at 1 April 2017 | 166,729,257 | 1,526,996 | 7,957,975 | 176,214,228 | 163,662,728 |
| Additions during year | - | - | 345,118 | 345,118 | 3,675,068 |
| Component accounting additions | 9,204,359 | - | - | 9,204,359 | 11,577,058 |
| Disposals – property | (505,324) | - | - | (505,324) | (371,390) |
| Disposals – components | (42,030) | - | - | (42,030) | (80,893) |
| Transfers (Note 1) | <u>7,629,079</u> | <u>-</u> | <u>(7,629,079)</u> | <u>-</u> | <u>(2,248,341)</u> |
| As at 31 March 2018 | <u>183,015,341</u> | <u>1,526,996</u> | <u>674,014</u> | <u>185,216,351</u> | <u>176,214,228</u> |
| Depreciation | | | | | |
| As at 1 April 2017 | 38,732,345 | 1,309,894 | - | 40,042,239 | 35,700,889 |
| Charge for year | 4,999,043 | 30,164 | - | 5,029,207 | 4,509,331 |
| Disposals – property | (193,194) | - | - | (193,194) | (122,460) |
| Disposals – components | (33,974) | - | - | <u>(33,974)</u> | <u>(45,521)</u> |
| As at March 2018 | <u>43,504,220</u> | <u>1,340,058</u> | - | <u>44,844,278</u> | <u>40,042,239</u> |
| Net book value at 31 March 2018 | <u>139,511,121</u> | <u>186,938</u> | <u>674,014</u> | <u>140,372,073</u> | <u>136,171,989</u> |
| Net book value at 31 March 2017 | <u>127,996,912</u> | <u>217,102</u> | <u>7,957,975</u> | <u>136,171,989</u> | |

Note 1: Transfers relate to the new build shared equity properties at Panmure Gate sold in the year per note 6.

Total cost of components capitalised for the year amounted to £9,204,359 (2017: £11,577,056). The amount spent on maintenance of housing properties held for letting can be seen in Note 5.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Additions to Housing Properties during the year includes £nil capitalised interest (2017 - £nil) and £nil capitalised administration costs (2017 - £nil). All housing properties are freehold. Properties with a cost of £505,324 (2017: £371,390) and accumulated depreciation of £193,194 (2017: £33,974) have been disposed of in the year for net proceeds (after grant repaid of £358,439 (2017: £204,831)) of £411,269 (2017: £459,029). Components with a cost of £42,030 (2016: £80,893) and accumulated depreciation of £33,974 (2017: £45,521) have been disposed of for £nil (2016: £nil) net proceeds.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2018**

14. Housing Stock – Group and Association

| | Units in management | |
|---|----------------------------|-------------|
| | 2018 | 2017 |
| The number of units of accommodation in management was as follows:- | | |
| General needs housing | 3,829 | 3,772 |
| Supported housing accommodation | 510 | 510 |
| Shared ownership accommodation | 41 | 46 |
| | 4,380 | 4,328 |
| | 4,380 | 4,328 |

15. Accommodation managed by others – Group and Association

| | No of units/bedspaces | |
|------------------------|------------------------------|-------------|
| | 2018 | 2017 |
| 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 |
| | 123 | 123 |

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2018

16. Tangible Fixed Assets – Other Tangible Assets

| Group | Leasehold Property £ | Furniture, Fittings & Equipment £ | Commercial Investment Properties £ | Computer Equipment £ | 2018 Total £ | 2017 Total £ |
|-----------------------|----------------------------|--|---|----------------------------|--------------------|--------------------|
| Cost | | | | | | |
| At start of year | 1,217,587 | 499,994 | 2,860,000 | 17,203 | 4,594,784 | 4,420,033 |
| Additions during year | 6,630 | 192,185 | - | - | 198,815 | 195,952 |
| Disposals | - | (17,555) | - | - | (17,555) | (21,202) |
| | - | - | - | - | - | - |
| At end of year | 1,224,217 | 674,624 | 2,860,000 | 17,203 | 4,776,044 | 4,594,783 |
| Depreciation | | | | | | |
| At start of year | 361,305 | 246,424 | - | 11,625 | 619,354 | 553,444 |
| Charge for year | 52,280 | 131,835 | - | 1,395 | 185,510 | 82,572 |
| Write off on disposal | - | (17,555) | - | - | (17,555) | (16,662) |
| At end of year | 413,585 | 360,704 | - | 13,020 | 787,309 | 619,354 |
| Net Book Value | | | | | | |
| At 31 March 2018 | 810,632 | 313,920 | 2,860,000 | 4,183 | 3,988,735 | |
| At 31 March 2017 | 856,281 | 253,570 | 2,860,000 | 5,578 | | 3,975,429 |

