



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

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

mutualsannrtns@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	2327RS
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	7
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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 KELLY
Address	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW
Postcode	G1 1HL
Year of birth	1970
Business occupation and other directorships	SOLICITOR ATHOLL SECURITY TRUSTEE LIMITED WHEATLEY HOUSING GROUP LIMITED BRODIES & CO (TRUSTEES) LIMITED BRODIES SECRETARIAL SERVICES LIMITED ATHOLL INCORPORATIONS LIMITED APPLECROSS NURSING HOME LIMITED

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	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
PETER KELLY (CHAIRMAN)	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G11HL	1970	SOLICITOR ATHOLL SECURITY TRUSTEE LIMITED WHEATLEY HOUSING GROUP LIMITED BRODIES & CO (TRUSTEES) LIMITED BRODIES SECRETARIAL SERVICES LIMITED ATHOLL INCORPORATION S LIMITED APPLECROSS NURSING HOME LIMITED
WILLIAM CARROLL	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G11HL	1962	N/A
LINDA MCGRORY	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G11HL	1954	N/A
CATHERINE LOWE	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G11HL	1960	DEMOCRAFT LIMITED (DIRECTOR) HELP IN YOUR HOME LIMITED JS PROPERTY (SCOTLAND) LIMITED
ROBERT KEIR	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G11HL	1942	N/A
STEVEN SCOTT	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G11HL	1957	ACCOUNTANT

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?

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?

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.

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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, ILLHEALTH, 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 ACCOMODATION 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	228
B	Members ceased during year	65
C	Members admitted during year	2
D	Members at end of year	165
E	Turnover for year	20,847,000
F	Total of income and expenditure (receipts and payments added together)	27,409,000
G	Net surplus/(deficit) for year	(6,562,000)
H	Fixed assets	102,102,000
I	Current assets	5,020,000
J	Total assets (equal to amount in row O, below)	107,122,000
K	Current liabilities	18,260,000
L	Share capital	163 (for the purposes of this return this figure has been rounded down to 0)
M	Long-term liabilities	(61,840,000)
N	Reserves	(27,022,000)
O	Total liabilities, share capital & reserves (K+L+M+N) (equal to amount in J above)	(107,122,000)
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
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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.

- ☒ Full professional audit ▶ Continue to section 4
- ☐ Accountant's report ▶ Complete questions 3.2 and 3.3
- ☐ Lay audit ▶ Complete questions 3.2 and 3.3
- ☐ 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)

1	9	/	0	9	/	2	0	1	7
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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

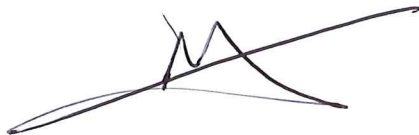
I certify that the information in this form is correct to the best of my knowledge and belief.

Name	ANTHONY ALLISON
Signature	
Phone number	0141 274 6270
Email	anthony.allison@wheatley-group.com
Date	31/10/2017

Cube Housing Association 2327(R(S) AR30 (2017) Continuation

1.6 Details of Members of the Committee

Name	Address	Year of Birth	Business occupation and other directorships
WILLIAM COGHILL	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G1 1HL	01/09/1960	PROPERTY MANAGER
JENNIFER WILLIAMSON	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G1 1HL	16/04/1975	SMALL BUSINESS OWNER/ HAIRSTYLIST
IAN TAYLOR	C/O WHEATLEY HOUSE 25 COCHRANE STREET GLASGOW G1 1HL	30/10/1950	N/A

A handwritten signature in dark 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 2017

Cube Housing Association Limited

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

OPERATING REVIEW

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

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

One of the highlights of the year has been Wheatley, Cube’s parent company, becoming joint owners, with Glasgow City Council, in City Building (Glasgow) LLP. This gives Cube a platform to work more closely than ever before with the repairs teams, and others in Wheatley, to create a new model for repairs which can achieve consistently outstanding levels of customer service for tenants. People told us they wanted to see local repairs teams and that is the focus as services are re-designed over the next few months.

Another milestone has been the launch of Wheatley Foundation, a new charitable trust which supports our ‘Better Lives’ programmes. The Foundation is chaired by Sir Harry Burns, former Chief Medical Officer of Scotland, and already it is supporting 15 different programmes across local communities, all of them designed to offer new opportunities to customers, and their families. In the year, 7,466 people benefited from the Foundation’s projects which include apprenticeships, bursaries, cultural and sporting activities and a new money advice service for vulnerable people.

