



## Mutual Societies Annual Return Form (AR30)

For societies registered under the Co-operative and Community Benefit Societies Act 2014

### Society name:

CUBE HOUSING ASSOCIATION LIMITED

### Important information you should read before completing this form

MUTUAL REGISTRATION  
DEPARTMENT

7 NOV 2016

You must use this form if you are a:

- registered society (previously referred to as an 'industrial and provident society')
- co-operative society
- community benefit society

registered under the Co-operative and Community Benefit Societies Act 2014.

You must submit this form and the society's accounts within 7 months of the end of your financial year. Failure to submit is an offence for which the society may be prosecuted.

Please note:

- we have an information note that may assist you in completing this application
- any personal details you give on the form will be placed on the society's public file.
- it is important you give accurate and complete information and disclose all relevant information. If you do not, it may take us longer to process your annual return.

Please keep a copy of the form and supporting documents for future reference.

### Terms in this form

'FCA', 'PRA', 'us' and 'we' refer to the Financial Conduct Authority or Prudential Regulation Authority.

'You' refers to the person signing the form on behalf of the society.

'The 2014 Act' is the Co-operative and Community Benefit Societies Act 2014



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For societies registered under the Co-operative and Community Benefit Societies Act 2014

### Filling in the form

1 If you are using your computer to complete the form:

- use the TAB key to move from question to question and press SHIFT TAB to move back to the previous question; and
- print the completed form and arrange for it to be signed by all relevant individuals.

2 If you are filling in the form by hand:

- use black ink;
- write clearly; and
- arrange for it to be signed and dated by all relevant individuals.

3 If you make a mistake, cross it out and initial the changes; do not use correction fluid.

4 If you:

- leave a question blank;
- do not get the form signed; or
- do not attach the required supporting information

without telling us why, we will treat the application as incomplete. This will increase the time taken to assess your application.

5 If there is not enough space on the form, you may use separate sheets of paper. Clearly mark each separate sheet of paper with the relevant question number. Any separate sheets should be signed by the signatories to the form.

6 Email a scanned copy of the signed form and supporting documents to

**[mutualsannrts@fca.org.uk](mailto:mutualsannrts@fca.org.uk)**

or send it by post to:

Mutuals Team  
Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
LONDON  
E14 5HS

7. Please make sure you include:

- this form
- a set of printed accounts – signed by two members and the secretary (3 signatures in total)
- an audit report or accountant's report where required; and
- any supporting documents.

## 1

## Details of society

## 1.1 Details of the society

Register number	2327R(S)
Registered office address	WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW
Postcode	G1 1HL

## 1.2 Year end date (dd/mm/yyyy)

See Note 1.2

3	1	/	0	3	/	2	0	1	6
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**Committee of management**

If you are a club you do not need to give a year of birth in questions 1.3-1.6.

The names of the members of the Committee at the date on which the return is signed should be entered below in BLOCK CAPITALS.

## 1.3 Details of Chairman

Name	PETER ROBERT KELLY
Address	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW
Postcode	G1 1HL
Year of birth	1970
Business occupation and other directorships	BRODIES LLP (SOLICITOR, LLP DESIGNATED MEMBER), ATHOLL SECURITY TRUSTEE LIMITED (DIRECTOR), WHEATLEY HOUSING GROUP LIMITED (DIRECTOR) , BALHOUSIE HOLDING LIMITED ( DIRECTOR) , BRODIES CO TRUSTEES (LIMITED ( DIRECTOR) , BRODIES SECRETARIAL SERVICES LIMITED (DIRECTOR) ATHOLL INCORPORATIONS LIMITED (DIRECTOR)

## 1.4 Details of Treasurer

Name	
Address	
Postcode	
Year of birth	
Business occupation and other directorships	

**1.5 Details of Secretary**

Name	ANTHONY ALLISON
Address	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW
Postcode	G1 1HL
Year of birth	1980
Business occupation and other directorships	ASSISTANT DIRECTOR OF GOVERNANCE

**1.6 Details of Members of the Committee**

Name	Address	Year of birth	Business occupation and other directorships
LINDA MCGRORY	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW	1954	NONE
CATHERINE LOWE	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW	1960	DEMOCRAFT LIMITED (DIRECTOR) JS PROPERTY (SCOTLAND) LIMITED (DIRECTOR) HELP IN YOUR HOME LIMITED (DIRECTOR) (COMPANY DISSOLVED)
ROBERT KEIR	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW	1942	NONE
BILL COGHILL	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW	1960	NONE
JENNIFER WILLIAMSON	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW	1975	NONE
WILLIAM CARROLL	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW	1962	NONE

Please use separate sheets of paper if you need more space, following the instructions provided in section 5 above.

Please indicate how many separate sheets of paper you have used

1

**Please continue, answering all questions.**

**1.7 Are any members of the society's committee disqualified as directors under the Company Director Disqualification Act 1986?**

- ☒ No  
☐ Yes

**1.8 Does the society carry out any activity which is regulated under the Financial Services and Markets Act 2000? (e.g. accepting deposits in a form other than withdrawable shares; offering insurance products; undertaking residential mortgage business). If 'yes' please state the society's Financial Services Register firm reference number**

☒ No

☐ Yes

Financial Services Register firm reference number

**1.9 Is the society a subsidiary of another society?**

☒ No

☐ Yes

**1.10 Does the society have one or more subsidiaries?**

☒ No

☐ Yes

**1.11 Is the society currently accepted by the HM Revenue and Customs as a charity for tax purposes?**

☐ No

☒ Yes

Please confirm you have attached a copy of the letter from HM Revenue and Customs confirming charitable tax status:

☒ Yes

**1.12 Is this society a charity registered with the Office of the Scottish Charity Regulator (OSCR)?**

☐ No

☒ Yes ▶ provide your Scottish Charity number below

SC033021

**1.13 Is the society registered with one of the following (please tick)?**

☐ Homes and Communities Agency

☐ The Welsh Ministers

☒ Scottish Housing Regulator

If so, please provide your register number

220

**All societies must answer the following questions:**

- if a **bona fide co-operative society** go to question 1.14
- if **existing for the benefit of the community** go to question 1.19

**Bona fide co-operative society**

**1.14 How did members benefit from the business, industry or trade of the society during the year?**

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**1.15 Is membership of the society required to obtain the benefits offered by it?**

☐ Yes

☐ No

**1.16 In what way did members participate in an ongoing basis in the society's primary business during the year?**

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**1.17 How did members democratically control the society?**

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**1.18 How did the society use any surplus/profit?**

If the society distributed the surplus/profit to members please explain how this was done.