The Group's commercial investment properties were revalued as at 31 March 2016 (by DM Hall Chartered Surveyors). The Board of Management are of the opinion that the valuation of the investment properties has not changed since the 2016 valuation.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2018

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

| Association | Leasehold Property £ | Furniture, Fittings & Equipment £ | Commercial Investment Properties £ | 2018 Total | 2017 Total £ |
|--|----------------------------|--|---|---------------|--------------------|
| Cost | | | | | |
| At start of year | 1,217,587 | 494,684 | 1,410,000 | 3,122,271 | 2,949,920 |
| Additions during year | 6,630 | 192,185 | - | 198,815 | 193,552 |
| Disposals | - | (17,555) | - | (17,555) | (21,202) |
| Revaluation | - | - | - | - | - |
| At end of year | 1,224,217 | 669,315 | 1,410,000 | 3,303,531 | 3,122,270 |
| Depreciation | | | | | |
| At start of year | 361,305 | 241,736 | - | 603,041 | 539,650 |
| Charge for year | 52,280 | 131,212 | - | 183,492 | 80,053 |
| Write off on disposal | - | (17,555) | - | (17,555) | (16,662) |
| At end of year | 413,585 | 355,393 | - | 768,978 | 603,041 |
| Net book value at 31 March 2018 | 810,632 | 313,922 | 1,410,000 | 2,534,553 | |
| Net book value at 31 March 2017 | 856,281 | 252,948 | 1,410,000 | | 2,519,229 |

The Association's commercial investment properties were revalued as at 31 March 2016 (by DM Hall Chartered Surveyors). The Board of Management are of the opinion that the valuation of the investment properties has not changed since the 2016 valuation.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2018**

17. Investments - Association

| | 2018 £ | 2017 £ |
|--------------------------------------|-----------|-----------|
| 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 33.

For the year ended 31 March 2018, Queens Cross Factoring Limited recorded a profit of £89,325 (2017: £52,756) and has net assets of £822,584 (2017: £733,259).

18. Debtors

| | Group | | Association | |
|--|-----------|-----------|-------------|-----------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Amounts falling due within one year: | | | | |
| Rental arrears | 760,472 | 853,798 | 760,472 | 853,798 |
| Less provision for bad debts | (338,823) | (338,819) | (338,823) | (338,819) |
| | 421,649 | 514,979 | 421,649 | 514,979 |
| Trade debtors | 52,552 | 477,760 | - | - |
| Other debtors and prepayments | 652,917 | 228,051 | 202,028 | 174,286 |
| Accrued income | | 53,398 | - | 53,398 |
| Amounts owed by the subsidiary (less than one year) | | - | 481,774 | 316,491 |
| Amounts owed by the subsidiary (more than one year) | | - | 735,160 | 849,070 |
| | 1,127,118 | 1,274,188 | 1,840,611 | 1,908,224 |
| Debtors due less than one year | 1,127,118 | 1,274,188 | 1,105,451 | 1,059,154 |
| Debtors due more than one year | | - | 735,160 | 849,070 |
| | 1,127,118 | 1,274,188 | 1,840,611 | 1,908,224 |

19. Stock and work in progress

| | Group | | Association | |
|-------|-----------|-----------|-------------|-----------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Stock | 2,098 | 1,870 | - | - |

20. Current asset investments

| | Group | | Association | |
|--|-----------|-----------|-------------|-----------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Balances held in deposit accounts greater than 3 months | 5,335,571 | 6,632,534 | 5,335,571 | 6,632,534 |

