

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?

31/03/2020

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
Robert Keir	Dec	1942
Jennifer Williamson	Apr	1975
William Coghill	Sep	1960
Eric Gibson	Nov	1958
Kenneth Simpson	Jan	1955

Kerri McGuire	Nov	1982
Suzanne Lavelle	Sep	1969
Bill Carroll	Jul	1962
Catherine Lowe	Jun	1970
Linda McGrory	Jul	1954
Steve Scott	Nov	1957

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 - Brodies & Co (Trustees) Limited- Director; Brodies Secretarial Services Limited- Director; Brodies LLP- Director; Atholl Incorporations Limited - Director; Atholl Security Trustee Limited- Director; Applecross Nursing Home Limited- Director; Wheatley Housing Group Limited- Director

Eric Gibson- The Wheatley Foundation Limited- Director

Catherine Lowe - Democraft Limited- Director

Steve Scott- Lallans Limited- Director

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
Anthony Allison	Oct	1980

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	<input type="text" value="75"/>
Turnover	<input type="text" value="26,269,000"/>
Assets	<input type="text" value="150,056,000"/>
Number of Employees	<input type="text" value="71"/>
Share Capital	<input type="text" value="75"/>
Highest rate of interest paid on shares	<input type="text" value="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)	*
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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

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 benefitted 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 delivered these benefits to 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 provided relief to those in need by reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction 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-invested any surpluses into 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 not 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 2020

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 2020.

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

The financial year 2019/20 will be remembered, above all else, for the unprecedented events in March which challenged our communities, our tenants, staff and our business as never before.

Cube, working with its partners in Wheatley Group, moved quickly to respond to the coronavirus crisis, ensuring a focus on support for our customers, many of whom were already vulnerable and for whom these circumstances became exceptionally difficult.

The adaptability of our staff not only mitigated some of the worst impacts of the crisis, providing vital help to people who were self-isolating and facing real hardship, they kept our business in good shape.

A new service model was designed and launched within the first two weeks. Our housing offices were closed under government regulations. But our Neighbourhood Environmental Teams continued to work in our communities delivering essential services while adhering strictly to health and safety guidance and our housing officers and support staff were equipped to work from home.

The Group's Procurement team stepped up, sourcing and acquiring adequate levels of Personal Protection Equipment, ensuring neither colleagues nor customers were put at risk.

Specific responses to the pandemic were launched across the Group including our EatWell emergency food service which expanded significantly to deliver food parcels to hundreds of Cube households.

Of course, the crisis necessitated a halt to many of our activities including our investment and new-build programmes. Nevertheless, Cube finished the financial year having completed our ambitions set out in our five-year strategy Investing in our Futures, and reporting a solid business performance.

Here are the highlights of the year 2019/20

Building new homes

Cube built 109 new affordable homes over the year, all of them for social rent.

Our completed new homes included:

- 52 at two sites in Bonhill;
- 35 at Dumbain Road and Carrochan Road in Dumbarton; and
- 22 at Westcliff, also in Dumbarton.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (continued)

We also progressed work on 24 homes at Westcliff in Dumbarton and plans for another 80 homes at Queens Quay in Clydebank.

Investing in our homes

In 2019/20, we delivered £5.0m of planned improvements in our homes and communities. This included:

- £1,573k on replacement Kitchens and bathrooms;
- £413k upgrading CCTV at our multi-storey blocks;
- £297k on maintaining and upgrading lifts in multi storey properties
- £586k on improvements to foyers, landings and stairwells;
- £320k on rewiring 141 homes; and
- £736k on new windows and doors for 73 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.

Our refreshed Stay Safe campaign saw more than 3000 home fire safety visits carried out across Wheatley communities in 2019/20, with the total number of accidental fires in Wheatley homes falling by 10%.

Our repairs service

We continued our mission to improve our repairs and maintenance service.

Working with City Building (Glasgow) LLP, jointly owned since 2017 by our parent company, we launched our *MyRepairs* service in September 2019 with the first phase of improvements for customers.