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Please use separate sheets of paper if you need more space (see section 5 above)

Please indicate how many separate sheets of paper you have used.

0
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**Continue to 2.1**

**Community benefit society****1.19 Who are the community the society benefited?**

THE SOCIETY BENEFITS THOSE IN NEED BY REASON OF AGE, ILL-HEALTH, DISABILITY, FINANCIAL HARDSHIP OR OTHER DISADVANTAGE.

**1.20 How did the society benefit that community during the year?**

THE SOCIETY BENEFITED THE COMMUNITY THROUGH THE PROVISION, CONSTRUCTION, IMPROVEMENT AND MANAGEMENT OF LAND AND ACCOMMODATION AND THE PROVISION OF CARE.

**1.21 How did the society use any surplus/profit?**

THE SOCIETY RE-INVESTS ANY SURPLUSES IN DEVELOPING ITS CORE SERVICES FOR THE BENEFIT OF THE COMMUNITY.

Please use separate sheets of paper if you need more space (see section 5 above).

Please indicate how many separate sheets of paper you have used.

0

**Continue to 2.1**

# 2 Statistics

## Account details

### 2.1 You must enter the figures below

See notes for help on items E-T. Enter NIL where applicable

A	Members at beginning of year	227
B	Members ceased during year	0
C	Members admitted during year	1
D	Members at end of year	228
E	Turnover for year	24,481,000
F	Total of income and expenditure (receipts and payments added together)	40,058,000
G	Net surplus/(deficit) for year	1,661,000
H	Fixed assets	92,833,000
I	Current assets	5,198,000
J	Total assets (equal to amount in row O, below)	98,031,000
K	Current liabilities	12,709,000
L	Share capital	228
M	Long-term liabilities	50,771,772
N	Reserves	34,550,000
O	Total liabilities, share capital & reserves (K+L+M+N) (equal to amount in J above)	98,031,000
All societies (excluding clubs) must complete boxes P-T		
P	Investments in other registered societies	NIL
Q	Loans from members	NIL
R	Loans from Employees' Superannuation Schemes	NIL
S	Dividends on sales	NIL
T	Share interest	NIL

**2.2 Names of subsidiaries as defined in sections 100 and 101 of the Co-operative and Community Benefit Societies Act 2014**

NIL

**2.3 Names of subsidiaries not dealt with in group accounts (if any) and reasons for exclusions (as approved by the FCA)**

The society must have written authority from us to exclude a subsidiary from group accounts

NIL

# 3

## The audit

### 3.1 Type of audit used for the attached accounts.

If the society has used a full professional audit or an accountant's report then the report must be prepared by a registered auditor.

- |   |                                  |
|---|----------------------------------|
| <input checked="" type="checkbox"/> Full professional audit | ▶ Continue to section 4          |
| <input type="checkbox"/> Accountant's report                | ▶ Complete questions 3.2 and 3.3 |
| <input type="checkbox"/> Lay audit                          | ▶ Complete questions 3.2 and 3.3 |
| <input type="checkbox"/> Unaudited                          | ▶ Complete questions 3.2 and 3.3 |

### 3.2 Do the society's registered rules allow the society not to undertake a full professional audit?

- ☐ No  
☐ Yes

### 3.3 Has the membership passed at a general meeting a resolution allowing the society not to undertake a full professional audit for the year of account in question? (In accordance with section 84 of the Co-operative and Community Benefit Societies Act 2014)

- ☐ No  
☐ Yes

# 4

## Accounts and signature

### Accounts

#### 4.1 Date on which the accounts and balance sheet will be/were laid before the AGM (dd/mm/yyyy)

2	0	/	0	9	/	2	0	1	6
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#### 4.2 Has your society produced accounts to the minimum standard required?

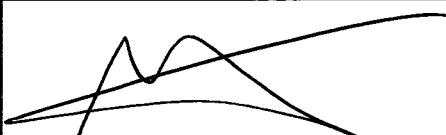
☒ Yes ▶ you must confirm that you have attached the accounts and the audit/accountant's report bearing the original signatures of the auditor (if required by law), the secretary and the two committee members. ☒ Attached

☐ No ▶ you must produce accounts to the minimum standard required, see notes for details.

### Signature – all societies to complete

#### 4.3 The Secretary of the society must sign and date below


I certify that the information in this form is correct to the best of my knowledge and belief.

Name	ANTHONY ALLISON
Signature	
Phone number	0141 274 6270
Email	anthony.allison@wheatley-group.com
Date	31/10/2016

**Cube Housing Association 2327 R(S) AR30 (2016) - continuation**

**1.6 Details of Members of the Committee**

<b>Name</b>	<b>Address</b>	<b>Year of birth</b>	<b>Business occupation and other directorships</b>
STEVE SCOTT	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW	1957	NONE

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.



## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the Year Ended**

**31 March 2016**

**Cube Housing Association Limited**

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





31 May 2016

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Cube Housing Association  
[www.cubehousing.co.uk](http://www.cubehousing.co.uk)

Call us  
0800 027 3456

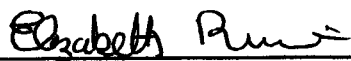
Email us  
[talk@cubehousing.co.uk](mailto:talk@cubehousing.co.uk)

To Whom It May Concern

As approved by the Board of Cube Housing Association Limited on 31 May 2016, I confirm that Anthony Allison is hereby authorised to carry out the duties of the Association's Secretary where the appointed Secretary (Kirsten Craig) is unavailable to do so.

Yours faithfully

Signed:

  
For and on behalf of Cube Housing  
Association Limited

Name:

ELIZABETH RUANE

## **OPERATING REVIEW**

The directors present their annual report and the audited financial statements for the year ended 31<sup>st</sup> March 2016.

### **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").

### **Review of Business and Future Developments**

#### **Our year at Cube – Annual Highlights 2015-16**

It has been a busy and successful year at Cube as we worked closely with our customers to improve our services and neighbourhoods.

Our new-build programme, the first for several years for Cube, gathered pace; we delivered more district heating schemes; introduced new online services; and opened a new office in Dumbarton to be closer to our customers.

Above all, it was the year in which we worked with our sister organisations in Wheatley to develop a five-year group strategy - Investing in our Futures.

Investing in Our Futures spells out Wheatley Group's vision and aims between now and 2020. For Cube, this is an important milestone because it means we now have clear and ambitious plans for the future.