Excellent progress has been made in 2016/17 on ambitions to increase the supply of affordable housing with 34 new homes for social rent completed by Cube and 46 for mid-market rent. Hundreds more are in the pipeline across the Association’s communities.

Unfortunately many tenants still struggle to pay their rent, put food on the table, and keep their homes - and tackling these issues is a major focus for staff at Cube. Specialist advisors helped customers save thousands of pounds on their energy bills, and claim back money they were entitled to in welfare payments. The Tenancy Support Service, delivered by Group partners at Loretto Housing Association, gave tailored support to the most vulnerable Cube tenants who were having particular difficulties keeping their tenancy.

This year Cube also gave people living in its homes more opportunities to access apprenticeships than ever before, including environmental apprenticeships, and introduced Changing Lives traineeships for people facing real barriers to employment.

No review of the year would be complete without paying tribute to Liz Ruine, Cube’s Chair for five years until she retired last year. She was a great ambassador for both Cube and Wheatley and worked with great dedication and passion to ensure tenants’ needs were met. During her time as Chair, Cube started a programme of major investment in its homes as well as a project to build hundreds of new homes. She leaves a strong legacy and all at Cube and Wheatley wish her the very best.

OPERATING REVIEW continued

Highlights of the year 2016/17 included:

Our homes

Work continued to modernise and maintain homes, investing £15.0m in upgrades right across communities. The work included replacing kitchens and bathrooms, cladding in multi-storeys in Broomhill, new heating, roofs, doors and windows. Cube also invested in neighbourhoods, upgrading communal areas such as entrance foyers in multi-storey flats, backcourts, stairwells and green spaces. By the end of the financial year, Cube had 3,431 affordable homes with 98.32% of them meeting the Scottish Housing Quality Standard.

Building affordable housing

Plans to build more affordable homes in local communities made progress with a total of 34 new homes in Ruchill, Glasgow completed for social rent and 46 homes in Yoker, Glasgow for mid-market rent, which are now being managed by our sister organisation Lowther Homes. At the end of the financial year Cube were on site building 122 more and a further 192 are planned to start on site during 2017/18.

Cube's work to regenerate communities and build more affordable homes earned recognition including the Herald Property Awards' Best Housing Regeneration Project for our Milncroft Road development in Ruchazie.

District heating schemes

A £7m improvement project was completed to make hundreds of homes warmer in three Glasgow neighbourhoods. At Broomhill in Glasgow a new district heating system now serves over 700 homes, including five 18-storey blocks, making them warmer and drier and helping reduce fuel bills for tenants. Insulation and other improvements have also been carried out as part of the project.

Two smaller schemes in Gorget in Knightswood and Collina Street in Maryhill were completed in 2016. In February 2017, Bob Doris MSP, Convenor of the Scottish Parliament's Local Government and Communities Committee, visited the Gorget district heating energy centre, which was part-funded by £1.1m from Glasgow City Council, to learn more about the benefits it brings.

The overall project was delivered in partnership with British Gas as part of its Energy Companies Obligation (ECO). The Broomhill scheme was part-funded with a £5m SPRUCE Fund loan.

A new repairs service

The ambition to create a modern, local and more efficient repairs and maintenance service took a major step forward over 2016/17 when a new joint venture with Glasgow City Council was agreed.

Cube's parent company, Wheatley Housing Group Limited, became 50/50 joint owner of City Building (Glasgow) LLP on 1 April, 2017. This has given the Association the opportunity to reshape its repairs service, designing a service which delivers consistent excellence for customers, and work on this is under way.

The jointly owned partnership is providing repairs and investment work to Cube homes as well as those of GHA, Loretto Housing, YourPlace and Lowther Homes.

OPERATING REVIEW continued

Environmental services

Together with all Cube's partners in Wheatley, a total of £20m is being invested to strengthen environmental services, restructure the teams and recruit almost 200 new staff including apprentices and trainees. For Cube this has meant an improved service across all the areas we work in.

As part of the mission to create communities people are proud to live in, Cube also launched a new partnership with Keep Scotland Beautiful which is involving tenants in assessing, grading and improving neighbourhoods.

Involving tenants

Tenants tell us they want clean and cared for neighbourhoods so Cube also stepped up efforts to keep neighbourhoods free of litter. Staff at Cube worked hand-in-hand with the people who live in its homes to hold a litter pick at one of our estates every week since Christmas. These events bring customers, staff, caretakers, Neighbourhood Environmental Teams ("NETs") and other partners together to make our communities great places to live. During our first session in Wyndford, Glasgow, 90 bin bags were filled with rubbish and in a later session, the number had fallen to 14 due to the significant reduction in litter being dropped.