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2018**

21. Cash and cash equivalents

| | Group | | Association | |
|-----------------------------------|-----------|-----------|-------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | | £ | |
| Balances held in current accounts | 6,981,261 | 6,944,111 | 6,019,791 | 6,250,156 |

22. Creditors: amounts falling due within one year

| | Group | | Association | |
|---------------------------------------|-----------|-----------|-------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | | £ | |
| Bank loans repayable within one year | 1,822,535 | 1,814,185 | 1,822,535 | 1,814,185 |
| Trade creditors | 50,737 | 19,457 | - | - |
| SHG repayable on disposals | 991,414 | 670,868 | 991,414 | 670,868 |
| Other taxes and social security costs | 148,798 | 258,325 | 148,798 | 237,523 |
| Corporation tax | 18,421 | 13,189 | - | - |
| Other creditors | 3,925,384 | 3,346,735 | 3,189,026 | 2,772,376 |
| Deferred income | - | 64,562 | - | - |
| Deferred capital grants (note 24) | 2,103,795 | 2,106,374 | 2,103,794 | 2,106,374 |
| SHAPS pension deficit (note 31) | 655,599 | 633,286 | 655,599 | 633,286 |
| | 9,716,683 | 8,926,981 | 8,911,166 | 8,234,612 |

Included within other creditors are outstanding pension contributions totalling £116,433 (2017: £116,433).

23. Creditors: amounts falling due outwith one year

| | Group | | Association | |
|----------------------------------|-------------|-------------|-------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | | £ | |
| Bank loans | 39,214,759 | 37,324,364 | 39,214,759 | 37,324,364 |
| Deferred capital grant (note 24) | 64,973,496 | 67,155,473 | 64,973,496 | 67,155,473 |
| SHAPS pension deficit (note 31) | 1,934,000 | 2,541,714 | 1,934,000 | 2,541,714 |
| | 106,122,255 | 107,021,551 | 106,122,255 | 107,021,551 |
| Loan analysis as follows: | | | | |
| Due between one and two years | 1,822,535 | 1,814,185 | 1,822,535 | 1,814,185 |
| Due between two and five years | 18,467,605 | 15,442,555 | 18,467,605 | 15,442,555 |
| Due in five years or more | 18,924,619 | 20,067,624 | 18,924,619 | 20,067,624 |
| | 39,214,759 | 37,324,364 | 39,214,759 | 37,324,364 |

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.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2018**

24. Deferred capital grants – Group and Association

| | 2018 | 2017 |
|---|-------------------|-------------------|
| | £ | £ |
| <u>Government Capital Grants</u> | | |
| At 1 April | 69,261,847 | 72,301,794 |
| Grants received in year | 107,884 | 68,931 |
| Released to income in year (note 5) | (1,934,001) | (2,106,374) |
| Release to shared equity sales (note 6) | - | (797,673) |
| Grants repaid in the year | (358,439) | (204,831) |
| | <u>67,077,291</u> | <u>69,261,847</u> |
| | | |
| Due in less than one year | 2,103,795 | 2,106,374 |
| Due between one and two years | 2,103,795 | 2,106,374 |
| Due between two and five years | 6,311,381 | 6,319,122 |
| Due in five years or more | 56,558,320 | 58,729,977 |
| | <u>67,077,291</u> | <u>69,261,847</u> |

25. Financial Instruments

| | Group | | Association | |
|--|-------------------|-------------------|--------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | | £ | | £ |
| Cash and cash equivalents | 6,981,261 | 6,944,111 | 6,019,792 | 6,250,156 |
| Investments – deposit accounts | 5,335,571 | 6,632,534 | 5,335,571 | 6,632,534 |
| Financial assets measured at amortised cost | 623,677 | 1,108,433 | 1,840,611 | 1,877,997 |
| | <u>12,940,509</u> | <u>14,685,078</u> | <u>13,195,974</u> | <u>14,760,687</u> |
| | | | | |
| Financial Liabilities | | | | |
| Financial liabilities measured at amortised cost | <u>48,594,428</u> | <u>46,350,609</u> | <u>47,807,333</u> | <u>45,756,793</u> |