We have already started on an £70million new-build programme which will see us build 823 new affordable homes in our communities. We'll also invest £40million in our existing homes, create new jobs and opportunities for local people and improve services for tenants and factored homeowners. This is much more than we could have done before we joined the Group and shows the real value of being part of Wheatley.

We also developed local plans for what Investing in Our Futures means in our local communities. These local plans were shaped by listening to feedback from our tenants about what's important to them.

Listening more to our customers and responding to their feedback has been a key feature of our work this year, with many of the improvements we've introduced a direct response to what our customers have told us through our We're Here to Help campaign. We look forward to engaging with many more people over the next year as we work together to make homes and lives better.

Here are some of our highlights for 2015-16:

#### **£40m improvement project launched**

Two football stars helped us kick off a massive £40million project to transform thousands of homes and make communities safer.

Former Scotland striker Charlie Nicholas and Greenock Morton manager Jim Duffy learned their football skills growing up in the Wyndford estate in Glasgow's Maryhill in the 1960s and 70s.

They returned to their old community as our £40m investment in our homes got under way.

We invested £7.9m in 2015-16 in core improvements – such as new kitchens and bathrooms - to our existing homes.

## **OPERATING REVIEW (continued)**

By 2020 over 2800 Cube houses will have new bathrooms, 322 a new kitchen while hundreds will have new heating, double-glazing, rewiring and secure doors. Many multi-storey blocks will also be revamped with upgraded CCTV and lighting, new-look foyers and even new laundry facilities.

### **Warmer homes, cheaper bills**

We continued our work to make homes warmer and drier while reducing people's fuel bills through £10.6million of improvements in three Glasgow neighbourhoods.

The projects at Broomhill, Gorget in Knightswood and Collina Street in Maryhill include new district heating schemes and external insulation.

At Broomhill, the district heating system will be powered by a central energy centre and will provide heating and hot water to more than 700 homes. The new system is a 'biomass' heating system which means it is better for the planet as it runs on wood pellets rather than a fossil fuels system.

The Broomhill scheme, due to complete in summer 2016, was part funded by a £5 million loan from the Scottish Partnership for Regeneration in Urban Centres (SPRUCE) Fund, a joint Scottish Government and European Regional Development Fund initiative. The other £5.6m for the overall project was from ECO funding through British Gas.

At Gorget in Knightswood, 96 homes are now served by a new district heating scheme while the maisonette blocks have also been overclad. Work is also complete on a similar district heating scheme in Collina Street in Maryhill which serves 112 homes.

### **Tenants happy with new homes**

Over the year we completed 91 new homes across our communities. These included a development of 54 modern, spacious energy-efficient homes at Beardmore Place in Dalmuir.

The 54 homes in Beardmore Place are a mixture of one and two bedrooms. Nine of the flats were specially adapted for disabled tenants. The £5.8m development, built by contractor CCG, includes £2.8m grant support from the Scottish Government.

They were the first new homes Cube had built in several years and were part of a strategic partnership between Cube and Wheatley Group with West Dunbartonshire Council.

We also started work on 202 more homes and have a further 261 in development.

Margaret Collins, 73, who moved from Windsor Crescent, Clydebank into Beardmore Place last summer said: "I'm very happy with my new flat. I love the space and the way it's designed. It has wide doors and an 'open' feel."

### **Council partnership success**

Our strategic partnership with West Dunbartonshire Council went from strength to strength over the year.

The strategic partnership was formed in 2014 with the aim of building more affordable housing in the area by working together.

Since then, we have already completed over 80 new homes in West Dunbartonshire and plans are well advanced for many more.

## **OPERATING REVIEW (continued)**

Carrick Terrace in Castlehill, where we're building 31 new affordable homes, is one of the sites under development. The land has been lying empty since 2013 when unpopular properties were demolished. Work began on the new homes in April this year.

### **New office for Dumbarton customers**

Our plans for a new office in Dumbarton town centre took shape this year with the new base opening in May 2016.

The office is part of our plans to bring our services closer to our customers, making it easier for them to engage with us in ways that suit them best.

The new office has a bright reception, an Academy for learning and training, and meeting rooms. As well as Cube customers, it will also welcome tenants and owners from our sister organisations including Loretto Housing, YourPlace, Lowther Homes and Loretto Care.

We also began work on a new reception office, due to open in May 2016, within the Maryhill Burgh Halls with a larger reception area and more interview rooms for our customers.

### **Listening to our customers**

We have engaged with our customers this year more than ever before – listening carefully to their views as we improve our services and neighbourhoods.

We launched a 'We're here to Help' campaign with our staff knocking on doors in every Cube community to talk to people.

It quickly led to important improvements to Cube services, including:

- a new free phone number - 0800 027 3456 - for customers to get in touch
- more engagement with tenants about plans for their communities
- discussions on setting up a credit union in the Wyndford estate in Glasgow.

As well as the 'We're here to help' campaign, we set up new customer panels in Broomhill and West Dunbartonshire. These panels will play a key role in shaping future improvements to our homes and neighbourhoods.

### **Online services**

Hundreds of tenants have signed up for our new improved online services which went live in summer 2015.

Tenants can now see their account, with details of all their payments and charges, as well as pay their rent or other bills, book a repair or request other services.

The online services are part of our drive to give people more choice about how they get in touch and transact with us.

Over 10% of tenants have registered for online services – which are accessed through [www.cubehousing.co.uk](http://www.cubehousing.co.uk) – with customers making £140,000 of payments through the new channel.

### **Improving performance**

We continued to make significant strides in improving our business performance on many of the key indicators which we report to the Scottish Housing Regulator.

## **OPERATING REVIEW (continued)**

Some of the major improvements for 2015/16 at Cube include:

- customers' satisfaction with the management of their neighbourhood up to over 83% from 78%;
- anti-social behaviour cases resolved within timescales increased by 6 percentage points to almost 99%;
- average time to complete medical adaptations reduced to under 25 days from 37;
- average length of time taken to re-let properties reduced from 21.6 days to 15; and
- rent arrears improved from 5.95% to 5.65%.

The percentage of properties reaching Scottish Housing Quality Standard in Cube is currently 82.4% with this due to reach almost 100% by summer when a complex district heating project at Broomhill is finished.

### **Jobs and training**

We created 11 jobs and training opportunities for Cube customers over the year as part of our drive to support tenants to lead better lives.