Improving performance

Cube continued to improve our performance with 15 out of 26 measures (58%) which were reported to the Scottish Housing Regulator were in the top quartile when benchmarked with other Registered Social Landlords (RSLs). This is significant progress on last year when 42% of reported performance measures were in the top quartile.

Performance highlights for the year included:

- customer satisfaction for Cube was 86.82%, up from 85.36% last year;
- tenants who feel their rent represents good value went up to 72.65% from 67.38%;
- repairs completed right first time rose to 97.87%, up from 94.89%;
- new tenancies sustained for more than a year increased to 89.07% from 84.87%; and
- 99.6% of new tenants were satisfied with the quality of their home when they moved in while 92.69% of existing tenants were satisfied with the quality of their home, both up on last year.

Awards and accreditations

Cube's journey to excellence was rewarded with a 3-star Recognised for Excellence award from Quality Scotland in 2016.

The Association also played a part in following achievements of Wheatley:

- regaining Customer Service Excellence accreditation with 19 'compliance plus' marks, a record number and up from 16 the previous year;
- being ranked no 47 in the Sunday Times list of best not-for-profit organisations to work for; and
- making it into 24 Housing magazine's top 10 social landlords in the UK.

Rent campaign

The "Rent Matters" annual rent campaign resulted in a best ever arrears performance over the festive period. The campaign, which urged customers to "Put Rent First", invited people who were facing difficulties to get in touch and access the wide range of help and support available. The campaign materials, which included posters, bus stop advertising, newsletter articles and regular content on social media and the website, also made it clear to customers what their rent pays for. The campaign resulted in a reduction of arrears from 5.65% in 2016 to 4.70% in 2017.

OPERATING REVIEW continued

More customers go online

Cube launched its new website in March 2017 as part of our work to encourage and support customers to go online. The website was designed in consultation with tenants and within a few months saw the number of online visitors rise to around 4,000 a month.

The new website is mobile friendly, easy to navigate and features engaging content. Cube's target is to see 30% of all customer transactions carried out online and the new website plays a part in increasing the numbers of customers registering and using our online self-services.

In 2016/17, £338,769 was paid by Cube customers through the online channel over the 12-month period.

Jobs and training opportunities

The scale of the new-build and investment programmes at Wheatley means subsidiary organisations can create or support hundreds of opportunities for people from communities to access jobs and training each year. This year Cube supported a total of 22 people from its homes into jobs and training opportunities.

These opportunities are funded by the new charitable trust, Wheatley Foundation, and include apprenticeships, traineeships and the Wheatley Pledge, a scheme which incentivises our suppliers to do even more for communities by offering work or training to Wheatley customers.

During the year, 22 opportunities were taken up by Cube tenants, or their families, and included four Modern Apprenticeships, two Wheatley Pledge placements and nine Changing Lives traineeships. These opportunities are providing people with extra support to get on the job ladder.

Helping tenants save money

Cube continues to support tenants in a wide range of ways. Cube's fuel advisors provide free expert advice to tenants on cutting their energy bills and keeping their homes warm. Advisors can help tenants access the cheapest tariffs, arrange low-cost payment arrangements and, depending on their circumstances, help them write-off long-term debt. More than 294 tenants used the fuel advice service in 2016/17 and saved more than £63,567 on their bills. Cube also helped tenants claim back £173,031 in benefits they were entitled to. The "My Great Start" service which helps new tenants get off to a good start with their tenancy supported 320 Cube customers to develop budgeting skills and manage their money.

Support for the most vulnerable

Bringing care and housing together in Wheatley Group is allowing staff to identify and support vulnerable people in communities in new ways. The Tenancy Support Service (TSS), delivered by Loretto Housing Association, launched in 2015 with the aim of helping people maintain their tenancy and get more out of life.

In 2016/17, 224 Cube tenants who were struggling to cope received support for periods of up to eight weeks. Of the tenants who returned a questionnaire, 100% said they were satisfied with the service they received.