These included:

- Setting up a specialist repairs team within our customer contact centre, with full training delivered to 34 specialist call-handlers;
- Introducing 'next day appointments service and an 'appointment reminder texts' to customers to help us reduce 'no access' levels; and
- New guidance on medical adaptations, cyclical maintenance, the consent process for owners (including a review of communications with owners) and stair lighting renewals.

Our improving performance

We continued to see high levels of satisfaction among our customers.

More Cube tenants feel their home represents good value for money - 73%, up from 64% - and 95% of tenants were happy with repairs carried out in the previous year.

A total of 86% of Cube tenants were satisfied with their landlord's overall performance, and 80% were also happy with opportunities to participate in our decision making.

DIRECTORS' REPORT (Continued)

OPERATING REVIEW (continued)

We will be working closely with our customers over the next 12 months to ensure they get as much value from their home and our services as they can.

Supporting our customers

More than a fifth of Wheatley customers are now on Universal Credit ("UC"), an increase of almost 10% from last year.

We continued to support our customers through the challenges they faced, particularly around the five-week delay in getting their first payment.

This year we brought our money advice support staff together into a new dedicated UC team to provide even more targeted support, while we also seconded a staff member from the Department of Work and Pensions ("DWP") to help improve the delivery of the benefit.

Our advisors helped customers in Cube and the other housing associations in Wheatley claim over £11m in benefits they were entitled to last year. Over the next 12 months we will continue to do all we can to support customers cope with the difficulties posed by UC.

We continued to support our customers to get online and to encourage them to engage with us through our digital channels and online self-service accounts. The past year saw a 35% increase in number of people registered for an online account with us, and a 20% increase in the number of transactions online.

Working with Wheatley Foundation and Wheatley 360, we:

- created 26 opportunities for people from our homes to get into work or training with 20 of our customers benefiting;
- supported 262 new tenants with household budgeting, running a home and settling into their community through "My Great Start";
- put food on the table in 93 homes through our "EatWell" service;
- gave 63 tenants up-cycled furniture through our "Home Comforts" service;
- awarded four young people from our homes a bursary to go to university or college; and
- provided free books every month to 39 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 2020 totalled £26,269k (2019: £27,434k). The main source of income was net rental and service charge income of £18,280k (2019: £16,997k), with the remainder including:

- £6,764k of grant income recognised in relation to capital investment and the new build programme (2019: £8,728k);
- £1,225k of income from other activities including the district heating scheme, development and construction of property, mid-market rental income and other income (2019: £1,709k).

Expenditure

Operating costs in the year totalled £18,013k (2019: £17,574k), largely comprising of the following:

- Management and maintenance administration costs associated with affordable letting activities totalling £3,192k (2019: £3,248k).
- £1,746k of reactive maintenance costs to our social letting properties (2019: £1,494k).
- £2,664k of planned and cyclical maintenance costs to our social housing properties (2019: £2,124k).
- Depreciation expenditure for social and non-social housing assets of £7,130k (2019: £7,123k).

The Association generated an operating surplus of £7,996k or 30% (2019: £6,642k or 24%) for the year, which includes losses on the revaluation of investment properties held.

In the year the Association disposed of one shared ownership property (2019: 5 disposals, shared ownership and Right to Buy) reporting a gain of £18k (2019: gain £33k). Other expenditure in the year included £4,404k of interest due on housing loans (2019: £2,180k).

Total comprehensive income for the year of £4,713k (2019: £5,219k) includes the increase in value of social housing properties of £1,535k (2019: £257k increase) and an actuarial loss of £412k (2019: £525k gain) in respect of the SHAPS pension scheme.

Cashflows

The cash flow statement of the Association is shown on page 16. Cube generated £6,560k from operating activities (2019: £5,904k). Cash and cash equivalents in the year decreased by £255k (2019: decreased by £962k), primarily due to the timing of intra-group loan draw downs and settlement of intra-group balances.

