

Annual Return (AR30) form

Society Name: Cube Housing Association Limited

Society Num: 2327 RS

An Annual Return must be completed by all societies registered under the Co-operative and Community Benefit Societies Act 2014 ('the Act') (including any societies previously registered under the Industrial and Provident Societies Act 1965). The Annual Return must include:

- this form;
- a set of the society's accounts; and
- where required, an audit report or report on the accounts.

A society must submit the Annual Return within 7 months of the end of the society's financial year. Failure to submit on time is a prosecutable offence.

Please note that this form, including any details provided on the form, will be made available to the public through the Mutuels Public Register.

For guidance on our registration function for societies, which includes guidance on the requirement to submit an Annual Return, please see [here](#)

2.1 What date did the financial year covered by these accounts end?

31/03/2019

3.1 Please provide the names of the people who were directors of the society during the financial year this return covers.

Some societies use the term 'committee member' or 'trustee' instead of 'director'. For ease of reference, we use 'director' throughout this form.

Name of Director	Month of Birth	Year of Birth
Peter Kelly	Nov	1970
Linda McGrory	Jul	1954
Robert Keir	Dec	1942
Jennifer Williamson	Apr	1975
Catherine Lowe	Jun	1960
William Coghill	Sep	1960
Eric Gibson	Nov	1958
William Carroll	Jul	1962

3.2 All directors must be 16 or older. Please confirm this is this case:☒ All directors are aged 16 or over**3.3 Societies are within the scope of the Company Director Disqualification Act 1986 (CDDA). Please confirm that no director is disqualified under that Act:**☒ No director is disqualified**3.4 Please state any close links which any of the directors has with any society, company or authority.**

'Close links' includes any directorships or senior positions held by directors of the society in other organisations.

Peter Kelly- Partner: Brodies LLP, Director: Wheatley Housing Group Limited, Wheatley Group Audit Committee, Atholl Incorporations Limited, Atholl Security Trustee Limited, Brodies Secretarial Services Limited, Brodies & Co. (Trustees) Limited, Applecross Nursing Home Limited
William Coghill- Business Manager: Kames Property Income Fund
Eric Gibson- Director: The Wheatley Foundation, Social Investment Scotland
Steve Scott- Director: Wheatley Solutions, Lallans Limited
Catherine Lowe- Director: Democraft Limited, JS Property (Scotland) Limited

3.5 Please provide the name of the person who was secretary at the end of the financial year this return covers.

Societies must have a secretary

Name of Secretary**Month of Birth****Year of Birth****4.1 Please confirm that:**☒ accounts are being submitted with this form☒ the accounts comply with relevant statutory and accounting requirements☒ the accounts are signed by two members and the secretary (3 signatures in total)**4.2 Based on the accounts, please provide the information requested below for the financial year covered by this return.****Number of members****Turnover**

Assets

137,034,000

Number of Employees

69

Share Capital

112

**Highest rate of interest paid
on shares**

0

4.3 What Standard Industrial Classification code best describes the society's main business?

Where more than one code applies, please select the code that you feel best describes the society's main business activity. You will find a full list of codes [here](#)

SIC Code

**Renting and operating of Housing Association real
estate (68201)**

*

Societies are required to appoint an auditor to audited unless they are small or have disapplied this requirement. For further guidance see chapter 7 of our guidance:

<https://www.fca.org.uk/publication/finalised-guidance/fg15-12.pdf>

5.1 Please select the audit option the society has complied with:

- ☒ Full Professional Audit
- ☐ Auditor's report on the accounts
- ☐ Lay Audit
- ☐ No audit

5.2 Please confirm the audit option used by the society is compliant with the society's own rules and the Act

- ☒ We have complied with the audit requirements

5.3 Please confirm any audit report (where required) is being submitted with this Annual Return

- ☒ Yes
- ☐ Not applicable

5.4 Is this society accepted by HM Revenue and Customs (HMRC) as a charity for tax purposes?

- ☒ Yes
- ☐ No

5.5 If the society is registered with the Office of the Scottish Charity Regulator (OSCR) please provide your OSCR registration number.

- ☒ Registered
☐ Not applicable

OSCR Number

SC033021

5.6 Is the society a housing association?

- ☐ No
☒ Yes

5.7 Please confirm which housing regulator you are registered with, and provide the registration number they have given you:

- ☐ Homes and Communities Agency
☒ Scottish Housing Regulator
☐ The Welsh Ministers

Scottish Housing Registration
Number

220

6.1 Is the society a subsidiary of another society?

- ☐ Yes
☒ No

6.2 Does the society have one or more subsidiaries?

(As defined in sections 100 and 101 of the Act)

- ☐ Yes
☒ No

All societies are registered meeting one of two conditions for registration. These are that the society is either:

- a bona fide co-operative society ('co-operative society'); or
- are conducting business for the benefit of the community ('community benefit society').

You must answer the questions set out in in the next section of this form, depending on which condition for registration you meet.

If you are not sure which condition for registration applies to the society please see chapters 4 and 5 of our guidance [here](#).

7.1 Condition for Registration

- ☐ Co-operative society
- ☒ Community Benefits society

Community benefit societies must answer the following questions in relation to the financial year covered by this return.

7B.1 What is the business of the society?

For example, did you provide social housing, run an amateur sports club etc.

The society is a provider of social housing.

7B.2 Please describe the benefits to the community the society delivered?

Here we are looking to see what the benefits to the community were. Community can be said to be the community at large. For example, did you relieve poverty or homelessness through the provision of social housing.

The society benefits the community by relieving poverty and homelessness through the provision of social housing.

7B.3 Please describe how the society's business delivered these benefits?

The business of the society must be conducted for the benefit of the community. Please describe how the society's business (as described in answer to question 7B.1) provided benefit to the community.

The society benefits the community through the provision, construction, improvement and management of land and accommodation.

7B.4 Did the society work with a specific community, and if so, please describe it here?

For instance, were the society's activities confined to a specific location; or to a specific group of people? Please note that in serving the needs of any defined community, the society should not inhibit the benefit to the community at large.

Cube provides relief to those in need by reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation.

7B.5 What did the society do with any surplus or profit?

For instance, did you pay a dividend to members (and if so, on what basis); did money get reinvested in the business; put into reserves; used for some other purpose?

The society re-invests any surpluses in developing its core services for the benefit of the community.

7B.6 Please state any significant commercial arrangements that the society has, or had, with any other organisation that could create, or be perceived as creating, a conflict of interest.

Please tell us how you ensured that any such conflict of interest did not prevent the society from acting for the benefit of the community.

The society does not have, or has had, any significant commercial arrangements with any other organisation that could create, or be perceived as creating, a conflict of interest.



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2019

Cube Housing Association Limited

(Co-operative & Community Benefit Society No. 2327RS)
(Scottish Housing Regulator Registration No. 220)
(Scottish Charity No. SC033021)

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2019.