We create jobs and training through employability schemes, Modern Apprenticeships and through clauses in our new-build and investment contracts which require contractors to provide employment opportunities for local people.

We also create opportunities through our Wheatley Pledge scheme, which incentivises contractors and suppliers to do more for our communities.

Across our parent organisation Wheatley Group, we created a total of 564 jobs and training places for people in our communities over the year.

### **Tackling anti-social behaviour**

We teamed up with partners to tackle anti-social behaviour in Broomhill as part of our aim to make communities safer.

Housing officers and our Neighbour Relations Officer joined staff from Police Scotland, Scottish Fire and Rescue, and Community Safety Glasgow in a two-day crackdown.

They dealt with issues such as noise, vandalism, domestic violence, young people hanging around, dog fouling and residents from elsewhere parking in the area.

Information on alleged drug-dealing was passed to the police, while our Enforcement Officers made sure pet-owners picked up after their dogs.

Further events are planned in our other communities.

### **Handyperson service a hit**

Tenants are loving getting a helping hand with odd jobs around the home.

Our Handyperson service is there to help tenants who are over 60 or disabled with small jobs around the home.

It proved a big hit this year with 98 people using the service between 1 April 2015 and 31 March 2016 and 442 jobs carried out.

Jobs ranged from hanging curtains to plumbing in washing machines and assembling flat-pack furniture.

## **OPERATING REVIEW (continued)**

### **Fuel advice slashes bills**

Tenants saved £80,000 in the past year thanks to our fuel advice service.

Free expert advice from our fuel advisor helps tenants cut their bills and access the cheapest tariffs.

Between 1 April 2015 and 31 March this year, our fuel advisor carried out 275 visits and 134 follow-up visits to Cube tenants at home.

He helped people:

- reduce payments;
- get on a lower tariff;
- apply for a Warm Homes Discount payment; and
- reduce debt.

Tenants made the savings while staying warm at the same time.

### **Independent auditors**

The directors appointed PricewaterhouseCoopers LLP to act as auditors of the financial statements for the financial year ended 31 March 2016. In accordance with Section 489 of the Companies Act 2006, a resolution for the appointment of KPMG LLP as auditors is to be proposed at the forthcoming Annual General Meeting.

## FINANCIAL REVIEW

### Income

The Association's turnover (excluding profit on sale of fixed assets and finance income) for the year ended 31 March 2016 totalled £24,481k (2015: £17,110k). The main source of income was net rental and service charge income of £15,019k (2015: £14,426k), with the remainder including:

- £7,047k of grant income received in relation to capital investment and the new build programme (2015: £2,070k);
- £2,415k of income from development activities, factoring and other income (2015: £614k).

### Expenditure

Operating costs in the year totalled £15,623k (2015: £11,949k), largely comprising of the following:

- Management and maintenance administration costs associated with affordable letting activities totalling £3,049k (2015: £3,479k).
- £1,767k of reactive maintenance costs to our social letting properties (2015: £1,778k).
- £1,524k of planned and cyclical maintenance costs including major repair costs to improve our social housing properties (2015: £1,538k).
- Depreciation expenditure for social and non-social housing assets of £3,910k (2015: £3,636k).

The Association generated an operating surplus of £8,077k (33%) (2015: £5,161k (30%)) in the year after taking account of gains on the revaluation of investment properties held.

In the year ten (2015: nine) properties were sold yielding a gain of £92k (2015: £150k). Other expenditure in the year included £2,163k of interest due on housing loans (2015: £1,961k).

Total comprehensive income for the year of £2,889k (2015: £9,615k) includes the decrease in value of social housing properties of £4,399k (2015: reversal of a previous decrease in value of £3,285k) and a gain of £1,226k (2015: gain of £2,962k) in respect of the SHAPS pension scheme.

### Investment Properties

During the year the Association completed 46 properties to be let at Mid Market Rent (MMR). Mid market rent properties owned by the Association are leased to, and managed by, Lowther Homes Limited at the prevailing market rate.

### Cashflows

The cash flow statement of the Association is shown on page 19. Cube generated £2,395k from operating activities (2015: £4,883k). Cash and cash equivalents in the year increased by £611k (2015: decreased by £2,424k). This movement is primarily due to the drawing down of funding from Wheatley Funding No. 1 Ltd, and securing £5m of loan finance during the year from the Scottish Partnership for Regeneration in Urban Centres (SPRUCE) Fund, and expenditure for improvements to existing properties and to develop new housing.

### Rental debtors

At the balance sheet date, the Association had rent arrears of £577k offset by bad debt provisions of £228k (2015: £585k and £297k respectively).

### Liquidity

The Association's short-term liquidity improved in the year to show net current liabilities of £7,511k (2015: £9,649k). The Association has drawn down on its lending facility in the year to further invest in its existing stock and on its new build programme. Creditors due after more than one year have therefore increased to £48,467k from £36,312k.

## **FINANCIAL REVIEW (continued)**

### **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, as detailed in note 20. The Association has access to an intra-group facility of £69.4m through Wheatley Funding No 1 Limited, and a standalone arrangement comprising a £5.0m loan from the Scottish Partnership for Regeneration in Urban Centres (SPRUCE) Fund, a joint Scottish Government and European Regional Development Fund initiative. Interest rate risk is managed at a Group level by Wheatley Funding No. 1 Limited.

### **Investment in tenants' homes**

During the year we invested £7,862k in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £88,791k (2015: £79,147k).

### **New Build**

During the financial year we completed 91 new build properties across three developments. Our new build programme invested £12,412k in the year. The Business Plan includes a further projected spend of £52,226k 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 may operate with up to three principal reserves; a revenue reserve, a revaluation reserve and a pension 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 may include 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.

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



**FINANCIAL REVIEW (continued)**

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.

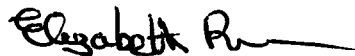
**Revaluation reserve**

The revaluation reserve represents, to the extent applicable, the increase in valuation which has occurred over and above the cost of additions to the Association's property (other than investment property). This reserve is therefore also not realisable, on the basis that to do so would involve selling social housing assets and would therefore undermine the Association's core charitable purpose.

**Pension reserve**

The pension reserve is not a cash reserve available for investment. It represents the amount by which the actuarial valuation of the Association's share of defined benefit pension assets exceeds or is less than its notional pension liabilities. Under FRS 102, the reserve contained within the Statement of Financial Position assumes there is no cessation/exit from the Scottish Housing Associations Pension Scheme in relation to past service liabilities, even though the scheme is closed to new joiners. Fully withdrawing from the scheme would involve liabilities being revalued onto an "exit" basis, with a significant additional premium attached to compensate the pension fund for the risk of reduced membership and inability to seek future contributions from the related members.