Financial assets measured at amortised cost comprise cash and cash equivalents, current asset investments, 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 and the SHAPS pension deficit.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2018**

26. Deferred tax – Group

| | 2018 | 2017 |
|---------------------------------------|---------------|---------------|
| | £ | £ |
| Accelerated capital allowances | 711 | 1,137 |
| Capital gain on investment properties | 75,446 | 91,224 |
| | <u>76,157</u> | <u>92,361</u> |

This relates to Queens Cross Factoring Limited (refer to note 12). There is no deferred tax provision in respect of the Association (2017: £nil).

27. Share Capital – Group and Association

| Shares of £1 each fully paid and issued | 2018 | 2017 |
|---|-------------|-------------|
| | £ | £ |
| At beginning of year | 280 | 320 |
| Issued during the year | 3 | 6 |
| Shares forfeited in year | (19) | (46) |
| | <u>264</u> | <u>280</u> |

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

28. Reserves

Revenue reserve

The revenue reserve includes all current and prior year retained surpluses or deficits.

Other reserves

The other reserves includes the gain on the revaluation of investment properties less the deferred tax provision in respect of the revaluation gain.

Pension reserve

The pension reserve directly offsets the defined benefit pension liability at the year end.

29. Capital Commitments – Group and Association

| | 2018 | 2017 |
|---|----------------|------------------|
| | £ | £ |
| Capital expenditure that has been contracted for but has not been provided for in the financial statements. | <u>966,284</u> | <u>6,108,076</u> |
| This is to be funded by: | | |
| SHG | - | - |
| Private Finance | - | - |
| Sales | - | - |
| Reserves | <u>966,284</u> | <u>6,108,076</u> |
| | <u>966,284</u> | <u>6,108,076</u> |
| Capital expenditure that has been approved but not contracted for | <u>-</u> | <u>-</u> |

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2018

30. Contingent asset

During the prior year a supplier of the Association, contracted as part of an energy efficiency project, went into administration. There was an over spend on this project during the year and the Association is currently pursuing recourse through the administrator. The outcome of this pursuit is uncertain and the amount that may be recovered is unknown.

31. Pensions Association

Scottish Housing Association Pension Scheme (SHAPS)

General

Queens Cross Housing Association Limited (the Association) participates in the Scottish Housing Associations' Pension Scheme, (the "Scheme"). The scheme, a multi-employer scheme which provides benefits to over 150 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme. The Scheme offers six benefit structures to employers, namely:

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

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice. The Association currently operates 3 different options as detailed below.

CARE 1/80th accrual rate

This scheme was opened to transfer existing members from the final salary scheme when it closed at 31 March 2016. The employer rates are 8.5% (2017: 8.5%) and the employee rates are 8.4% (2017: 8.4%). As at the Statement of Financial Position date there were 49 (2017: 58) active members of the Scheme employed by the Association.

CARE 1/120th accrual rate

This scheme is open to new members. The employer rates are 5.7% (2017: 5.7%) and the employee rates are 5.7% (2017: 5.7%). As at the Statement of Financial Position date there were 11 (2017: 8) active members of the Scheme employed by the Association.

Defined contribution (DC) option

This scheme is an auto enrollment scheme. The employer rates are 4% (2017: 4%) and the employee rates are 4% (2016: 4%). As at the Statement of Financial Position date there were 82 (2017: 73) active members of the Scheme employed by the Association.

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

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2018**

for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Past service deficit

| | |
|--|--|
| From 1 April 2017 to 28 February 2022: | £25,735,092 per annum (payable monthly, increasing by 3% each 1 st April) |
| From 1 April 2017 to 30 June 2025: | £727,217 per annum (payable monthly, increasing by 3% each 1st April) |
| From 1 April 2017 to 31 October 2026: | £1,239,033 per annum (payable monthly, increasing by 3% each 1st April) |

Unless a concession has been agreed with the Trustee the term to 28 February 2022 applies.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

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 2016. As of this date the estimated employer debt for the Association was £20,432,191.69 at 30 September (2017 £26,417,878).