Principal activities

The principal activities of Cube Housing Association Limited ("Cube" or "The Association") are the provision and management of affordable rented accommodation. The Association is a wholly owned subsidiary of The Wheatley Housing Group Limited ("WHG" or "Wheatley Group").

OPERATING REVIEW

Looking back over the year 2018/19 there is much to be proud of at Cube.

Our new-build housing programme went from strength to strength as we completed more affordable homes in Glasgow, West Dunbartonshire and East Renfrewshire. Our plans to upgrade and modernise our homes also made great progress and we retained our Investors in People Platinum status, an accolade awarded only to companies which achieve the highest standards in people practices.

We also continued our work to engage and involve tenants ever more closely in decision-making, winning a Customer Service Award at the Chartered Institute of Housing ("CIH") Scotland awards for one of our new engagement initiatives "Block Talk".

We built 179 new homes, began work on 81 more and carried out £7.7m of planned improvements on existing homes in what was the fourth year of our £40m investment programme. That brings the total investment in Cube homes since 2016/17 to £35.1m.

The roll-out of Universal Credit continued to present new challenges and hardship for many. We supported our customers and their families through this and many other challenges with personalised help delivered by our housing officers. Our wraparound services, from money, benefits and fuel advice to help with furnishing their homes, became more important than ever, particularly for those making the transition on to the new benefit.

We helped 34 people from our homes into work or training either through opportunities created by our investment and new-build contracts or through our employability schemes such as our Modern Apprenticeships.

Despite the economic challenges our communities continue to face, we can once again report a strong and improving performance in 2018/19 in many of the areas we measure. Most notably, overall customer satisfaction improved from 87% to 89%, satisfaction with our repairs service remained high at 94% and the number of tenants satisfied with opportunities for participating in decision making increased from 82% to 89%, reflecting our absolute commitment to engage and listen more closely to our customers.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (continued)

Homes and communities

Building new homes

Cube built 179 new homes over the year, 152 of them for social rent and 27 for mid-market rent, in Glasgow, West Dunbartonshire and East Renfrewshire.

The new affordable homes which were completed for people to move into included:

- 31 homes in Castlehill in Dumbarton, complete with a refurbished local shop, on a site which had lain derelict since the demolition of old tenements;
- 70 homes in Liddesdale Road in Milton, 20 of which are amenity housing for older people;
- 54 homes at Ruchill in north Glasgow;
- 52 homes at Kelvindale Place in Maryhill as part of a wider regeneration project; and
- 12 homes in Barrhead, East Renfrewshire

We also began work on 81 homes in the Vale of Leven on two sites in Balloch and one in Dumbarton.

Hundreds more homes are being built over the next few years with 89 planned in 2019/20 and a further 92 the following year.

Investing in our homes

In 2018/19, Cube invested £7.7m improving its homes and communities. This included £1.3m for the final phase of external wall insulation and new roofs at 27 blocks in Ladyton and Nobleston in West Dunbartonshire. Owners involved in this project were able to benefit from grants to help with the cost.

Residents in Broomhill in Glasgow's west end benefited from further investment in their community with environmental improvements around 5, 10 and 25 Broomhill Lane.

A total of £1.2m was invested in kitchen, bathroom and electrical wiring upgrades for customers in Wyndford, Maryhill, and in Hamilton. These customers also benefited from new smoke and heat detectors.

We improved the common areas in six multi-storeys in Broomhill and Gorget by creating modern, inviting foyers, decorating landing areas and installing new lighting. We also started upgrading the lighting in the maisonettes in Wyndford.

We invested over £1.4m further improving fire safety in our homes. This included repairing and replacing fire doors in multi-storeys and starting a programme of smoke and heat detector upgrades across all our homes.

Improving our neighbourhoods

Creating clean, green and safe neighbourhoods where people are proud to live remained one of our priorities.

Wheatley's Community Improvement Partnership ("CIP") – made up of seconded police and fire officers and our own staff – continued to work with Cube communities to tackle anti-social behaviour, crime and fire safety.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (continued)

Our *Stay Safe* campaign, aimed at promoting safety messages to customers, saw another 79 home safety visits in Cube homes. Home safety visits, carried out by an officer from Scottish Fire and Rescue Service, are key to helping prevent fires in our homes. Across Wheatley there was an 81% increase in the uptake of home safety visits – up from 1,550 in 2017/18 to 2,812 in 2018/19 – with the total number of fires in our homes falling by 11%.

We resolved 98.4% of all anti-social cases reported to us within timescales agreed locally.

We introduced a new Neighbourhood Environmental Office in Wyndford to offer more safety and security to our customers.

Through our pioneering partnership with Keep Scotland Beautiful, we developed a way of assessing our environments which involves both staff and customers. We were delighted that some of Cube's neighbourhoods achieved a 5-star award in 2018/19. Overall tenants' satisfaction with the management of their neighbourhood was 83% and this is an area we are keen to improve upon with a number of actions to take place in 2019 to improve satisfaction further.

Our repairs service

We continued our mission to improve our repairs and maintenance service because we recognise this is important to our customers. We were delighted that tenant satisfaction with the service remained at 94% for the second year in a row.

We reduced the average time taken for emergency repairs to be carried out slightly to an average of 2.5 hours, down from 2.8 hours the previous year and from 4.7 in 2013/14.

Non-emergency repairs took an average of 5.1 working days, up slightly from 4.9 working days the previous year but still significantly better than our performance of 6.3 days in 2013/14.

We kept 100% of repairs appointments and 96.6% of repairs were completed right first time.

We continued working with City Building (Glasgow) LLP, jointly owned since 2017 by our parent company Wheatley Housing Group Limited, on further improving and modernising the service to make the overall customer experience even better over the next year.

Rents and value for money

Moving on to Universal Credit caused unprecedented challenges for many of our customers and we worked hard to help them access support available and to pay their rent and other household bills. Our gross rent arrears increased slightly to 4.9% from 4.6% the previous year, while rent collection – at almost 99% – remained steady despite the economic difficulties facing our communities.

The percentage of tenants who feel the rent for their home represents good value for money decreased to 64% in 2018/19. We will continue to work with customers over the next year to ensure they get as much value from their home and our services as they can.

Supporting tenants through the difficulties of welfare reform will continue to be a focus in the year ahead.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (continued)

Engaging with customers

Engaging more effectively with our communities was high on our agenda as Wheatley Group commissioned international research into how organisations can best involve their customers and communities. The study – carried out by The Democratic Society and published in January 2019 – drew on best practice from around the world – from Antwerp to Oldham; Oslo to Estonia; and Rio de Janeiro to Vienna.

The resulting report outlined fresh approaches, tools and techniques for how organisations across the UK, particularly the housing sector, can better engage with people in the communities they serve.

We now have a renewed focus on engaging with our communities in new and innovative ways following the research.

We launched our *Block Talk* initiative reaching out to tenants in our multi-storeys with help and advice, answering questions and gathering feedback.

We also engaged with hundreds of tenants through our summer fun days and festive events, including a Christmas visit from Santa's reindeers to our Wyndford estate.