By order of the Board



Elizabeth Ruine, Director

31 August 2016

Wheatley House  
25 Cochrane Street  
Glasgow  
G1 1HL

## **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:

Elizabeth Ruine\* (Chair)

Catherine Lowe

Jacqueline Barnes\*

William Carroll

Peter Kelly

Linda McGrory\*

Bob Turnbull (resigned 22 September 2015)

Robert Keir (appointed 26 May 2016)

Steve Scott (appointed 20 October 2015)

Bill Coghill (appointed 20 October 2015)

\* tenant of the Association

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

### **Political donations**

No political donations were made by Cube in the year.

### **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 auditors**

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 Company's auditors are 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 Company's auditors are aware of that information.

## **DIRECTORS' STATEMENT ON INTERNAL FINANCIAL CONTROL**

The directors acknowledge their responsibility for ensuring that the company 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;

**CUBE HOUSING ASSOCIATION BOARD AND RELATED MATTERS (continued)**

- 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.

**Principal risks facing the Association**

The Board are responsible for assessing the risks facing Cube Housing Association. As a subsidiary of Wheatley Housing Group, the principal risks are broadly similar to those facing the Group and can be seen in the consolidated financial statements of the Group.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board is responsible for preparing the Annual Report and the financial statements (the "financial statements") in accordance with applicable law and regulations.

The Co-operative and Community Benefit Society Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the registered social landlord ("RSL") and of the surplus or deficit 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 FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RSL will continue in business.

The board is responsible for keeping proper accounting records that are sufficient to show and explain the RSL's transactions and disclose with reasonable accuracy at any time the financial position of the RSL and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended). It is also responsible for safeguarding the assets of the RSL and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for the maintenance and integrity of the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

  
Elizabeth Ruine, Director

31 August 2016

Wheatley House  
25 Cochrane Street  
Glasgow  
G1 1HL

**REPORT BY THE INDEPENDENT AUDITORS TO THE MEMBERS OF CUBE HOUSING ASSOCIATION LIMITED ON THE STATEMENT ON INTERNAL FINANCIAL CONTROL**

In addition to our audit of the Financial Statements, we have examined the Association's Statement on Internal Financial Control on pages 10 and 11 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

**Basis of opinion**

We carried out our examination having regard to the guidance on corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council, through enquiry of certain members of the Board and officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on pages 10 and 11 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants  
Glasgow  
31 August 2016

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUBE HOUSING ASSOCIATION LIMITED**

### **Report on the financial statements**

#### **Our opinion**

In our opinion Cube Housing Association's financial statements (the "financial statements"):

- give a true and fair view of the state of the registered provider's affairs as at 31 March 2016 and of the registered provider's surplus and cash flows for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

#### **What we have audited**

The financial statements comprise:

- the registered provider's statement of financial position as at 31 March 2016;
- the registered provider's statement of comprehensive income and statement of changes in reserves for the year then ended;
- the registered provider's statement of cash flows for the year then ended; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Board has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Other matters on which we are required to report by exception**

#### **Adequacy of books of account and information and explanations received**

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the information given in the Annual Report is inconsistent in any material respect with the financial statements; or
- a satisfactory system of control over transactions has not been maintained; or
- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the registered provider; or
- the registered provider financial statements are not in agreement with the books of account.

We have no exceptions to report arising from this responsibility.

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the Board**

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUBE HOUSING ASSOCIATION LIMITED (continued)**

This report, including the opinions, has been prepared for and only for the registered provider's members as a body in accordance with Part 6 section 69 of the Housing (Scotland) Act 2010, Section 87 (2) of the Co-operative and Community Benefit Societies Act 2014, section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the registered provider's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the board; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the members' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Glasgow  
31 August 2016

- (a) The maintenance and integrity of the Cube Housing Association Limited website is the responsibility of the board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
31 MARCH 2016**

	Note	2016 £'000	2015 £'000
Turnover	3	24,481	17,110
Operating expenditure	3	(15,577)	(11,949)
Movement in valuation of investment properties	3	(781)	-
Operating surplus		<u>8,123</u>	<u>5,161</u>
Gain on disposal of fixed assets	9	92	150
Finance income	10	8	18
Finance charges	11	(2,163)	(1,961)
(Decrease in)/reversal of previous decrease in valuation of social housing properties	15	(4,399)	3,285
Surplus for the financial year		<u>1,661</u>	<u>6,653</u>
Actuarial gain in respect of pension schemes		1,226	2,962
Total comprehensive income for the year		<u>2,887</u>	<u>9,615</u>

All amounts relate to continuing operations.

The notes on pages 20 to 40 form part of these financial statements.



**STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2016**

	<b>Revenue Reserve £'000</b>
Balance at 1 April 2014	22,048
Surplus for the financial year	6,653
Actuarial gain in respect of pension schemes	2,962
Balance at 1 April 2015	<u>31,663</u>
Surplus for the financial year	1,716
Actuarial gain in respect of pension schemes	<u>1,226</u>
Balance at 31 March 2016	<u>34,605</u>


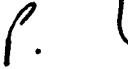

All amounts relate to continuing operations.

The notes on pages 20 to 40 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016**

	<i>Note</i>	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Social housing properties	15	88,791	79,147
Other tangible assets	16	2,562	2,406
Investments	17	1,480	-
		<u>92,833</u>	<u>81,553</u>
<b>Current assets</b>			
Trade and other debtors	18	1,910	772
Cash and cash equivalents		3,288	2,677
		<u>5,198</u>	<u>3,449</u>
<b>Creditors: amounts falling due within one year</b>	19	(12,709)	(13,098)
<b>Net current liabilities</b>		<u>(7,511)</u>	<u>(9,649)</u>
<b>Total assets less current liabilities</b>		85,322	71,904
<b>Creditors: amounts falling due after more than one year</b>	20	(48,467)	(36,312)
<b>Provisions for liabilities</b>			
Pension liability	22	(2,305)	(3,929)
<b>Total net assets</b>		<u>34,550</u>	<u>31,663</u>
<b>Reserves</b>			
Share capital	21	-	-
Revenue reserve excluding pension reserve		36,855	35,592
Pension reserve	22	(2,305)	(3,929)
Revenue reserve		34,550	31,663
<b>Total reserves</b>		<u>34,550</u>	<u>31,663</u>