Independent auditor

The directors appointed KPMG LLP to act as auditor of the financial statements for the financial year ended 31 March 2017. In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

FINANCIAL REVIEW

Income

The Association's turnover (excluding any gain on disposal of fixed assets and finance income) for the year ended 31 March 2017 totalled £20,847k (2016: £24,481k). The main source of income was net rental and service charge income of £15,480k (2016: £15,019k), with the remainder including:

- £4,610k of grant income recognised in relation to capital investment and the new build programme (2016: £6,005k);
- £757k of income from development activities, factoring and other income (2016: £2,415k).

Expenditure

Operating costs in the year totalled £14,112k (2016: £15,577k), largely comprising of the following:

- Management and maintenance administration costs associated with affordable letting activities totalling £3,100k (2016: £3,048k).
- £1,622k of reactive maintenance costs to our social letting properties (2016: £1,767k).
- £2,351k of planned and cyclical maintenance costs to our social housing properties (2016: £1,524k).
- Depreciation expenditure for social and non-social housing assets of £4,794k (2016: £3,910k).

The Association generated an operating surplus of £6,182k (30%) (2016: £8,123k (33%)) in the year after taking account of losses on the revaluation of investment properties held.

In the year the Association sold 13 (2016: 10) properties and disposed of components held within properties, reporting a net loss of £361k (2016: net gain £92k). Other expenditure in the year included £2,378k of interest due on housing loans (2016: £2,163k).

Total comprehensive loss for the year of £7,528k (2016: £2,887k income) includes the decrease in value of social housing properties of £10,023k (2016: reversal of a previous decrease in value of £4,399k) and an actuarial loss of £966k (2016: gain of £1,226k) 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 17. Cube generated £13,017k from operating activities (2016: £2,395k). Cash and cash equivalents in the year decreased by £2,035k (2016: increased by £611k). This movement is primarily due to expenditure for improvements to existing properties and to develop new housing.

Rental debtors

At the balance sheet date, the Association had rent arrears of £505k offset by bad debt provisions of £202k (2016: £577k and £228k respectively).

FINANCIAL REVIEW (continued)

Liquidity

Cube reported net current liabilities of £13,239k as at 31 March 2017 – an increase of £5,728k from the net current liability of £7,511k reported as at 31 March 2016. 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 resulting in an increase in long term creditors.

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 £15,065k in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £92,611k (2016: £88,791k).

New Build

During the financial year we completed 80 new build properties across two developments. Our new build programme invested £10,171k in the year. The Business Plan includes a further projected spend of £57,496 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 reserves; 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 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.

FINANCIAL REVIEW (continued)

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

By order of the Board



Peter Kelly, Director

30 August 2017

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:

Peter Kelly (Chair)
Catherine Lowe (Vice Chair)
Jacqueline Barnes* (resigned 20 September 2016)
William Carroll
Bill Coghill
Robert Keir
Linda McGrory*
Elizabeth Ruine* (resigned 20 September 2016)
Steve Scott
Jennifer Williamson (appointed 7 November 2016)

* 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 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 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 auditor is aware of that information.

CUBE HOUSING ASSOCIATION BOARD AND RELATED MATTERS (continued)

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;
- 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.

CUBE HOUSING ASSOCIATION BOARD AND RELATED MATTERS (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The board is responsible for preparing the Annual Report and 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 applicable accounting standards have 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



Peter Kelly, Director

30 August 2017

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

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

We have audited the financial statements of Cube Housing Association Limited for the year ended 31 March 2017 set out on pages 14 to 40. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010 and to the charity's trustees, as a body, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 11, the association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the association as at 31 March 2017 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CUBE HOUSING ASSOCIATION LIMITED (CONTINUED)

Matters on which we are required to report by exception

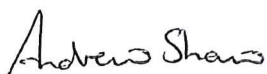
We have nothing to report in respect of the following:

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.

Under the Scottish Housing Regulator Regulatory Advice Note: Internal Financial Controls and the Regulatory Standards we are required to report to you if, in our opinion the Statement on Internal Financial Control on page 10:

- does not provide the disclosures required by the relevant Regulatory Standards for systemically important RSLs 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 materially inconsistent with the knowledge acquired by us in the course of performing our audit.