Working with partners, our Wyndford Heritage Project was an outstanding celebration of the history of Wyndford. In the last year we've held archaeological digs, history sessions, curated museum pieces, written a drama and filmed a documentary. We've even rebuilt the Wyndford Barracks in Minecraft, a popular computer game.

We also helped to fund photography workshops, together with West Dunbartonshire Council, leading to an exhibition of our tenants' work.

Our tenants' forums and customer forums, including the scrutiny panel, African Forum and Polish Forum continue to meet and shape what we do.

In April 2018 our housing officers began working with new tablet computers. This gives them much more scope to be out and about in their communities, engaging directly with customers in their homes, helping them access services and supporting them to get online.

We also reached out to more tenants through online channels, with nearly 830 people following us on our Facebook page and our website audience growing steadily with around 3,800 visitors a month. In 2018/19, we added new support and advice sections on the Cube website, including expert advice on how to stay safe at home and information for people affected by Universal Credit. The new Community News section reports on how we support local projects in our neighbourhoods and showcases great examples of how we're helping keep our areas clean and tidy.

More than 1,200 tenants were registered for online self-service at the end of the financial year with more than £872,000 in payments made using a My Cube online account.

The percentage of tenants who felt Cube was good at keeping them informed about their services and decisions was 91% while the percentage of tenants satisfied with opportunities to participate in decision-making increased from 82% to 89%.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (continued)

Supporting our customers

As Universal Credit was rolled out in our communities, affecting thousands of households, it became more important than ever to support tenants and their families.

We brought the delivery of all our support and wraparound services together in a new division – Wheatley 360. This makes it easier for people to access the right package of services for them at any one time, including benefits, money and fuel advice, help with furniture or support to put food on the table.

In November we launched *MyHousing*, our new online advice, information and letting service, which gives people tailored help with their housing and an improved website for people to apply for housing, view available homes and note interest.

Through our *Livingwell* services, delivered by our sister organisation Loretto Care, we supported hundreds of our older tenants to live independently at home. Through our Wheatley Works service, run by our charitable trust the Wheatley Foundation, we supported more customers into work and training.

Working with Wheatley Foundation and *Wheatley 360*, we:

- Created opportunities which supported 34 Cube customers into work or training.
- Supported 201 new tenants with household budgeting, running a home and settling into their community through *My Great Start*.
- Put food on the table in 81 homes through our *EatWell* service.
- Gave 76 tenants upcycled furniture through our *Home Comforts* service.
- Awarded seven young people from our homes a bursary to go to university or college.
- Provided free books every month for 42 children under five in our homes through the Dolly Parton Imagination Library initiative.

Independent auditor

A resolution for the re-appointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (Continued)

FINANCIAL REVIEW

Income

The Association's turnover (excluding any gain on disposal of fixed assets and finance income) for the year ended 31 March 2019 totalled £27,434k (2018: £20,309k). The main source of income was net rental and service charge income of £16,997k (2018: £15,850k), with the remainder including:

- £8,728k of grant income recognised in relation to capital investment and the new build programme (2018: £3,569k);
- £1,709k of income from other activities including the district heating scheme, development and construction of property, factoring, mid-market rental income, owners' improvements and other income (2018: £890k).

Expenditure

Operating costs in the year totalled £17,574k (2018: £13,952k), largely comprising of the following:

- Management and maintenance administration costs associated with affordable letting activities totalling £3,248k (2018: £2,948k).
- £1,494k of reactive maintenance costs to our social letting properties (2018: £1,312k).
- £2,124k of planned and cyclical maintenance costs to our social housing properties (2018: £2,377k).
- Depreciation expenditure for social and non-social housing assets of £7,123k (2018: £5,178k).

The Association generated an operating surplus of £6,642k or 24% (2018: £6,247k or 31%) for the year, which includes losses on the revaluation of investment properties held and transfer of grant to Lowther Homes Limited ("Lowther") on disposal of the related mid-market rent units to Lowther. Excluding the revaluation losses of £1,213k (2018: £110k) and the transfer of grant on mid-market properties of £2,005k (2018: nil), the underlying operating surplus was £9,860k or 36% (2018: £6,357k or 31%).

In the year the Association disposed of 5 shared ownership properties (2018: 9 disposals, shared ownership and Right To Buy) reporting a gain of £33k (2018: net loss £238k). Other expenditure in the year included £2,180k of interest due on housing loans (2018: £2,921k).

Total comprehensive income for the year of £5,219k (2018: £5,879k) includes the increase in value of social housing properties of £257k (2018: £3,084k increase) and an actuarial gain of £525k (2018: £222k loss) in respect of the SHAPS pension scheme.

Cashflows

The cash flow statement of the Association is shown on page 18. Cube generated £5,904k from operating activities (2018: £3,668k). Cash and cash equivalents in the year decreased by £962k (2018: increased by £1,315k), primarily due to the timing of intra-group loan draw downs and settlement of intra-group balances.

Rental debtors

At the 31 March 2019, the Association had rent arrears of £620k offset by bad debt provisions of £406k (2018: £518k and £244k respectively).

DIRECTORS' REPORT (Continued)

FINANCIAL REVIEW (continued)

Liquidity

Cube reported net current liabilities of £9,620k as at 31 March 2019 – a decrease of £4,514k from the net current liability of £14,134k reported as at 31 March 2018. The movement in the year results from an increase in intra-group balance receivable at the year end and a reduction in short term deferred grants.

Capital structure and treasury

The Association's activities are funded on the basis of a Business Plan which is updated annually. Cube's long-term funding is provided through the Group financing subsidiary Wheatley Funding No. 1 Limited (WFL1"), as detailed in note 20. The Association has access to an intra-group facility of £94m through WFL1. Interest rate risk is managed at a Group level by WFL1.

Investment in tenants' homes

During the year we invested £7,651k in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £130,927k (2018: £117,132k).

New Build

During the financial year we completed 179 new build properties across three local authority areas. Our new build programme invested £16,201k in the year. The Business Plan includes a further projected spend of £49,345k on the new build programme in Cube over the next five years.

Reserves policy

Under the Statement of Recommended (Accounting) Practice ("SORP") 2014 and Financial Reporting Standard ("FRS") 102, the Association operates with one principal reserve; a revenue reserve.

Revenue reserve

Revenue reserves include historic grant received in respect of the following:

- new build housing properties
- specific projects for which subsidy has been received, such as investment in the energy efficiency of our homes

These grants have been invested for the specific purposes prescribed in the related grant conditions, with this activity typically resulting in an increase in the value of housing properties in the Association's Statement of Financial Position. The Association has no ability to realise new cash from this element of reserves, since selling the related assets which were constructed or improved with the grant funds would trigger clawback conditions and require repayment of grant to the Scottish Government or other grant providers. Furthermore, it is not the Association's policy to sell social housing assets; on the contrary, continuing to own and support these while providing excellent services to customers is core to the Association's charitable purpose.