These financial statements were approved by the Board on 16 August 2016 and were signed on its behalf on 31 August 2016 by:

 <b>Elizabeth Ruine</b> Director	 <b>Peter Kelly</b> Director	 <b>Kirsten Craig</b> Secretary
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The notes on pages 20 to 40 form part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	<i>Note</i>	2016 £'000	2015 £'000
<b>Net cash generated from operating activities</b>	24	<u>2,395</u>	<u>4,883</u>
<b>Cash flows from investing activities</b>			
Improvement of properties – housing stock	15	(7,862)	(5,559)
New build	15	(12,053)	(5,325)
Improvement of properties - investment	17	(359)	(1,902)
Purchase of other fixed assets	16	(325)	(111)
Right-to-buy proceeds	9	320	353
Grants received	19	7,120	6,830
Finance income	10	<u>8</u>	<u>18</u>
<b>Net cash used in investing activities</b>		<u>(13,151)</u>	<u>(5,696)</u>
<b>Cash flows from financing activities</b>			
Finance charges	11	(1,257)	(1,668)
Intra-group loan drawn down		12,624	34,202
Repayments of bank loans		<u>-</u>	<u>(34,145)</u>
		11,367	(1,611)
<b>Net change in cash and cash equivalents</b>		611	(2,424)
<b>Cash and cash equivalents at 1 April</b>		2,677	5,101
<b>Cash and cash equivalents at 31 March</b>		<u>3,288</u>	<u>2,677</u>

The notes on pages 20 to 40 form part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**

### **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.

### **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.

#### **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 financial statements have been prepared on a going concern basis after consideration of the future prospects for the Group and the preparation of long terms 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.

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.

#### **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.

#### **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.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

### **2. Accounting policies (continued)**

#### **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 is also 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. The cost of properties is their 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31  
MARCH 2016 (continued)**

**2. Accounting policies (continued)**

• **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 not depreciated
Land	
Bathrooms	25 yrs
External environment	20 yrs
External wall finishes	35 yrs
Heating system boiler	12 yrs
Internal works & common areas	20 yrs
Kitchens	20 yrs
Mechanical, Electrical & Plumbing	25 yrs
Structure & roofs	50 yrs
Windows and doors	30 yrs

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; 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

### 2. Accounting policies (continued)

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 yrs
Office premises (cost)	5 yrs
Furniture, fittings and office equipment (cost)	3 yrs

#### 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.

#### 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

As a charity, Cube Housing Association is exempt from corporation tax on its charitable activities by virtue of Section 505(1) Income & Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979.

#### Value Added Tax

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31  
MARCH 2016 (continued)**

**3. Particulars of turnover, operating expenditure and operating surplus**

	Turnover	2016 Operating Costs	Loss on investment activities	Operating Surplus/ (deficit)	2015 Operating Surplus/ (deficit)
	£ 000	£ 000	£000	£ 000	£ 000
Affordable letting activities (note 4)	21,024	(10,786)	-	10,238	5,660
Other activities (note 5)	3,457	(4,791)	-	(1,334)	(499)
Gain on investment activities (note 17)	-	-	(781)	(781)	-
<b>Total</b>	<b>24,481</b>	<b>(15,577)</b>	<b>(781)</b>	<b>8,123</b>	<b>5,161</b>
 Total for previous reporting year	 17,110	 (11,949)	 -	 5,161	



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (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	2016 Total £'000	2015 Total £'000
Rent receivable net of service charges	13,435	1,133	87	14,655	14,109
Service charges	283	226	-	509	455
<b>Gross income from rents and service charges</b>	<b>13,718</b>	<b>1,359</b>	<b>87</b>	<b>15,164</b>	<b>14,564</b>
Less rent loss from voids	(117)	(28)	-	(145)	(138)
<b>Net income from rents and service charges</b>	<b>13,601</b>	<b>1,331</b>	<b>87</b>	<b>15,019</b>	<b>14,426</b>
Grants released from deferred income	6,005	-	-	6,005	2,070
Revenue grants from Scottish Ministers	-	-	-	-	-
<b>Total turnover from affordable letting activities</b>	<b>19,606</b>	<b>1,331</b>	<b>87</b>	<b>21,024</b>	<b>16,496</b>
Management and maintenance administration costs	2,879	159	10	3,048	3,479
Service costs	286	232	-	518	461
Planned and cyclical maintenance including major repairs costs	1,227	297	-	1,524	1,538
Reactive maintenance costs	1,572	195	-	1,767	1,778
Bad debts – rents and service charges	180	7	-	187	139
Depreciation of social housing	3,458	279	5	3,742	3,441
<b>Operating costs from social letting activities</b>	<b>9,602</b>	<b>1,169</b>	<b>15</b>	<b>10,786</b>	<b>10,836</b>
<b>Operating surplus from social lettings</b>	<b>10,004</b>	<b>162</b>	<b>72</b>	<b>10,238</b>	<b>5,660</b>
Operating activities for affordable letting activities for the previous reporting year	5,313	303	44	5,660	

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 2016 (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	2016 Operating Deficit £'000	2015 Operating Deficit £'000
Wider role activities to support the community	-	-	-	(370)	(370)	(202)
Factoring	-	104	104	(217)	(113)	(5)
Development and construction of property activities	-	3,213	3,213	(3,950)	(737)	(137)
Depreciation – non social housing	-	-	-	(168)	(168)	(195)
Organisation restructuring	-	-	-	(31)	(31)	(416)
Other Income	-	140	140	(55)	85	456
<b>Total from other activities</b>	<b>-</b>	<b>3,457</b>	<b>3,457</b>	<b>(4,791)</b>	<b>(1,334)</b>	<b>(499)</b>
Total from other activities for the previous reporting year	-	614	614	(1,113)	(499)	

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**6. Board members' emoluments**

Board members received £873 (2015: £590) by way of reimbursement of expenses.

**7. Officers' emoluments**

	2016 £'000	2015 £'000
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	-	102
Compensation payable to officers for loss of office	-	100
Emoluments payable to highest paid officer greater than £60,000 (excluding pension contributions and compensation for loss of office)	-	102
The number of officers, including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:		
More than £100,000 but not more than £110,000	-	1

Officers of the Association are employed by another Group subsidiary. The Association is recharged a share of salary costs, and under this arrangement, no emoluments recharged for any individual officer is greater than £60,000.