Past service deficit repayment liability

| | 2018 | 2017 |
|--|-------------|-------------|
| | £ | £ |
| Provision at start of period | 3,175,000 | 3,695,571 |
| Unwinding of the discount factor (interest expense) | 56,000 | 161,000 |
| Deficit contribution paid | (639,000) | (620,000) |
| Re-measurements – impact of any changes in assumptions | | (61,571) |
| | <hr/> | <hr/> |
| Provision at end of period | 2,592,000 | 3,175,000 |
| | <hr/> | <hr/> |
| Liability split as: | | |
| < 1 year | 658,000 | 633,286 |
| 1-2 years | 678,000 | 639,495 |
| 2-5 years | 1,256,000 | 1,902,219 |
| > 5 years | | - |
| | <hr/> | <hr/> |
| | 2,592,000 | 3,175,000 |
| | <hr/> | <hr/> |

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2018**

Statement of Comprehensive Income Impact

| | 2018 | 2017 |
|---|----------------------|----------------------|
| | £ | £ |
| Interest expense | | |
| Re-measurements – impact of any change in assumptions | 56,000 | 161,000 (61,571) |
| Assumptions | | |
| Rate of discount | 2018 2.00% | 2017 1.06% |

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 bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

DEFICIT CONTRIBUTIONS SCHEDULE

| Year ending | 31 March 2018 (£000s) | 31 March 2017 (£000s) | 31 March 2016 (£000s) |
|--------------------|--|--|--|
| Year 1 | 658 | 639 | 620 |
| Year 2 | 678 | 658 | 638 |
| Year 3 | 698 | 678 | 657 |
| Year 4 | 659 | 698 | 677 |
| Year 5 | - | 659 | 697 |
| Year 6 | - | - | 718 |
| Year 7 | - | - | 740 |
| Year 8 | - | - | 762 |
| Year 9 | - | - | 785 |
| Year 10 | - | - | 808 |
| Year 11 | - | - | 833 |
| Year 12 | - | - | 429 |
| Year 13 | - | - | - |
| Year 14 | - | - | - |
| Year 15 | - | - | - |
| Year 16 | - | - | - |
| Year 17 | - | - | - |
| Year 18 | - | - | - |
| Year 19 | - | - | - |
| Year 20 | - | - | - |

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises. It is these contributions that have been used to derive the company's balance sheet liability.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2018**

31. Pensions (continued)

Past services deficit (continued)

Strathclyde Pension Fund

There are 19 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 2018 | 31 March 2017 |
|--------------------------|--------------------------|--------------------------|
| Price increases | 2.4% | 2.4% |
| Salary increases | 3.6% | 4.4% |
| Discount rate | 2.7% | 2.6% |

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 for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|--------------------|--------------|----------------|
| Current Pensioners | 21.4 years | 23.7 years |
| Future Pensioners | 23.4 years | 25.8 years |

Scheme assets

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

| | Value at 31 March 2018 | Value at 31 March 2017 |
|---------------------------------------|---------------------------------------|---------------------------------------|
| | £000's | £000's |
| Fair value of plan assets | 6,791 | 6,436 |
| Present value of scheme liabilities | (6,647) | (7,796) |
| Present value of unfunded liabilities | (244) | (246) |
| Net pension liability | (100) | (1,606) |

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2018

31. Pensions (continued)

Reconciliation of defined benefit obligation

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Opening Defined Benefit Obligation | 8,042,000 | 5,881,000 |
| Current Service Cost | 252,000 | 187,000 |
| Interest Cost | 212,000 | 208,000 |
| Plan participants contributions | 33,000 | 34,000 |
| Actuarial losses/(gains) | (1,570,000) | 1,848,000 |
| Past Service Costs | - | - |
| Unfunded Benefits Paid | (7,000) | (7,000) |
| Benefits Paid | (71,000) | (109,000) |
| | <u>6,891,000</u> | <u>8,042,000</u> |