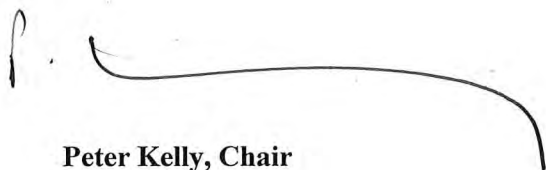
The revenue reserve includes revaluation gains on investment properties, such as any mid-market rent homes which are leased to and managed by Lowther Homes. Under FRS 102, gains or losses on investment properties must be taken to profit and loss, and therefore form part of the general revenue reserve. These gains are not available to be realised in cash, since selling the Association's interest in any mid-market rent properties would trigger grant clawback and would run counter to the Association's core charitable objective of supporting the provision of a range of affordable housing solutions to be provided for its customers.

DIRECTORS' REPORT (Continued)

FINANCIAL REVIEW (continued)

The residual amount of revenue reserves, not represented by grant or gains on investment properties, may be invested by the Association in line with its 30-year business plan financial projections. Such investment is subject to the Association maintaining a viable financial profile over the life of its business plan, as well as approval by the Wheatley Group Board. In approving the Association's business plan annually, the Wheatley Group Board will take into account projected compliance with the loan covenants which apply to the Wheatley RSL Borrower Group, as well as the impact of sensitivity analysis and other risk factors which may apply.

By order of the Board



Peter Kelly, Chair

20 August 2019

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

DIRECTORS' REPORT (Continued)

CUBE HOUSING ASSOCIATION BOARD AND RELATED MATTERS

Directors and directors' interests

The directors of the Association who held office during the year and up to the signing of the financial statements were:

Peter Kelly (Chair)
Catherine Lowe (Vice Chair)
William Carroll
Bill Coghill
Robert Keir*
Linda McGrory*
Steve Scott
Jennifer Williamson*
Eric Gibson (Appointed 14 August 2018)

* tenant of the Association

No directors who held office during the year held any disclosable interest in the shares of the company.

Creditor payment policy

Cube agrees payment terms with its suppliers when it enters into contracts. The average creditor payment period for the year was within 30 days.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant information of which the Association's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

DIRECTORS' REPORT (Continued)

CUBE HOUSING ASSOCIATION BOARD AND RELATED MATTERS (continued)

DIRECTORS' STATEMENT ON INTERNAL FINANCIAL CONTROL

The Directors acknowledge their responsibility for ensuring that the Association has in place systems of control that are appropriate to its business environment.

- The reliability of financial information within the Association, or for publication;
- The maintenance of proper accounting records;
- The safeguarding of assets against unauthorised use or disposition.

The systems of internal financial control, which are under regular review, are designed to manage rather than to eliminate risk. They can only provide reasonable and not absolute assurance against material misstatement or loss.

The key procedures which have been established are as follows:

- Detailed standing orders covering Board structure, election, membership and meetings;
- Financial regulations and procedures with clear authorisation limits;
- Regular Board meetings, focusing on areas of concern, reviewing management reports;
- Audit and Compliance reporting focussing on areas of concern and reviewing management reports;
- Regular review of cashflow and loan portfolio performance;
- Regular review of tendering process, rent accounting, arrears control and treasury management;
- Segregation of duties of those involved in finance;
- Identification and monitoring of key risks by the management committee; and
- Monitoring the operation of the internal financial control system by considering regular reports from management, internal and external auditors and ensuring appropriate corrective action is taken to address any weaknesses.

The Directors confirm that they have reviewed the effectiveness of the systems of internal control. No weaknesses have been found which would have resulted in material losses, contingencies or uncertainties which require to be disclosed in the financial statements.

DIRECTORS' REPORT (Continued)

CUBE HOUSING ASSOCIATION BOARD AND RELATED MATTERS (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standard FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

In preparing these 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 UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Peter Kelly, Chair

20 August 2019

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

INDEPENDENT AUDITOR'S REPORT TO CUBE HOUSING ASSOCIATION

Opinion

We have audited the financial statements of Cube Housing Association ("the association") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the association as at 31 March 2019 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the association or to cease its operations, and as they have concluded that the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the association's business model, including the impact of Brexit, and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the association will continue in operation.

Other information

The association's Board is responsible for the other information, which comprises the Directors' Report and the Directors' Statement on Internal Financial Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

INDEPENDENT AUDITOR'S REPORT TO CUBE HOUSING ASSOCIATION

(continued)

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Directors' Statement on Internal Financial Control on page 11 does not provide 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; or
- in our opinion, the Directors' Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 12, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing 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 it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.


A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO CUBE HOUSING ASSOCIATION

(continued)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Shaw

for and on behalf of KPMG LLP, Statutory Auditor

KPMG LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006.

Chartered Accountants

KPMG LLP

319 St Vincent Street, Glasgow, G2 5AS

17 September 2019

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 MARCH 2019**

	Note	2019 £'000	2018 £'000
Turnover	3	27,434	20,309
Operating expenditure	3	(17,574)	(13,952)
Other losses	3	(3,218)	(110)
Operating surplus		<u>6,642</u>	<u>6,247</u>
Gain/(loss) on disposal of fixed assets	10	33	(238)
Finance income	11	2	-
Finance charges	12	(2,240)	(2,992)
Increase in valuation of social housing properties	15	257	3,084
Surplus for the financial year		<u>4,694</u>	<u>6,101</u>
Actuarial gain/(loss) in respect of pension schemes	22	525	(222)
Total comprehensive income for the year		<u><u>5,219</u></u>	<u><u>5,879</u></u>

All amounts relate to continuing operations.

The notes on pages 20 to 41 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2019

	Revenue Reserve £'000
Balance at 1 April 2017	27,022
Total comprehensive income	5,879
Balance at 31 March 2018	<u>32,901</u>
Total comprehensive income	5,219
Balance at 31 March 2019	<u>38,120</u>

All amounts relate to continuing operations.

The notes on pages 20 to 41 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	<i>Note</i>	2019 £'000	2018 £'000
Fixed assets			
Social housing properties	15	130,927	117,132
Other tangible assets	16	4,097	3,310
Investments	17	2,010	5,900
		<u>137,034</u>	<u>126,342</u>
Current assets			
Trade and other debtors	18	3,749	1,707
Cash and cash equivalents		<u>1,606</u>	<u>2,568</u>
		5,355	4,275
Creditors: amounts falling due within one year	19	(14,975)	(18,409)
Net current liabilities		<u>(9,620)</u>	<u>(14,134)</u>
Total assets less current liabilities		127,414	112,208
Creditors: amounts falling due after more than one year	20	(87,796)	(76,775)
Provisions for liabilities			
Pension liability	22	(1,498)	(2,532)
Total net assets		<u>38,120</u>	<u>32,901</u>
Reserves			
Share capital	21	-	-
Revenue reserve		38,120	32,901
Total reserves		<u>38,120</u>	<u>32,901</u>

These financial statements were approved by the Board on 20 August 2019 and were signed on its behalf on 20 August 2019 by:

Peter Kelly
Chair

Eric Gibson
Board Member

Anthony Allison
Secretary

The notes on pages 20 to 41 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	<i>Note</i>	2019 £'000	2018 £'000
Net cash generated from operating activities	24	<u>5,904</u>	<u>3,668</u>
Cash flows from investing activities			
Improvement of properties – housing stock		(7,616)	(13,501)
New build		(16,624)	(13,069)
Improvement of properties - investment		(1)	(58)
Purchase of other fixed assets	16	(1,064)	(32)
Proceeds from sale of fixed assets		4,173	314
Grants received		4,216	8,335
Interest received		<u>2</u>	<u>-</u>
Net cash used in investing activities		(16,914)	(18,011)
Cash flows from financing activities			
Interest paid		(3,352)	(3,342)
Loan repayments		(5,000)	-
Intra-group loan drawn down		<u>18,400</u>	<u>19,000</u>
		10,048	15,658
Net change in cash and cash equivalents		(962)	1,315
Cash and cash equivalents at 1 April		2,568	1,253
Cash and cash equivalents at 31 March		<u>1,606</u>	<u>2,568</u>

The notes on pages 20 to 41 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. Legal status

Cube Housing Association Limited ("Cube" or "the Association") is registered under the Co-operative and Community Benefit Societies Act 2014 and is a housing association registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The association provides social housing and associated services for general needs, supported housing and shared equity. The registered office is Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL. The Association is a public benefit entity.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, to all periods presented in these financial statements.

Basis of accounting

The financial statements of the Association are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Determination of Accounting Requirements 2014, and under the historical cost accounting rules, modified to include the revaluation of properties held for letting and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 ("SORP 2014"), issued by the National Housing Federation, and under FRS 102. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis after consideration of the future prospects for the Association and the preparation of long term financial forecasts and plans which include an assessment of the availability of funding, the certainty of cash flow from the rental of social housing stock. Whilst the Statement of Financial Position shows net current liabilities, a loan facility is in place which allows the Association to borrow sufficient funds to meet its current liabilities as they fall due.

Discount rates have been used in the valuation of housing properties and in the assessment of the fair value of financial instruments. The rates used are subject to change and are influenced by wider economic factors over time.

Accounting judgements and estimations

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors.

Judgements have been made in:

- Determining the appropriate discount rates used in the valuation of housing and investment properties;
- Component accounting and the assessment of useful lives;
- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

Related party disclosures

The Company has taken advantage of the exemption, available under FRS 102, from disclosing related party transactions with wholly owned entities that are part of the Wheatley Housing Group Limited.

Turnover

Turnover represents income receivable from lettings and service charges, fees receivable, grants and other income. Turnover is recognised when there is entitlement, any performance conditions attached have been met, it is probable income will be received and the amount can be realised reliably. Income received in advance is treated as deferred income.

Grant income

Where grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, which are held at valuation, it is recognised as income using the performance model in accordance with the SORP 2014. Prior to satisfying the performance conditions, capital grant is held as deferred income on the Statement of Financial Position.

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

Supported housing

Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation, except for staffing and running costs for which the level of expenditure is directly attributable.

Financial instruments

Loans provided to some subsidiary members of the Group by the banking syndicate through the subsidiary, Wheatley Funding Number 1 Limited ("WFL1"), are classed as basic under the requirements of FRS 102, and are measured at amortised cost. In the case of payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments. All financial assets and liabilities are held at amortised cost.

Deposits and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

Pensions

The Association previously participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS") Defined Benefit Pension Scheme. The scheme is now closed, with members transferring to the SHAPS Defined Contribution Scheme on 1 September 2014. Retirement benefits to employees are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. In accordance with FRS 102, the Association's share of the scheme assets and liabilities have been separately identified and are included in the Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Association's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the Statement of Comprehensive Income as actuarial gain or loss on pension schemes.

A Wheatley Group defined contribution scheme administered by the Salvus Master Trust has also been made available to all employees.

Fixed assets - housing properties

In accordance with SORP 2014, the Association operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

- **Valuation of Social Housing Stock**

Social housing properties are valued annually on an Existing Use Value for Social Housing ("EUVS-H") basis by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation. Annual valuation movements are reported in the Statement of Comprehensive Income. Housing properties are initially stated at cost, being purchase price together with the cost of capitalised improvement works and repairs that result in incremental future benefits from the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

- **Depreciation and Impairment**

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Association's asset management strategy and the requirement of the Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Association has taken account of views provided by both internal and external professional sources. Freehold land is not subject to depreciation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following rates:

	Economic Life
Land	Not depreciated
Bathrooms	25 years
External environment	20 years
External wall finishes	35 years
Heating system boiler	12 years
Internal works & common areas	20 years
Kitchens	20 years
Mechanical, Electrical & Plumbing	25 years
Structure & roofs	50 years
Windows and doors	30 years

Housing assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion.

Where there is evidence of impairment, the fixed assets are written down to the fair value after deducting costs to sell, and any write down is charged to operating surplus.

• New Build

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

The Association's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Interest costs directly attributable;
- Development expenditure including direct development staff costs;
- The cost of packages of work completed on void properties;
- An element of frontline staff costs attributable to development activity; and
- Other directly attributable internal and external costs.

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the schemes will not be developed to completion.

Non-housing properties

Housing for Mid-Market Rent properties are valued on an open market value subject to tenancies basis at the date of the Statement of Financial Position by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation and are held as investment properties and not subject to depreciation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised improvement works.

Mid-market rent properties owned by the Association are currently leased to Lowther Homes Limited at the prevailing market rate. These properties are managed by Lowther Homes Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

Housing Association Grant and other capital grants

Housing Association Grant ("HAG") is received from central government agencies and local authorities and is utilised to reduce the capital cost of housing properties.

HAG is recognised as income in the Statement of Comprehensive Income under the performance model. HAG due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the Statement of Comprehensive Income within turnover. Grant received in respect of revenue expenditure is recognised as income in the period to which it relates.

Properties are disposed of under the provisions contained in the Housing (Scotland) Act 2014. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is accounted for as a liability. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay is disclosed as a contingent liability.

Other tangible fixed assets

For other tangible fixed assets, depreciation is charged on a straight-line basis over the expected useful economic lives of fixed assets to write off the cost, or valuation, less estimated residual values over the following expected lives. Assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion, at the following rates:

	Economic Life
Combined Heat & Power plant (cost)	30 years
Community infrastructure (cost)	20 years
Office improvements (cost)	10 years
Furniture, fittings and office equipment (cost)	3 years

Creditors

Work undertaken on capital projects is recognised as a capital addition in the month of completion. Where arrangement for payment is in future years, an amount equal to the balance outstanding to the contractor is shown as a creditor. This arrangement exists for work undertaken on lifts.

Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Provisions

The Association only provides for liabilities at the year-end date where there is a legal or constructive obligation incurred which will likely result in the outflow of resources.