Andrew Shaw

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

319 St Vincent Street

Glasgow

G2 5AS

7 September 2017

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 MARCH 2017**

	Note	2017 £'000	2016 £'000
Turnover	3	20,847	24,481
Operating expenditure	3	(14,112)	(15,577)
Movement in valuation of investment properties	3	(553)	(781)
Operating surplus		<u>6,182</u>	<u>8,123</u>
(Loss)/Gain on disposal of fixed assets	9	(361)	92
Finance income	10	18	8
Finance charges	11	(2,378)	(2,163)
Decrease in valuation of social housing properties	15	(10,023)	(4,399)
(Deficit)/Surplus for the financial year		<u>(6,562)</u>	<u>1,661</u>
Actuarial (loss)/gain in respect of pension schemes	22	(966)	1,226
Total comprehensive income for the year		<u><u>(7,528)</u></u>	<u><u>2,887</u></u>

All amounts relate to continuing operations.

The notes on pages 18 to 40 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2017

	Revenue Reserve £'000
Balance at 1 April 2015	31,663
Surplus for the financial year	2,887
Balance at 1 April 2016	<u>34,550</u>
Deficit for the financial year	(7,528)
Balance at 31 March 2017	<u>27,022</u>

All amounts relate to continuing operations.

The notes on pages 18 to 40 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	<i>Note</i>	2017 £'000	2016 £'000
Fixed assets			
Social housing properties	15	92,611	88,791
Other tangible assets	16	3,481	2,562
Investments	17	6,010	1,480
		<u>102,102</u>	<u>92,833</u>
Current assets			
Trade and other debtors	18	3,767	1,910
Cash and cash equivalents		1,253	3,288
		<u>5,020</u>	<u>5,198</u>
Creditors: amounts falling due within one year	19	(18,260)	(12,709)
Net current liabilities		<u>(13,239)</u>	<u>(7,511)</u>
Total assets less current liabilities		88,862	85,322
Creditors: amounts falling due after more than one year	20	(59,030)	(48,467)
Provisions for liabilities			
Pension liability	22	(2,810)	(2,305)
Total net assets		<u>27,022</u>	<u>34,550</u>
Reserves			
Share capital	21	-	-
Revenue reserve		27,022	34,550
Total reserves		<u>27,022</u>	<u>34,550</u>

These financial statements were approved by the Board on 15 August 2016 and were signed on its behalf on 30 August 2017 by:

 Peter Kelly Director	 Catherine Lowe Director	 Anthony Allison Secretary
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The notes on pages 18 to 40 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

		2017 £'000	2016 £'000
	<i>Note</i>		
Net cash generated from operating activities	24	<u>13,017</u>	<u>2,395</u>
Cash flows from investing activities			
Improvement of properties – housing stock		(16,201)	(7,862)
New build		(10,467)	(12,053)
Improvement of properties - investment		(32)	(359)
Purchase of other fixed assets	16	(291)	(325)
Proceeds from sale of fixed assets	9	559	320
Grants received		5,672	7,120
Interest received	10	<u>18</u>	<u>8</u>
Net cash used in investing activities		(20,742)	(13,151)
Cash flows from financing activities			
Interest paid		(2,310)	(1,257)
Intra-group loan drawn down		<u>8,000</u>	<u>12,624</u>
		5,690	11,367
Net change in cash and cash equivalents		(2,035)	611
Cash and cash equivalents at 1 April		3,288	2,677
Cash and cash equivalents at 31 March		<u>1,253</u>	<u>3,288</u>

The notes on pages 18 to 40 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. Legal status

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

2. Accounting policies

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

Basis of accounting

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

The financial statements have been prepared on a going concern basis after consideration of the future prospects for the 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. Whilst the Statement of Financial Position shows net current liabilities, a loan facility is in place which allows the Association to borrow sufficient funds to meet its current liabilities as they fall due.

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

Accounting judgements and estimations

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

Judgements have been made in:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. Accounting policies (continued)

Related party disclosures

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

Turnover

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

Grant income

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

Bad and doubtful debts

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

Supported housing

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

Financial instruments

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

Deposits and liquid resources

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. Accounting policies (continued)

Pensions

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

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

Fixed assets - housing properties

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

- **Valuation of Social Housing Stock**

Social housing properties are valued annually on an Existing Use Value for Social Housing (EUV-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 from the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

- **Depreciation and Impairment**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

2. Accounting policies (continued)

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

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

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

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

• New Build

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

The Association's policy is to capitalise the following:

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

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

Non-housing properties

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

2. Accounting policies (continued)

Housing Association Grant and other capital grants

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

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

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

Other tangible fixed assets

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

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

Creditors

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

Leases

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

Provisions

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

Taxation

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

Value Added Tax

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

3. Particulars of turnover, operating expenditure and operating surplus

	Turnover	2017 Operating Costs	Loss on investment activities	Operating Surplus/ (deficit)	2016 Operating Surplus/ (deficit)
	£ 000	£ 000	£000	£ 000	£ 000
Affordable letting activities (note 4)	18,751	(12,391)	-	6,360	10,238
Other activities (note 5)	2,096	(1,721)	-	375	(1,334)
Loss on investment activities (note 17)	-	-	(553)	(553)	(781)
Total	20,847	(14,112)	(553)	6,182	8,123
Total for previous reporting year	24,481	(15,577)	(781)	8,123	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (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	2017 Total £'000	2016 Total £'000
Rent receivable net of service charges	13,360	1,648	96	15,104	14,655
Service charges	238	286	5	529	509
Gross income from rents and service charges	13,598	1,934	101	15,633	15,164
Less rent loss from voids	(123)	(30)	-	(153)	(145)
Net income from rents and service charges	13,475	1,904	101	15,480	15,019
Grants released from deferred income	3,271	-	-	3,271	6,005
Revenue grants from Scottish Ministers	-	-	-	-	-
Total turnover from affordable letting activities	16,746	1,904	101	18,751	21,024
Management and maintenance administration costs	(2,875)	(192)	(33)	(3,100)	(3,048)
Service costs	(262)	(315)	(6)	(583)	(518)
Planned and cyclical maintenance including major repairs costs	(2,205)	(146)	-	(2,351)	(1,524)
Reactive maintenance costs	(1,521)	(101)	-	(1,622)	(1,767)
Bad debts – rents and service charges	(149)	(10)	-	(159)	(187)
Depreciation of social housing	(4,292)	(284)	-	(4,576)	(3,742)
Operating costs from social letting activities	(11,304)	(1,048)	(39)	(12,391)	(10,786)
Operating surplus from social lettings	5,442	856	62	6,360	10,238
Operating activities for affordable letting activities for the previous reporting year	10,004	162	72	10,238	

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 2017 (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	2017 Operating Surplus/ (Deficit) £'000	2016 Operating (Deficit) £'000
Development and construction of property activities	28	77	105	(118)	(13)	(737)
Depreciation – non social housing	-	-	-	(218)	(218)	(168)
District heating scheme	-	186	186	(334)	(148)	-
Factoring	-	91	91	(125)	(34)	(113)
Investment property activities	1,311	189	1,500	-	1,500	-
Organisation restructuring	-	-	-	(217)	(217)	(31)
Other income	-	157	157	(10)	147	85
Wider role activities to support the community	57	-	57	(699)	(642)	(370)
Total from other activities	1,396	700	2,096	(1,721)	375	(1,334)
Total from other activities for the previous reporting year	-	3,457	3,457	(4,791)	(1,334)	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

6. Board members' emoluments

Board members received £543 (2016: £873) by way of reimbursement of expenses.

7. Key management emoluments

The Association's key management are employed by another Group subsidiary and the Association is recharged an appropriate share of salary costs. Under this arrangement emoluments recharged for any individual greater than £60,000 are:

	2017 £'000	2016 £'000
Aggregate emoluments payable to key management (excluding pension contributions and benefits in kind)	159	125
Pension contributions made on behalf of officers with emoluments greater than £60,000	31	24
Emoluments payable to highest paid key management (excluding pension contributions)	94	63
During the periods the key management's emoluments (excluding pension contributions) fell within the following band distributions:		
	No.	No.
£60,001 to £70,000	1	1
£90,001 to £100,000	1	-

Note that during 2016/17, the recharge of a member of the key management team's salary was revised following a change in their role, and 100% was recharged to Cube as opposed to 68%. This results in the change in the banding distributions between 2017 and 2016.

8. Employees

	2017 No.	2016 No.
The average monthly number of full time equivalent persons employed during the year was	66	61
The average total number of employees employed during the year was	68	64
	2017 £'000	2016 £'000
Staff costs (for the above persons)		
Wages and salaries	1,957	1,907
Social security costs	194	186
Pension costs	737	710
Pension service credit	(538)	(523)
	<u>2,350</u>	<u>2,280</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

9. Gain on disposal of fixed assets

	2017			2016		
	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	398	161	559	320	-	320
Value of properties/components disposed	(767)	(153)	(920)	(228)	-	(228)
(Loss)/Gain on disposal of housing stock	(369)	8	(361)	92	-	92

10. Finance income

	2017 £'000	2016 £'000
Bank interest receivable on deposits in the year	18	8

11. Finance charges

	2017 £'000	2016 £'000
Interest payable on housing loans	2,301	2,038
Net interest charge on pension liability	77	125
	2,378	2,163

12. Auditor's remuneration

	2017 £'000	2016 £'000
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	11	14
Other services	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

13. Financial commitments

Capital commitments

All capital commitments of the Association were as follows:

	2017 £'000	2016 £'000
Expenditure contracted for, but not provided in the financial statements	5,099	5,078
Expenditure authorised by the Board but not contracted	21,116	12,109
	<u>26,215</u>	<u>17,187</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.