Reconciliation of fair value of employer assets

| | 2018 £ | 2017 £ |
|---|------------------|--------------------|
| Opening Fair Value of Employer Assets | 6,436,000 | 5,125,000 |
| Interest income on plan assets | 169,000 | 181,000 |
| Plan participants contributions | 33,000 | 34,000 |
| Contributions by the employer | 178,000 | 184,000 |
| Contributions in respect of Unfunded Benefits | 7,000 | 7,000 |
| Actuarial gains/(losses) | 46,000 | 1,021,000 |
| Unfunded Benefits Paid | (7,000) | (7,000) |
| Benefits Paid | (71,000) | (109,000) |
| | <u>6,791,000</u> | <u>6,436,000</u> |
| Net pension liability | <u>(100,000)</u> | <u>(1,606,000)</u> |

Analysis of amounts included in the Statement of Comprehensive Income

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Expected return on pension scheme assets | 169 | 181 |
| Interest on pension scheme liabilities | (212) | (208) |
| | <u>(43)</u> | <u>(27)</u> |

| | 2018 £000'S | 2017 £'000 |
|---|----------------|---------------|
| Current service cost | 252 | 187 |
| Past service cost | - | - |
| Losses on curtailments | - | - |
| Contributions in respect of unfunded benefits | (7) | (7) |
| Contribution by employers | (178) | (184) |
| | <u>67</u> | <u>(4)</u> |

The expected employer's contribution for the year to 31 March 2019 will be approximately £190,000.

QUEENS CROSS HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2018**

31. Pensions (continued)

Analysis of amount recognised in the Statement of Comprehensive Income

| | 2018 | 2017 |
|---|------------------|------------------|
| | £ | £ |
| Actual return less expected return on scheme assets | 46,000 | 1,021,000 |
| Changes in assumptions underlying the present value of scheme liabilities | (1,570,000) | (1,848,000) |
| | <u>1,616,000</u> | <u>(827,000)</u> |
| Actuarial (loss)/gain recognised in other comprehensive income | <u>1,616,000</u> | <u>(827,000)</u> |

Change in assumption at 31 March 2018

| | Approximate % increase to Employer Liability | Approximate monetary amount (£000) |
|--|---|---|
| 0.5% decrease in Real Discount Rate | 12% | 798 |
| 0.5% increase in the Salary Increase Rate | 3% | 201 |
| 0.5% increase in the Pension Increase Rate | 8% | 579 |

32. Revenue Commitments – Group and Association

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

| | 2018 | | 2017 | |
|----------------------------|---------------------------------------|-------------------------------|---------------------------------------|-------------------------------|
| | Land & buildings £ | Other leases £ | Land & buildings £ | Other leases £ |
| Within one year | 240,000 | 47,261 | 240,000 | 23,693 |
| Between two and five years | 720,000 | - | 720,000 | - |
| More than 5 years | 960,000 | - | 1,200,000 | - |
| | <u>1,920,000</u> | <u>47,261</u> | <u>2,160,000</u> | <u>23,693</u> |
| | <u>1,920,000</u> | <u>47,261</u> | <u>2,160,000</u> | <u>23,693</u> |

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2018

33. 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 £234,000 (2017: £234,000).

Queens Cross Housing Association Limited paid on behalf of Queens Cross Factoring Limited £599,339 (2017: £505,842) of repairs, insurance, concierge, environmental and cleaning costs. This was recharged to Queens Cross Factoring Limited in the year.

Gift Aid of £65,000 (2017: £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 £241,991 (2017: £281,491) 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 £884,070. Interest of £48,910 (2017: £48,910) 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. £157,820 (2017: £95,550) was repaid in the year leaving a balance at 31 March 2018 of £775,160 (2017: £884,070). £735,160 (2017: £849,070) of this balance is due after more than one year with £40,000 (2018: £35,000) expected to be paid in 2018/19 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 £21,930 (2017: £21,076). The total rent arrears relating to tenant Board members included within debtors at the year-end is £nil (2017: £nil).

One director of Queens Cross Factoring Limited is a factored owner. The cumulative balance at 31 March 2018 in respect of these the individual are payments in advance of £302 (2017: £302).

34. 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.