Taxation

The Association is considered to pass the tests as set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Association is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part II Corporation Tax Act 1992 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

Value Added Tax

The Association is registered for VAT. A large proportion of its income, including rental receipts, is exempt for VAT purposes.

3. Particulars of turnover, operating expenditure and operating surplus

	Turnover	2019 Operating Costs	Other Losses	Operating Surplus/ (Deficit)	2018 Operating Surplus/ (Deficit)
	£ 000	£ 000	£000	£ 000	£ 000
Affordable letting activities (note 4)	25,725	(14,827)	-	10,898	6,902
Other activities (note 5)	1,709	(2,747)	-	(1,038)	(545)
Loss on investment activities (note 17)	-	-	(1,213)	(1,213)	(110)
Grant transferred on disposal of properties (note 9)	-	-	(2,005)	(2,005)	-
Total	27,434	(17,574)	(3,218)	6,642	6,247
Total for previous reporting year	20,309	(13,952)	(110)	6,247	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

4. Particulars of turnover, operating expenditure and operating surplus from affordable letting activities

	General Needs Social Housing £'000	Supported Social Housing Accommodation £'000	Shared Ownership Housing £'000	2019 Total £'000	2018 Total £'000
Rent receivable net of service charges	14,768	1,721	79	16,568	15,585
Service charges	247	432	5	684	544
Gross income from rents and service charges	15,015	2,153	84	17,252	16,129
Less rent loss from voids	(135)	(120)	-	(255)	(279)
Net income from rents and service charges	14,880	2,033	84	16,997	15,850
Grants released from deferred income	8,728	-	-	8,728	3,569
Total turnover from affordable letting activities	23,608	2,033	84	25,725	19,419
Management and maintenance administration costs	(3,046)	(177)	(25)	(3,248)	(2,948)
Service costs	(278)	(487)	(6)	(771)	(777)
Planned and cyclical maintenance including major repairs costs	(2,008)	(116)	-	(2,124)	(2,377)
Reactive maintenance costs	(1,413)	(81)	-	(1,494)	(1,312)
Bad debts – rents and service charges	(324)	(19)	-	(343)	(128)
Depreciation of social housing	(6,452)	(373)	(22)	(6,847)	(4,975)
Operating costs from social letting activities	(13,521)	(1,253)	(53)	(14,827)	(12,517)
Operating surplus from social lettings	10,087	780	31	10,898	6,902
Operating activities for affordable letting activities for the previous reporting year	6,117	750	35	6,902	

The disclosure of turnover, operating costs and operating surpluses from affordable letting activities reflects the requirements of the Housing SORP 2014.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

5. Particulars of turnover, operating expenditure and operating deficit from other activities

	Grants from Scottish Ministers £'000	Other Income £'000	Total Turnover £'000	Operating Costs Other £'000	2019 Operating Surplus/ (Deficit) £'000	2018 Operating Surplus/ (Deficit) £'000
Development and construction of property activities	-	443	443	(556)	(113)	-
Depreciation – non social housing	-	-	-	(276)	(276)	(203)
District heating scheme	-	281	281	(572)	(291)	(101)
Factoring	-	104	104	(109)	(5)	(38)
Investment property activities	-	189	189	-	189	318
Organisation restructuring	-	-	-	(88)	(88)	(168)
Owners' improvement activities	-	437	437	(535)	(98)	-
Other income	-	215	215	(4)	211	111
Wider role activities to support the community	-	40	40	(607)	(567)	(464)
Total from other activities	-	1,709	1,709	(2,747)	(1,038)	(545)
Total from other activities for the previous reporting year	17	873	890	(1,435)	(545)	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

6. Board members' emoluments

Board members received £nil (2018 nil) by way of reimbursement of expenses.

7. Key management emoluments

	2019 £'000	2018 £'000
Aggregate emoluments payable to key management (including pension contributions and benefits in kind)	274	194
Pension contributions made on behalf of key management	44	31
Emoluments payable to highest paid key management	98	96
Pension contributions	19	18
Total emoluments payable to the highest paid key management	117	114

During the periods the key management's emoluments (excluding pension contributions) fell within the following band distributions:

	No.	No.
£60,001 to £70,000	2	1
£90,001 to £100,000	1	1

The senior officers are defined for this purpose as the Managing Director and any person reporting directly to the Managing Director earning at the rate of over £60,000 per annum. Emoluments include relocation expenses where appropriate.

There were three senior officers in post during the year:

David Mackenzie	Managing Director
Ann-Marie Fontana	Head of Housing Services
Anthony Holsgrove	Head of Property Services

8. Employees

	2019 No.	2018 No.
The average monthly number of full time equivalent persons employed during the year was	67	64
The average total number of employees employed during the year was	69	65
	2019 £'000	2018 £'000
Staff costs (for the above persons)		
Wages and salaries	1,973	1,881
Social security costs	203	203
Pension costs	756	743
FRS 102 pension adjustment	(587)	(589)
	2,345	2,238

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

9. Transfer of grant on disposal

On 31 October 2018 the Association sold 68 mid-market rent (“MMR”) properties to Lowther Homes Limited (“Lowther”). The difference between the consideration paid by Lowther and the carrying value of the properties relates to the transfer of grant received by the Association, on the original construction of the properties, to Lowther. All obligations under the grant agreement in relation to the properties sold transfers to Lowther Homes. This grant was originally recognised as income in the Statement of Comprehensive Income by the Association on completion of the properties.

	2019 £'000	2018 £'000
Proceeds from disposal of properties	3,896	-
Value of properties disposed	(5,901)	-
Grant transferred on disposal	(2,005)	-

10. Gain/(loss) on disposal of fixed assets

	2019		2018		
	Shared Ownership Properties £'000	Total £'000	Housing Properties held for Letting £'000	Shared Ownership Properties £'000	Total £'000
Sale proceeds	277	277	256	58	314
Value of properties/components disposed	(244)	(244)	(482)	(70)	(552)
Gain/(loss) on disposal of housing stock	33	33	(226)	(12)	(238)

11. Finance income

	2019 £'000	2018 £'000
Bank interest receivable on deposits in the year	2	-

12. Finance charges

	2019 £'000	2018 £'000
Interest payable on housing loans	2,180	2,921
Net interest charge on pension liability	60	71
	2,240	2,992

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

13. Auditor's remuneration

	2019 £'000	2018 £'000
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	12	12

14. Financial commitments

Capital commitments

All capital commitments of the Association were as follows:

	2019 £'000	2018 £'000
Expenditure contracted for, but not provided in the financial statements	5,916	11,291
Expenditure authorised by the Board but not contracted	813	948
	<u>6,729</u>	<u>12,239</u>

Capital commitments are funded through a combination of grant received from the Scottish Government in relation to our new build programme, operating surplus generated by the Association, and private funding.