Rental debtors

At the 31 March 2020, the Association had rent arrears of £733k offset by bad debt provisions of £534k (2019: £620k and £406k respectively).

DIRECTORS' REPORT (Continued)

FINANCIAL REVIEW (continued)

Net current liabilities

Cube reported net current liabilities of £5,121k as at 31 March 2020 – an improvement of £4,499k from the net current liability of £9,620k reported as at 31 March 2019. The movement in the year results from a net movement in deferred income on releases made to the P&L and a reduction in accruals.

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 £95.7m through WFL1. Interest rate risk is managed at a Group level by WFL1.

Investment in tenants' homes

During the year we invested £4,952k in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £139,028k (2019: £130,927k).

New Build

During the financial year we completed 109 new build properties across three local authority areas. Our new build programme invested £8,813k in the year. The Business Plan includes a further projected spend of £44,826k 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

A handwritten signature in dark ink, appearing to be 'P. Kelly', with a long horizontal stroke extending to the right.

Peter Kelly, Chair

08 September 2020

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:

Name	First Joined Board	Re-elected/ re-appointed	Left Board	Committees/Group Directorships
Peter Kelly (Chair)	18 September 2012	19 September 2017		<ul style="list-style-type: none"> ▪ Wheatley Housing Group Limited ▪ Wheatley Group Audit Committee
Eric Gibson (Vice Chair)	14 August 2018	25 September 2018		<ul style="list-style-type: none"> ▪ The Wheatley Foundation Limited
Bill Coghill	20 October 2015			
Robert Keir *	26 May 2015	25 September 2018		
Kerri McGuire	24 September 2019			<ul style="list-style-type: none"> ▪ Wheatley Group Development Committee
Suzanne Lavelle*	24 September 2019			
Kenny Simpson	24 September 2019			
Jennifer Williamson*	16 August 2016			
Bill Carroll	19 February 2011		24 September 2019	
Catherine Lowe (Vice Chair)	24 August 2010		24 September 2019	
Linda McGrory*	23 August 2011		24 September 2019	
Steve Scott	20 October 2015		5 August 2019	

* tenant of the Association

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

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)

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)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The board is responsible for preparing the Boards' 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 that law the Board has elected to prepare the financial statements in accordance with UK Accounting Standards, including 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 the income and expenditure of the association for that period.

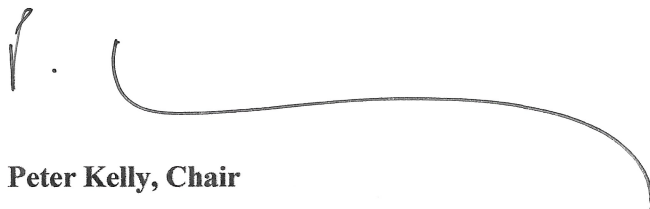
In preparing the associations financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 2019, 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

08 September 2020

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 Limited ("the association") for the year ended 31 March 2020 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 the association's affairs as at 31 March 2020 and of the income and expenditure of the association 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 2019, 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 it does not intend to liquidate the association or to cease its operations, and as it has concluded that the association's financial position means that this is realistic. The Board has also concluded that there are no material uncertainties that could have cast significant doubt over the association's 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 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 directors are 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. Based solely on that work, we have not identified material misstatements in the other information.

INDEPENDENT AUDITOR'S REPORT TO CUBE HOUSING ASSOCIATION (continued)

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 the statement set out on page 10, the association's Board is responsible for: the preparation of the 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.

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 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 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Wilkie (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

KPMG

319 St Vincent Street

Glasgow, G2 5AS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £'000	2019 £'000
Turnover	3	26,269	27,434
Operating expenditure	3	(18,013)	(17,574)
Other losses	3	(260)	(3,218)
Operating surplus		7,996	6,642
Gain on disposal of fixed assets	10	18	33
Finance income	11	3	2
Finance charges	12	(4,427)	(2,240)
Increase in valuation of social housing properties		1,535	257
Surplus for the financial year		5,125	4,694
Actuarial (loss)/gain in respect of pension schemes		(412)	525
Total comprehensive income for the year		4,713	5,219

All amounts relate to continuing operations.