**8. Employees**

	2016 No.	2015 No.
The average monthly number of full time equivalent persons employed during the year was	61	69
The average total number of employees employed during the year was	64	71
	2016 £'000	2015 £'000
Staff costs (for the above persons)		
Wages and salaries	1,907	2,264
Social security costs	186	216
Pension costs	710	706
Pension service credit	(523)	(439)
	<u>2,280</u>	<u>2,747</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**9. Gain on disposal of fixed assets**

	2016			2015		
	Housing Properties held for Letting £'000	Shared Ownership Properties £'000	Total £'000	Housing Properties held for Letting £'000	Shared Ownership Properties £'000	Total £'000
Sale proceeds	320	-	320	326	27	353
Value of properties disposed	(228)	-	(228)	(182)	(21)	(203)
Gain on sale of housing stock	92	-	92	144	6	150

**10. Finance income**

	2016 £'000	2015 £'000
Bank interest receivable on deposits in the year	8	18

**11. Finance charges**

	2016 £'000	2015 £'000
Interest payable on housing loans	2,038	1,668
Net interest charge on pension liability	125	293
	<u>2,163</u>	<u>1,961</u>

**12. Auditors' remuneration**

	2016 £'000	2015 £'000
The remuneration of the auditors (excluding VAT) is as follows:		
Audit of these financial statements	14	13
Other services	-	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**13. Financial commitments**

**Capital commitments**

All capital commitments of the Association were as follows:

	2016 £'000	2015 £'000
Expenditure contracted for, but not provided in the financial statements	5,078	10,769
Expenditure authorised by the Board but not contracted	12,109	4,681
	<u>17,187</u>	<u>15,450</u>

**14. Operating leases**

At 31 March 2016 the Association had annual commitments under non-cancellable operating leases as follows:

	2016 £'000 Land and Buildings	2016 £'000 Other	2015 £'000 Land and Buildings	2015 £'000 Other
Operating leases that expire:				
Within one year	77	5	77	7
In the second to fifth years inclusive	184	3	258	13
Over five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>261</u>	<u>8</u>	<u>335</u>	<u>20</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**15. Social Housing Properties**

	<b>Housing Properties Held for Letting £'000</b>	<b>Shared Ownership Properties £'000</b>	<b>Housing Under Construction £'000</b>	<b>Total £'000</b>
<b>At valuation</b>				
At 1 April 2015	70,096	1,824	7,227	79,147
Additions	7,862	-	12,412	20,225
Disposals	(274)	-	-	(274)
Transfer	8,698	(76)	(10,883)	(2,261)
Revaluation	(8,077)	(18)	-	(8,095)
<b>At 31 March 2016</b>	<b>78,305</b>	<b>1,730</b>	<b>8,756</b>	<b>88,742</b>
<b>Depreciation</b>				
At 1 April 2015	-	-	-	-
Charge for year	(3,737)	(5)	-	(3,742)
Disposals	46	-	-	46
Revaluation	3,691	5	-	3,696
<b>At 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value - valuation</b>				
At 31 March 2016	78,305	1,730	8,756	88,791
At 31 March 2015	70,096	1,824	7,227	79,147
<b>Net Book Value - cost</b>				
At 31 March 2016	123,043	1,369	8,756	133,168
At 31 March 2015	110,494	1,450	7,227	119,171

Additions to Core Stock of £7,847k in the year include:

- £874k in relation to the replacement of components; and
- £6,973k on the improvement of components.

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 2016 on an Existing Use Valuation for Social Housing (EUV-SH). A discount rate of between 5.75%-6.50% have been used depending on the property archetype (2015: 5.75% - 8.00%). The valuation assumes a rental income increase of inflation + 0.5% for the next 3 years, in line with the Association's 30 year Business Plan (2016-17). 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 2015-16 Cube disposed of 10 properties (2015: 9) to tenants under RTB entitlements. These properties were valued at £0.3m during the year (2015: £0.3m).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**15. Social Housing Properties (continued)**

The number of units of social housing accommodation owned and managed by the Association at 31 March 2016 is shown below:

	2016 No.	2015 No.
General needs	3,261	3,186
Shared ownership	40	42
Supported housing	116	116
	<u>3,417</u>	<u>3,344</u>

**16. Other tangible fixed assets**

	Combined heat and power plant £'000	Office premises £'000	Furniture, fittings and office equipment £'000	Total £'000
<b>Cost</b>				
At 1 April 2015	4,932	407	731	6,070
Additions	-	325	-	325
Disposals	-	(288)	(457)	(745)
At 31 March 2016	<u>4,932</u>	<u>444</u>	<u>274</u>	<u>5,650</u>
<b>Depreciation</b>				
At 1 April 2015	2,721	301	642	3,664
Charge for year	79	26	64	169
Disposals	-	(288)	(457)	(745)
At 31 March 2016	<u>2,800</u>	<u>39</u>	<u>249</u>	<u>3,088</u>
<b>Net Book Value</b>				
At 31 March 2016	<u>2,132</u>	<u>405</u>	<u>25</u>	<u>2,562</u>
At 31 March 2015	<u>2,211</u>	<u>106</u>	<u>89</u>	<u>2,406</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**17. Investments**

**Investment Properties**

	<b>Properties held for market rent £'000</b>
<b>Cost</b>	
At 1 April 2015	-
Transfers	2,261
Disposals	-
Revaluation taken to operating surplus	(781)
<b>At 31 March 2016</b>	<b>1,480</b>
<b>Net Book Value</b>	
At 31 March 2016	1,480
At 31 March 2015	-

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 2016.

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

	<b>2016</b>	<b>2015</b>
<b>Mid Market Rent Properties</b>		
Total Units	21	-

**18. Trade and other debtors**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Arrears of rent and service charges	577	585
Adjustment to discount arrears balances with payment plans	(2)	(6)
Less: provision for bad and doubtful debts	(228)	(297)
	<u>347</u>	<u>282</u>
Prepayments and accrued income	46	107
Other debtors	1,212	316
Due from other group companies	305	67
<b>Total</b>	<u>1,910</u>	<u>772</u>

Amounts owed by 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 2016 (continued)**

**19. Creditors: amounts falling due within one year**

	2016 £'000	2015 £'000
Trade creditors	1,223	881
Accruals	2,768	1,415
Deferred income	4,833	4,760
Rent and service charges received in advance	637	590
Tax and social security	110	224
Lift creditor	469	469
CHP creditor	-	960
Other creditors	688	368
Due to other group companies	1,981	3,431
	<u>12,709</u>	<u>13,098</u>