Operating leases

At 31 March the Association had total commitments under non-cancellable operating leases as follows:

	2019 £'000	2019 £'000	2018 £'000	2018 £'000
	Land and Buildings	Other	Land and Buildings	Other
Commitments falling due:				
Within one year	117	94	116	95
In the second to fifth years inclusive	344	376	458	376
Over five years	-	164	48	258
	<u>461</u>	<u>634</u>	<u>622</u>	<u>729</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

15. Social Housing Properties

	Housing Properties Held for Letting £'000	Shared Ownership Properties £'000	Housing Under Construction £'000	Total £'000
At valuation				
At 1 April 2018	98,524	1,550	17,058	117,132
Additions	7,651	-	16,201	23,852
Disposals	(1,151)	(246)	-	(1,397)
Transfer	19,073	(44)	(22,252)	(3,223)
Revaluation	(5,531)	94	-	(5,437)
At 31 March 2019	<u>118,566</u>	<u>1,354</u>	<u>11,007</u>	<u>130,927</u>
Depreciation				
At 1 April 2018	-	-	-	-
Charge for year	5,685	22	-	5,707
Disposals	(11)	(2)	-	(13)
Revaluation	(5,674)	(20)	-	(5,694)
At 31 March 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value - valuation				
At 31 March 2019	<u>118,566</u>	<u>1,354</u>	<u>11,007</u>	<u>130,927</u>
At 31 March 2018	<u>98,524</u>	<u>1,550</u>	<u>17,058</u>	<u>117,132</u>
Net Book Value - cost				
At 31 March 2019	<u>170,148</u>	<u>981</u>	<u>11,006</u>	<u>182,135</u>
At 31 March 2018	<u>150,248</u>	<u>1,171</u>	<u>17,059</u>	<u>168,478</u>

Total expenditure in the year on existing properties was £11,269k (2018: £15,987k). Of this, repair costs of £3,618k (2018: £3,689k) were charged to the Statement of Comprehensive Income (note 4) and capital works of £7,651k (2018: £12,298k) were included as additions to properties held for letting on the Statement of Financial Position (note 15). Additions to core stock in the year of £7,651k (2018: £12,298k) in the year include:

- £5,038k for the improvement of components including £1,817k on fire safety upgrade works, £173k in relation to medical adaptations £3,047k for other strategic projects including our High Rise Living strategy; and
- £2,614k on the replacement of components including capitalised void costs.

Additions to housing under construction include capitalised interest costs of £762k (2018: £667k). Interest has been capitalised at the weighted average interest cost for the Association of 4.68% (2018: 5.50%)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

15. Social Housing Properties (continued)

Social housing properties have been valued by Jones Lang LaSalle Limited, an independent professional adviser qualified by the Royal Institution of Chartered Surveyors ("RICS") to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RICS at 31 March 2019 on an Existing Use Valuation for Social Housing ("EUV-SH").

Discount rates between 5.75-7.50% have been used depending on the property archetype (2018: 5.75-6.50 % retained stock). The valuation assumes a rental income increase of inflation + 0.9% in 2019/20 and +0.5% thereafter for retained stock, in line with the Association's 30 year Business Plan (2019/20). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

During 2018/19 Cube disposed of five shared ownership properties (2017/18: 7 right to buy properties and 2 shared ownership properties) to tenants. These properties were valued at £246k during the year (2018: £238k).

The number of units of social housing accommodation owned and managed by the Association at 31 March is shown below:

	2019 number			2018 number		
	Owned & managed	Managed only	Total	Owned & managed	Managed only	Total
General needs	3,393	-	3,393	3,237	-	3,237
Shared ownership	28	-	28	34	-	34
Supported housing	196	1	197	199	1	200
	<u>3,617</u>	<u>1</u>	<u>3,618</u>	<u>3,470</u>	<u>1</u>	<u>3,471</u>

The number of units disclosed above is based on complete dwellings. The Association's supported accommodation includes 48 dwellings, which contain 146 bed spaces (2018: 48 dwellings containing 146 bed spaces).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

16. Other tangible fixed assets

	Combined heat and power plant £'000	Community infrastructure £'000	Office improvements £'000	Furniture, fittings and office equipment £'000	Total £'000
Cost					
At 1 April 2018	5,778	-	695	346	6,819
Additions	27	718	300	19	1,064
At 31 March 2019	5,805	718	995	365	7,883
Depreciation					
At 1 April 2018	3,017	-	182	310	3,509
Charge for year	109	36	102	30	277
At 31 March 2019	3,126	36	284	340	3,786
Net Book Value					
At 31 March 2019	2,679	682	711	25	4,097
At 31 March 2018	2,761	-	513	36	3,310

17. Investments

Investment Properties

	Properties held for market rent £'000
Cost	
At 1 April 2018	5,900
Additions	1
Disposals	(5,901)
Transfers	3,223
Revaluation taken to operating surplus	(1,213)
At 31 March 2019	2,010
Net Book Value	
At 31 March 2019	2,010
At 31 March 2018	5,900

Mid-market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Jones Lang LaSalle, on 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

17. Investments (continued)

The number of properties held for market rent by the Association at 31 March was:

	2019	2018
Mid Market Rent Properties		
Total Units	27	68

18. Trade and other debtors

	2019 £'000	2018 £'000
Due after more than one year		
Other debtors	465	428
Due within one year		
Arrears of rent and service charges	620	518
Adjustment to discount arrears balances with payment plans	(4)	(7)
Less: provision for bad and doubtful debts	(406)	(244)
	210	267
Prepayments and accrued income	59	70
Other debtors	1,814	915
Due from other group companies	1,201	27
Total debtors	3,749	1,707

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

19. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	360	273
Accruals	5,126	6,188
Deferred income (note 20)	6,237	9,188
Rent and service charges received in advance	809	730
Tax and social security	54	48
Other creditors	1,207	967
Due to other group companies	1,182	1,015
	14,975	18,409

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

20. Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Deferred income	268	1,640
Due to other group companies	87,294	69,315
Housing loans	-	5,000
Other creditors	234	820
Total	<u>87,796</u>	<u>76,775</u>

Bank lending facility

Borrowing arrangements are in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility was made up of a committed facility of £662.4m from a syndicate of commercial banks, a committed facility of £285.3m from the European Investment Bank, £300.0m raised through the issue of a public bond, £150.0m private placement loan notes with BlackRock Real Assets and £100.0m facility with HSBC. This provided total facilities of £1,497.7m for RSLs within the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Limited, with Cube having access to an intra-group facility of £94m, secured on its housing stock. Interest in the year has been charged at 4.68% (2018: 5.50%).

The Association's £5m of loan finance from the Scottish Partnership for Regeneration in Urban Centres ("SPRUCE") Fund, a joint Scottish Government and European Regional Development Fund initiative, was repaid in full in April 2018. This is ahead of the 31 December 2023 repayment deadline.

Included within other creditors, both falling due within one year and after more than one year, is a balance relating to lift refurbishments which is repaid in equal quarterly instalments, with the final instalment due in July 2020.