The notes on pages 17 to 38 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2020

	Revenue Reserve £'000
Balance at 1 April 2018	32,901
Total comprehensive income	5,219
Balance at 31 March 2019	<u>38,120</u>
Total comprehensive income	4,713
Balance at 31 March 2020	<u>42,833</u>

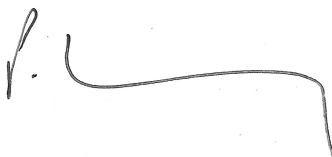
All amounts relate to continuing operations.

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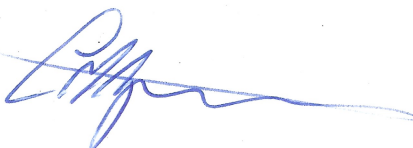
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	<i>Note</i>	2020 £'000	2019 £'000
Fixed assets			
Social housing properties	15	139,028	130,927
Other tangible assets	16	4,678	4,097
Investments	17	1,750	2,010
		<u>145,456</u>	<u>137,034</u>
Current assets			
Trade and other debtors	18	3,249	3,749
Cash and cash equivalents		1,351	1,606
		<u>4,600</u>	<u>5,355</u>
Creditors: amounts falling due within one year	19	(9,721)	(14,975)
Net current liabilities		<u>(5,121)</u>	<u>(9,620)</u>
Total assets less current liabilities		140,355	127,414
Creditors: amounts falling due after more than one year	20	(96,745)	(87,796)
Provisions for liabilities			
Pension liability	21	(757)	(1,498)
Total net assets		<u>42,833</u>	<u>38,120</u>
Reserves			
Share capital	21	-	-
Revenue reserve		42,833	38,120
Total reserves		<u>42,833</u>	<u>38,120</u>

These financial statements were approved by the Board on 18 August 2020 and were signed on its behalf on 08 September 2020 by:



Peter Kelly
Board Member



Eric Gibson
Board Member



Anthony Allison
Secretary

The notes on pages 17 to 38 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	<i>Note</i>	2020 £'000	2019 £'000
Net cash generated from operating activities	24	<u>6,560</u>	<u>5,904</u>
Cash flows from investing activities			
Improvement of properties – housing stock	15	(4,952)	(7,616)
New build	15	(8,813)	(16,624)
Improvement of properties - investment		-	(1)
Purchase of other fixed assets	15	(891)	(1,064)
Proceeds from sale of fixed assets		726	4,173
Grants received		3,212	4,216
Interest received		<u>3</u>	<u>2</u>
Net cash used in investing activities		(10,715)	(16,914)
Cash flows from financing activities			
Interest paid		(4,404)	(3,352)
Loan repayments		-	(5,000)
Intra-group loan drawn down		<u>8,304</u>	<u>18,400</u>
		3,900	10,048
Net change in cash and cash equivalents		(255)	(962)
Cash and cash equivalents at 1 April		1,606	2,568
Cash and cash equivalents at 31 March		<u><u>1,351</u></u>	<u><u>1,606</u></u>

The notes on pages 17 to 38 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 2019, 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 which the Board considers to be appropriate for the following reasons.

The Group and Association prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in February 2020 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid-19 the Group and Association have revised forecasts based on updated scenarios, including severe but plausible downsides.

The Board, after reviewing the Group and Association budgets for 2020/21 and the Group and Association's financial position as forecast in the 30-year business plan, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). In reaching this conclusion, the Board has considered the following factors:

- Rent and service charge receivable – arrears and bad debt assumptions have been increased to allow for customer difficulties in making payments and budget and business plan scenarios updated to take account of potential future changes in rent increases;
- The property market – budget and business plan scenarios have taken account of delays in new build handovers;
- Maintenance costs – budget and business plan scenarios have been modelled to take account revised profiles of repairs and maintenance expenditure, with major works being phased into future years;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

- Development activity – forecast development expenditure has been modelled to take account of potential revised investment profiles;
- Liquidity – current available cash of £1.4m and access to undrawn loan facilities arranged through WFL1 of £310.5m, which are available to Cube and certain other Group RSLs, gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- The Group and Association's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

The Board believe the Group and Association have sufficient funding in place and expect the Group and Association to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

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.