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

	Housing Association Grant £ 000	Other £ 000	Total Deferred Income £ 000
Deferred income as at 31 March 2015	4,760	-	4,760
Additional income received	5,015	2,105	7,120
Released to the Statement of Comprehensive Income	(5,489)	(1,558)	(7,047)
Deferred income as at 31 March 2016	<u>4,286</u>	<u>547</u>	<u>4,833</u>

	2016 £'000	2015 £'000
Grant to be released to the Statement of Comprehensive Income: In less than one year	<u>4,833</u>	<u>4,760</u>

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

	2016 £'000	2015 £'000
Lift creditor	1,641	2,110
Due to other group companies	41,826	34,202
Housing loans	5,000	-
Total	<u>48,467</u>	<u>36,312</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

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

**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 includes £526.0m from a syndicate of commercial banks, a committed facility of £132.5m from the European Investment Bank and £300m raised through the issue of a public bond. This provides total facilities of £958.5m for Wheatley Group RSLs 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 Cube Housing Association having access to an intra-group facility of £69.4m, secured on the Association's housing stock.

Cube Housing Association secured £5m of loan finance during the year from the Scottish Partnership for Regeneration in Urban Centres (SPRUCE) Fund, a joint Scottish Government and European Regional Development Fund initiative. It is repayable in full by 31 December 2023. Interest is chargeable at 2.25% per annum.

The lift creditor, disclosed within creditors falling due within and after more than one year, is repaid in equal quarterly instalments, with the final instalment due in July 2020.

Borrowings are repayable as follows	2016 £'000	2015 £'000
In less than one year	-	-
In more than one year but less than five years	-	-
In more than five years	46,826	34,202
	<u>46,826</u>	<u>34,202</u>

**21. Share capital**

	2016 £	2015 £
Shares of £1 each issued and fully paid		
At 1 April	228	227
Issued during year	-	1
Surrendered during year	-	-
At 31 March	<u>228</u>	<u>228</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 2016 (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 2012, with the next full valuation due at 30 September 2015 currently underway.

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 2016.

Following consideration of the results of the last valuation at 30 September 2012, it was agreed that the shortfall of £304m would be dealt with by the payment of additional contributions of 5.4% of pensionable salaries per annum with effect from 1st April 2014. Past service deficit contributions will 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 buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (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 2016	31 March 2015
Discount rate	3.8%	3.4%
Future salary increases	*2.5%	*2.5%
Inflation	2.1%	2.0%

\*Salary increases are assumed to be 2% p.a. until 31 March 2019, 2.5% p.a. thereafter.

In valuing the liabilities of the pension fund at 31 March 2016, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the statement of financial position date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.1 years (male) (2015: 22.1 years), 23.6 years (female) (2015: 23.6 years)
- Future retiree upon reaching 65: 24.8 years (male) (2015: 24.8 years), 26.2 years (female) (2015: 26.2 years)

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 2016 (continued)**

**22. Pensions (continued)**

*Movements in present value of defined benefit obligation*

	2016 £'000	2015 £'000
Opening defined benefit obligation	16,142	16,772
Current service cost	-	142
Interest cost	541	720
Contributions by members	-	47
Actuarial (gains)/losses	(1,158)	(1,245)
Estimated benefits paid	(452)	(294)
Closing defined benefit obligation	<u>15,073</u>	<u>16,142</u>

*Movements in fair value of plan assets*

	2016 £'000	2015 £'000
Opening fair value of plan assets	12,213	9,735
Expected return on plan assets	68	1,717
Interest income	416	427
Contributions by the employer	541	599
Contributions by the members	-	47
Estimated benefits paid	(452)	(294)
Administration costs	(18)	(18)
Closing fair value of plan assets	<u>12,768</u>	<u>12,213</u>
<b>Net liability</b>	<b>(2,305)</b>	<b>(3,929)</b>

*Expense recognised in statement of comprehensive income*

	2016 £'000	2015 £'000
Current service cost	-	142
Administration costs	18	18
Interest on defined benefit pension plan obligation	125	293
Expected return on defined benefit pension plan asset	68	1,717
Actuarial gains	<u>1,158</u>	<u>1,245</u>
	<u>1,369</u>	<u>3,415</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**22. Pensions (continued)**

*The expense is recognised in the following line items in the statement of comprehensive income*

	2016 £'000	2015 £'000
Operating expenses	(15,520)	(11,949)
Finance costs	(2,163)	(1,961)

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is £1,226k gain (2015: £2,962k gain).

*The fair value of the Scheme assets and the return on those assets were as follows:*

	2016 £'000	2015 £'000
Equities	4,725	4,397
Corporate bonds	4,086	611
Property	638	4,396
Alternatives	3,064	2,687
Cash and other	255	122
	<u>12,768</u>	<u>12,213</u>
Actual return on plan assets	484	2,144

**Defined Contribution pension arrangements**

*Expense recognised in statement of comprehensive income*

	SHAPS 2016 £ 000	Salvus 2016 £ 000
Current service cost	<u>119</u>	<u>50</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**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 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.

Elizabeth Ruine  
Jacqueline Barnes  
William Carroll  
Linda McGrory  
Robert Keir

Transactions and arrear balances outstanding at 31 March 2016 are as follows:

	<b>2016 £'000</b>
Rent charged during the year	18
Arrear balances outstanding at 31 March 2016	-

**Other related parties**

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

	<b>2016 £'000</b>
Catherine Lowe – Chartered Institute of Housing Scotland	-
Peter Kelly – Brodies LLP	23

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**24. Cash Flow Analysis**

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

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Surplus for the financial year	1,661	6,653
Depreciation of property, plant and equipment	3,911	3,636
Increase in trade and other receivables	(1,138)	(160)
Decrease in trade payables	(931)	(1,245)
Pension costs less contributions payable	(523)	(439)
<i>Adjustments for investing or financing activities:</i>		
Surplus from the sale of tangible fixed assets	(92)	(150)
Government grants utilised in the year	(7,047)	(2,070)
Interest paid	2,163	1,961
Interest received	(8)	(18)
Decrease in/Reversal of previous decrease in valuation of housing properties	4,399	(3,285)
<b>Net cash generated from operating activities</b>	<b>2,395</b>	<b>4,883</b>

**25. Ultimate parent organisation**

The Association is a 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**

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Chartered Accountants and Statutory Auditors  
141 Bothwell Street  
Glasgow  
G2 7EQ

**Bankers**

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Glasgow Corporate Office  
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