Borrowings are repayable as follows

	2019 £'000	2018 £'000
In less than one year	-	115
In more than one year but less than five years	1,930	213
In more than five years	85,994	73,987
	<u>87,924</u>	<u>74,315</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

20. Creditors: amounts falling due after more than one year (continued)

Analysis of deferred income

	Housing Association Grant £'000	Other £'000	Total Deferred Income £'000
Deferred income as at 31 March 2018	10,816	12	10,828
Additional income received	4,417	164	4,581
Released to the Statement of Comprehensive Income	(8,728)	(176)	(8,904)
Deferred income as at 31 March 2019	6,505	-	6,505

This is expected to be released to the Statement of Comprehensive Income in the following years:

Deferred income to be released to the Statement of Comprehensive Income:	2019 £'000	2018 £'000
In less than one year (note 19)	6,237	9,188
In more than one year but less than two years	268	1,640
In more than two years but less than five years	-	-
In more than five years	-	-
	6,505	10,828

21. Share capital

	2019 £	2018 £
Shares of £1 each issued and fully paid		
At 1 April	163	228
Issued	1	-
Cancellations	(52)	(65)
At 31 March	112	163

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

22. Pensions

Pensions Trust Scottish Housing Association Pension Scheme

Cube Housing Association participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS"), a multi-employer defined benefit scheme. It is funded and contracted out of the State Pension Scheme. With effect from 1 September 2014 Cube Housing Association ceased to offer membership of the defined benefit scheme, with all active employee members transferred to the SHAPS Defined Contribution scheme.

The Trustee commissions an actuarial valuation of the Scheme every three years, with the last formal valuation of the Scheme being carried out at 30 September 2018.

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. FRS 102 requires the disclosure of the Group's share of the assets and liabilities of the scheme within the financial statements and an evaluation of the scheme assets and liabilities has been carried out by an independent actuary as at 31 March 2019.

Following consideration of the results of the last valuation at 30 September 2018, the shortfall in the scheme reduced from £198m to £121m. It was agreed that this would continue to be dealt with by the payment of additional contributions. These were previously set at 5.4% of pensionable salaries per annum with effect from 1st April 2014 for a period of 8 years with the scheme expected to reach a fully funded position by 2022. The next formal valuation of the scheme is due to be carried out at 30 September 2021 and to ensure the on-going funding of the scheme whilst the valuation is prepared, the Trustees have agreed to extend the period over which additional contributions are payable by one year to March 2023. Past service deficit contributions continue to increase each 1st April at a rate of 3%.

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

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

22. Pensions (continued)

Pensions Trust Scottish Housing Association Pension Scheme - Defined Benefit

The assumptions that have the most significant effect on the results of the valuation of the defined benefit pension arrangements are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	31 March 2019	31 March 2018
Discount rate	2.60%	2.70%
Future salary increases	2.20% in the first year and 2.00% thereafter	2.10% in the first year and 2.00% thereafter
Inflation (RPI)	3.35%	3.20%
Inflation (CPI)	2.35%	2.20%

In valuing the liabilities of the pension fund at 31 March 2019, mortality assumptions are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions in 2019 and 2018 are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: male 21.7 years, female 23.4 years (2018: 23.5 and 25.4 years, respectively)
- Future retiree upon reaching 65: male 23.1 years, female 24.7 years (2018: 25.7 and 27.4 years, respectively)

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The information disclosed below is in respect of the whole of the plans for which Cube has been allocated a share of cost under an agreed policy throughout the periods shown.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

22. Pensions (continued)

Movements in present value of defined benefit obligation

	2019	2018
	£'000	£'000
Opening defined benefit obligation	20,378	19,463
Current service cost	-	-
Interest cost	544	537
Contributions by members	-	-
Actuarial (gains)/losses	(1,766)	962
Estimated benefits paid	(422)	(584)
Administration costs	18	-
Closing defined benefit obligation	18,752	20,378

Movements in fair value of plan assets

	2019	2018
	£'000	£'000
Opening fair value of plan assets	17,846	16,653
Expected (loss)/return on plan assets	(1,241)	740
Interest income	484	466
Contributions by the employer	587	589
Contributions by the members	-	-
Estimated benefits paid	(422)	(584)
Administration costs	-	(18)
Closing fair value of plan assets	17,254	17,846
Net liability	(1,498)	(2,532)

Amounts recognised in statement of comprehensive income

	2019	2018
	£'000	£'000
Administration costs (operating expenditure)	18	18
Net interest expense (included in finance costs)	60	71
Net cost	78	89

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

22. Pensions (continued)

The total amount recognised in the Statement of Comprehensive Income in respect of actuarial gains and losses is £525k gain (2018: £222k loss).

The major categories of scheme assets are as follows:

	2019 £'000	2018 £'000
Equities	4,237	5,329
Property	4,655	3,674
Corporate bonds	7,792	5,105
Alternatives	4,655	3,674
Cash and other	227	32
	17,254	17,846

23. Related party transactions

Members of the Management Board are related parties of the Association as defined by FRS 102.

The Association retains a register of members' interests. The following interests in related parties are required to be declared:

Tenant and factored homeowners Board Members

The following serving members are tenants or factored homeowners of the Association and have tenancies or factoring agreements that are on the Association's normal terms and they cannot use their positions to their advantage.

William Carroll
Robert Keir
Linda McGrory
Jennifer Williamson

Transactions and arrears balances outstanding at 31 March 2019 are as follows:

	2019 £'000
Rent charged during the year	15
Arrear balances outstanding at 31 March 2019	-

Other related parties

There were no other related party transactions during the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

24. Cash Flow Analysis

**Reconciliation of surplus for the financial year to
net cash inflow from operating activities**

	2019	2018
	£'000	£'000
Surplus for the financial year	4,694	6,101
Depreciation of property, plant and equipment	7,123	5,178
Increase in trade and other receivables	(1,909)	(23)
Increase/(decrease) in trade payables	127	(3,669)
Pension costs less contributions payable	(569)	(589)
<i>Adjustments for investing or financing activities:</i>		
(Gain)/loss from the sale of tangible fixed assets	(33)	238
Government grants utilised in the year	(8,728)	(3,586)
Interest paid	2,240	2,992
Interest received	(2)	-
Reversal of grant income transferred to Lowther Homes	2,005	-
Decrease/(increase) in valuation of properties	945	(2,974)
Net cash generated from operating activities	5,904	3,668

25. Ultimate parent organisation

The Association is a wholly owned subsidiary undertaking of Wheatley Housing Group Limited, a company limited by guarantee and registered in Scotland.

The only group into which the results of the Association are consolidated is Wheatley Housing Group Limited. The consolidated financial statements of Wheatley Housing Group Limited may be obtained from the registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

SUPPLEMENTARY INFORMATION

Secretary and Registered Office

Anthony Allison
Cube Housing Association Limited
Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

Principal Office

Maryhill Burgh Halls
10 - 24 Gairbraid Avenue
Glasgow
G20 8YE

Independent Auditor

KPMG LLP
319 St Vincent Street
Glasgow G2 5AS

Bankers

Royal Bank of Scotland
Glasgow Corporate Office
Kirkstane House
139 St Vincent Street
Glasgow G2 5JF