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 ("EUUV-SH") 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. Accounting policies (continued)

Non-social housing properties

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 property 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 the 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. Accounting policies (continued)

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.

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	2020 Operating Costs	Other Losses	Operating Surplus/ (Deficit)	2019 Operating Surplus/ (Deficit)
	£ 000	£ 000	£000	£ 000	£ 000
Affordable letting activities (note 4)	25,044	(15,678)	-	9,366	10,898
Other activities (note 5)	1,225	(2,335)	-	(1,110)	(1,038)
Loss on investment activities (note 17)	-	-	(260)	(260)	(1,213)
Grant transferred on disposal of properties (note 9)	-	-	-	-	(2,005)
Total	26,269	(18,013)	(260)	7,996	6,642
Total for previous reporting year	27,434	(17,574)	(3,218)	6,642	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (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	2020 Total £'000	2019 Total £'000
Rent receivable net of service charges	15,963	1,677	70	17,710	16,568
Service charges	283	463	4	750	684
Gross income from rents and service charges	16,246	2,140	74	18,460	17,252
Less rent loss from voids	(109)	(71)	-	(180)	(255)
Net income from rents and service charges	16,137	2,069	74	18,280	16,997
Grants released from deferred income	6,764	-	-	6,764	8,728
Total turnover from affordable letting activities	22,901	2,069	74	25,044	25,725
Management and maintenance administration costs	(3,000)	(169)	(23)	(3,192)	(3,248)
Service costs	(283)	(464)	(4)	(751)	(771)
Planned and cyclical maintenance including major repairs costs	(2,523)	(141)	-	(2,664)	(2,124)
Reactive maintenance costs	(1,654)	(92)	-	(1,746)	(1,494)
Bad debts – rents and service charges	(185)	(10)	-	(195)	(343)
Depreciation of social housing	(6,748)	(377)	(5)	(7,130)	(6,847)
Operating costs from social letting activities	(14,393)	(1,253)	(32)	(15,678)	(14,827)
Operating surplus from social lettings	8,508	816	42	9,366	10,898
Operating activities for affordable letting activities for the previous reporting year	10,087	780	31	10,898	

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 2020 (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	2020 Operating Surplus/ (Deficit) £'000	2019 Operating Surplus/ (Deficit) £'000
Development and construction of property activities	-	635	635	(635)	-	(113)
Depreciation – non social housing	-	-	-	(310)	(310)	(276)
District heating scheme	-	332	332	(551)	(219)	(291)
Factoring	-	-	-	-	-	(5)
Investment property activities	-	119	119	-	119	189
Organisation restructuring	-	-	-	(187)	(187)	(88)
Owners' improvement activities	-	-	-	-	-	(98)
Other income	-	139	139	(6)	133	211
Wider role activities to support the community	-	-	-	(646)	(646)	(567)
Total from other activities	-	1,225	1,225	(2,335)	(1,110)	(1,038)
Total from other activities for the previous reporting year	-	1,709	1,709	(2,747)	(1,038)	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

6. Board members' emoluments

Board members received £84 (2019 nil) by way of reimbursement of expenses.

7. Key management personnel

Key management personnel are employed by another Wheatley Group subsidiary and perform an executive management role across all subsidiaries in the Wheatley Group. The emoluments payable to Cube Housing Association key management personnel are disclosed in the Wheatley Group financial statements. The Association pays a share of the costs of these personnel which includes employer pension contributions and benefits in kind. For the year ended 31 March 2020 the share of costs attributable to Cube Housing Association amounted to £78k (2019: £87k).