14. Operating leases

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

	2017 £'000 Land and Buildings	2017 £'000 Other	2016 £'000 Land and Buildings	2016 £'000 Other
Commitments falling due:				
Within one year	104	-	77	5
In the second to fifth years inclusive	124	-	184	3
Over five years	-	-	-	-
	<u>228</u>	<u>-</u>	<u>261</u>	<u>8</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (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 2016	78,305	1,730	8,756	88,791
Additions	15,065	-	10,171	25,236
Disposals	(847)	(155)	(2)	(1,004)
Transfer	4,228	-	(10,123)	(5,895)
Revaluation	(14,562)	45	-	(14,517)
At 31 March 2017	<u>82,189</u>	<u>1,620</u>	<u>8,802</u>	<u>92,611</u>
Depreciation				
At 1 April 2016	-	-	-	-
Charge for year	4,549	27	-	4,576
Disposals	(80)	(2)	-	(82)
Revaluation	(4,469)	(25)	-	(4,494)
At 31 March 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value - valuation				
At 31 March 2017	<u>82,189</u>	<u>1,620</u>	<u>8,802</u>	<u>92,611</u>
At 31 March 2016	<u>78,305</u>	<u>1,730</u>	<u>8,756</u>	<u>88,791</u>
Net Book Value - cost				
At 31 March 2017	<u>137,019</u>	<u>1,240</u>	<u>8,802</u>	<u>147,061</u>
At 31 March 2016	<u>123,043</u>	<u>1,369</u>	<u>8,756</u>	<u>133,168</u>

Total expenditure in the year on existing properties was £19,038k (2016: £11,153k). Of this, repair costs of £3,973k (2016: £3,291) were charged to the Statement of Comprehensive Income (note 4) and capital works of £15,065k (2016: £7,862k) were included as additions to properties held for letting on the Statement of Financial Position (note 15). Capital works were:

- £14,239k in relation to the replacement of components (2016: £7,197k); and
- £826k on the improvement of components (2016: £665k).

Additions to housing under construction include capitalised interest costs of £428k (2016: £490k). Interest has been capitalised at the weighted average interest cost for the Association of 5.56% (2016: 6.02%)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

15. Social Housing Properties (continued)

Social housing properties have been valued by Jones Lang LaSalle Limited, an independent professional adviser qualified by the Royal Institution of Chartered Surveyors (RICS) to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RICS at 31 March 2017 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 2016/17 Cube disposed of 8 properties (2016:10) to tenants under RTB entitlements. These properties were valued at £143k during the year (2016: £300k).

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

	2017 No.	2016 No.
General needs	3,182	3,261
Shared ownership	36	40
Supported housing	213	116
	3,431	3,419

The Association's supported accommodation includes 52 dwellings, which contain 160 bed spaces (2016 – 53 dwellings containing 163 bed spaces).

The Association had no shared equity schemes on-going at the year end (2016 – 2 units ready for sale were held in current assets).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

16. Other tangible fixed assets

	Combined heat and power plant £'000	Office improvements £'000	Furniture, fittings and office equipment £'000	Total £'000
Cost				
At 1 April 2016	4,932	444	274	5,650
Additions	-	251	40	291
Transfers	846	-	-	846
At 31 March 2017	5,778	695	314	6,787
Depreciation				
At 1 April 2016	2,800	39	249	3,088
Charge for year	108	72	38	218
At 31 March 2017	2,908	111	287	3,306
Net Book Value				
At 31 March 2017	2,870	584	27	3,481
At 31 March 2016	2,132	405	25	2,562

17. Investments

Investment Properties

	Properties held for market rent £'000
Cost	
At 1 April 2016	1,480
Additions	34
Transfers	5,049
Revaluation taken to operating surplus	(553)
At 31 March 2017	6,010
Net Book Value	
At 31 March 2017	6,010
At 31 March 2016	1,480

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 2017.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