Key management personnel in the year were as follows:

Martin Armstrong	Group Chief Executive
Olga Clayton	Group Director of Housing and Care
Elaine Melrose	Group Director of Resources
Graham Isdale	Group Director of Corporate Affairs
Steven Henderson	Group Director of Finance
Tom Barclay	Group Director of Property and Development

8. Employees

	2020 No.	2019 No.
The average monthly number of full time equivalent persons employed during the year was	69	67
The average total number of employees employed during the year was	71	69
	2020	2019
	£'000	£'000
Staff costs	2,191	1,973
Wages and salaries	204	203
Social security costs	1,399	756
Pension costs	(1,195)	(587)
FRS 102 pension adjustment	<u>2,599</u>	<u>2,345</u>

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.

	2020 £'000	2019 £'000
Proceeds from disposal of properties	-	3,896
Value of properties disposed	-	(5,901)
Grant transferred on disposal	<u>-</u>	<u>(2,005)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

10. Gain on disposal of fixed assets

	2020		2019	
	Shared Ownership Properties £'000	Total £'000	Shared Ownership Properties £'000	Total £'000
Sale proceeds	87	87	277	277
Value of properties/components disposed	(69)	(69)	(244)	(244)
Gain on disposal of housing stock	18	18	33	33

11. Finance income

	2020 £'000	2019 £'000
Bank interest receivable on deposits in the year	3	2

12. Finance charges

	2020 £'000	2019 £'000
Interest payable on housing loans	4,404	2,180
Net interest charge on pension liability	23	60
	4,427	2,240

13. Auditor's remuneration

	2020 £'000	2019 £'000
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	13	12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

14. Financial commitments

Capital commitments

All capital commitments of the Association were as follows:

	2020 £'000	2019 £'000
Expenditure contracted for, but not provided in the financial statements	10,614	5,916
Expenditure authorised by the Board but not contracted	4,890	813
	<u>15,504</u>	<u>6,729</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:

	2020 £'000 Land and Buildings	2020 £'000 Other	2019 £'000 Land and Buildings	2019 £'000 Other
Commitments falling due:				
Within one year	117	94	117	94
In the second to fifth years inclusive	231	282	344	376
Over five years	-	70	-	164
	<u>348</u>	<u>446</u>	<u>461</u>	<u>634</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (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 2019	118,566	1,354	11,007	130,927
Additions	4,952	-	8,813	13,765
Disposals	(639)	(88)	-	(727)
Transfer	14,750	-	(14,750)	-
Revaluation	(4,952)	15	-	(4,937)
At 31 March 2020	132,677	1,281	5,070	139,028
Depreciation				
At 1 April 2019	-	-	-	-
Charge for year	6,470	21	-	6,491
Disposals	(19)	-	-	(19)
Revaluation	(6,451)	(21)	-	(6,472)
At 31 March 2020	-	-	-	-
Net Book Value - valuation				
At 31 March 2020	132,677	1,281	5,070	139,028
At 31 March 2019	118,566	1,354	11,007	130,927
Net Book Value - cost				
At 31 March 2020	182,760	872	5,070	188,702
At 31 March 2019	170,148	981	11,007	182,136

Total expenditure on repairs and capital improvements in the year on existing properties was £9,362k (2019: £11,269k). Of this, repair costs of £4,410k (2019: £3,618k) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £4,952k (2019: £7,651k) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £4,952k (2019: £7,651k) in the year include:

- £4,077k for component additions including:
 - £324k on bathrooms;
 - £260k on heating system boilers;
 - £1,052k on internal works and common areas;
 - £1,249k on kitchens;
 - £359k on mechanical, electrical and plumbing;
 - £97k on structure and roofs; and
 - £736k on windows and doors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

15. Social Housing Properties (continued)

- The remaining balance of £875k of additions to existing properties not associated with a specific component includes £603k on void improvements £125k of medical adaptations.

Additions to housing under construction include capitalised interest costs of £328k (2019: £762k). Interest has been capitalised at the weighted average interest cost for the Association of 4.89% (2019: 4.68%).

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 2020 on an Existing Use Valuation for Social Housing ("EUV-SH").

Discount rates between 5.75-6.50% have been used depending on the property archetype (2019: 5.75-7.50 % retained stock). The valuation assumes a rental income increase of inflation + 0.5% in 2020/21 in line with the Association's 30-year Business Plan (2020/21). 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.

The number of units of accommodation (excluding unlettable voids) held by the Association at 31 March 2020 is shown below:

	2020 number			2019 number		
	Owned & managed	Managed only	Total	Owned & managed	Managed only	Total
General needs	3,501	-	3,501	3,393	-	3,393
Shared ownership	27	-	27	28	-	28
Supported housing	196	1	197	196	1	197
	<u>3,724</u>	<u>1</u>	<u>3,725</u>	<u>3,617</u>	<u>1</u>	<u>3,618</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 (2019: 48 dwellings containing 146 bed spaces).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (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 2019	5,805	718	995	365	7,883
Additions	-	869	11	11	891
At 31 March 2020	<u>5,805</u>	<u>1,587</u>	<u>1,006</u>	<u>376</u>	<u>8,774</u>
Depreciation					
At 1 April 2019	3,126	36	284	340	3,786
Charge for year	109	79	102	20	310
At 31 March 2020	<u>3,235</u>	<u>115</u>	<u>386</u>	<u>360</u>	<u>4,096</u>
Net Book Value					
At 31 March 2020	<u>2,570</u>	<u>1,472</u>	<u>620</u>	<u>16</u>	<u>4,678</u>
At 31 March 2019	<u>2,679</u>	<u>682</u>	<u>711</u>	<u>25</u>	<u>4,097</u>

17. Investments

Investment Properties

	Properties held for mid-market rent £'000
Cost	
At 1 April 2019	2,010
Revaluation taken to operating surplus	(260)
At 31 March 2020	<u>1,750</u>
Net Book Value	
At 31 March 2020	<u>1,750</u>
At 31 March 2019	<u>2,010</u>

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 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

17. Investments (continued)

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

	2020	2019
Mid Market Rent Properties		
Total Units	27	27

18. Trade and other debtors

	2020 £'000	2019 £'000
Due after more than one year		
Other debtors	345	465
Due within one year		
Arrears of rent and service charges	733	620
Adjustment to discount arrears balances with payment plans	(4)	(4)
Less: provision for bad and doubtful debts	(534)	(406)
	195	210
Prepayments and accrued income	23	59
Other debtors	2,553	1,814
Due from other group companies	133	1,201
Total debtors	3,249	3,749

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

	2020 £'000	2019 £'000
Trade creditors	602	360
Accruals	4,328	5,126
Deferred income (note 19)	1,916	6,237
Rent and service charges received in advance	865	809
Tax and social security	56	54
Other creditors	896	1,207
Due to other group companies	1,058	1,182
	9,721	14,975

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 2020 (continued)

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

	2020 £'000	2019 £'000
Deferred income	1,148	268
Due to other group companies	95,597	87,294
Other creditors	-	234
Total	<u>96,745</u>	<u>87,796</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 £657.3m from a syndicate of commercial banks, two committed facilities totalling £282.9m 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 £1,490.2m for RSLs within the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No. 1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Limited, with Loretto having access to an intra-group facility of £95.7m, secured on its housing stock. Interest in the year has been charged at 4.89% (2019: 4.68%).

Cube Housing Association Limited has secured a major portion of its housing stock against this facility, however the remainder of its housing stock and any future new build properties will remain unsecured.

Included within other creditors, falling due within 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	2020 £'000	2019 £'000
In less than one year	-	-
In more than one year but less than five years	-	1,930
In more than five years	95,597	85,994
	<u>95,597</u>	<u>87,924</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (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 2019	6,505	-	6,505
Additional income received	3,205	6	3,211
Released to the Statement of Comprehensive Income	(6,646)	(6)	(6,652)
Deferred income as at 31 March 2020	<u>3,064</u>	<u>-</u>	<u>3,064</u>

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:	2020 £'000	2019 £'000
In less than one year (note 18)	1,916	6,237
In more than one year but less than two years	1,148	268
In more than two years but less than five years	-	-
In more than five years	<u>-</u>	<u>-</u>
	<u>3,064</u>	<u>6,505</u>

21. Share capital

	2020 £	2019 £
Shares of £1 each issued and fully paid		
At 1 April	112	163
Issued	3	1
Cancellations	<u>(40)</u>	<u>(52)</u>
At 31 March	<u>75</u>	<u>112</u>

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 2020 (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 2020.

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 2020 (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 2020	31 March 2019
Discount rate	2.45%	2.60%
Future salary increases	2.20%	2.20% in the first year and 2.00% thereafter
Inflation (CPI)	1.90%	2.35%

In valuing the liabilities of the pension fund at 31 March 2020, mortality assumptions are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions in 2020 and 2019 are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: male 20.7 years, female 22.9 years (2019: 21.4 and 23.7 years, respectively)
- Future retiree upon reaching 65: male 22.2 years, female 24.6 years (2018: 23.4 and 25.8 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 2020 (continued)

22. Pensions (continued)

Movements in present value of defined benefit obligation

	2020 £'000	2019 £'000
Opening defined benefit obligation	18,752	20,378
Current service cost	-	-
Interest cost	481	544
Contributions by members	-	-
Actuarial gains	(760)	(1,766)
Estimated benefits paid	(570)	(422)
Administration costs	19	18
Closing defined benefit obligation	17,922	18,752

Movements in fair value of plan assets

	2020 £'000	2019 £'000
Opening fair value of plan assets	17,254	17,846
Expected loss on plan assets	(1,172)	(1,241)
Interest income	458	484
Contributions by the employer	1,195	587
Contributions by the members	-	-
Estimated benefits paid	(570)	(422)
Administration costs	-	-
Closing fair value of plan assets	17,165	17,254
Net liability	(757)	(1,498)

Amounts recognised in statement of comprehensive income

	2020 £'000	2019 £'000
Administration costs (operating expenditure)	19	18
Net interest expense (included in finance costs)	23	60
Net cost	42	78

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

22. Pensions (continued)

The total amount recognised in the Statement of Comprehensive Income in respect of actuarial gains and losses is £412k loss (2019: £525k gain).

The major categories of scheme assets are as follows:

	2020	2019
	£'000	£'000
Equities	3,415	4,237
Property	320	343
Corporate bonds	5,992	7,792
Alternatives	6,021	4,655
Cash and other	1,417	227
	<u>17,165</u>	<u>17,254</u>

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 2020 are as follows:

	2019
	£'000
Rent charged during the year	20
Arrear balances outstanding at 31 March 2020	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

23. Related party transactions (continued)

Other related parties

Related party interests and transactions during the year are as follows:

	Invoiced/paid in the year £'000	Year end balance £'000
2020		
Pensions Trust – Scottish Housing Association Pension Scheme	1,195	-

All transactions were on commercial terms and at arm's length.

There were no other related party transactions during the year.

24. Cash Flow Analysis

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

	2020 £'000	2019 £'000
Surplus for the financial year	5,125	4,694
Depreciation of tangible fixed assets	6,802	7,123
Decrease/(increase) in trade and other debtors	500	(1,909)
(Decrease)/increase in trade and other creditors	(1,170)	138
Pension costs less contributions payable	(1,175)	(569)
<i>Adjustments for investing or financing activities:</i>		
(Gain) from the sale of tangible fixed assets	(18)	(33)
Government grants utilised in the year	(6,653)	(8,728)
Interest paid	4,427	2,240
Interest received	(3)	(2)
Reversal of grant income transferred to Lowther Homes	-	2,005
(Increase)/decrease in valuation of properties	(1,275)	945
Net cash generated from operating activities	6,560	5,904

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

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