17. Investments (continued)

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

	2017	2016
Mid Market Rent Properties		
Total Units	68	21

18. Trade and other debtors

	2017 £'000	2016 £'000
Arrears of rent and service charges	505	577
Adjustment to discount arrears balances with payment plans	(5)	(2)
Less: provision for bad and doubtful debts	(203)	(228)
	297	347
Prepayments and accrued income	83	46
Other debtors	3,223	1,212
Due from other group companies	164	305
Total	3,767	1,910

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

	2017 £'000	2016 £'000
Trade creditors	773	1,223
Accruals	6,167	2,768
Deferred income	4,781	4,833
Rent and service charges received in advance	666	637
Tax and social security	49	110
Other creditors	1,021	1,157
Due to other group companies	4,803	1,981
	18,260	12,709

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 2017 (continued)**

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

	2017	2016
	£'000	£'000
Deferred income	3,041	-
Due to other group companies	49,817	41,826
Housing loans	5,000	5,000
Other creditors	1,172	1,641
Total	<u>59,030</u>	<u>48,467</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 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. Interest in the year has been charged at 5.56% (2016: 5.38%).

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.

Included within other creditors disclosed within other creditors falling due within and after more than one year, is 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	2017	2016
	£'000	£'000
In less than one year	-	-
In more than one year but less than five years	-	-
In more than five years	54,817	46,826
	<u>54,817</u>	<u>46,826</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (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 2016	4,286	547	4,833
Additional income received	7,171	428	7,599
Released to the Statement of Comprehensive Income	(3,842)	(768)	(4,610)
Deferred income as at 31 March 2017	<u>7,615</u>	<u>207</u>	<u>7,822</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:	2017 £'000	2016 £'000
In less than one year (note 19)	4,781	4,833
In more than one year but less than two years	2,795	-
In more than two years but less than five years	246	-
In more than five years	-	-
	<u>7,822</u>	<u>4,833</u>

21. Share capital

	2017 £	2016 £
Shares of £1 each issued and fully paid		
At 1 April	<u>228</u>	<u>228</u>
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 2017 (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 2015.

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 2017.

Following consideration of the results of the last valuation at 30 September 2015, the shortfall in the scheme reduced from £304m to £198m. 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 13 years and following the most recent valuation, the period over which the past service deficit contributions are payable has been shortened by 5 years to 8 years. 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 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 2017 (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 2017	31 March 2016
Discount rate	2.8%	3.8%
Future salary increases	2.0%	*2.5%
Inflation (CPI)	2.3%	2.1%
Male mortality**	90% S1PMA; CMI 2011 F1.5%; Birth Year	90% S1PMA; CMI 2011 F1.5%; Birth Year
Female mortality**	90% S1PMA; CMI 2011 F1.25%; Birth Year	90% S1PMA; CMI 2011 F1.25%; Birth Year

*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 2017, mortality assumptions are based on standard mortality tables (references provided above) and include an allowance for future improvements in longevity. The assumptions in 2017 and 2016 are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 23.5 years (male), 25.4 years (female)
- Future retiree upon reaching 65: 25.7 years (male) (2016: 24.8 years), 27.4 years (female) (2016: 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 2017 (continued)**

22. Pensions (continued)

Movements in present value of defined benefit obligation

	2017 £'000	2016 £'000
Opening defined benefit obligation	15,073	16,142
Current service cost	-	-
Interest cost	563	541
Contributions by members	-	-
Actuarial (gains)/losses	4,343	(1,158)
Estimated benefits paid	(516)	(452)
Closing defined benefit obligation	19,463	15,073

Movements in fair value of plan assets

	2017 £'000	2016 £'000
Opening fair value of plan assets	12,768	12,213
Expected return on plan assets	3,377	68
Interest income	486	416
Contributions by the employer	556	541
Contributions by the members	-	-
Estimated benefits paid	(516)	(452)
Administration costs	(18)	(18)
Closing fair value of plan assets	16,653	12,768
Net liability	(2,810)	(2,305)

Amounts recognised in statement of comprehensive income

	2017 £'000	2016 £'000
Current service cost – operating expenditure	-	-
Administration costs – operating expenditure	18	18
Interest on defined benefit pension plan obligation – finance charges	563	541
Expected return on defined benefit pension plan asset – finance charges	(486)	(416)
Net cost	95	143

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

22. Pensions (continued)

Amounts recognised in other comprehensive income

	2017	2016
	£'000	£'000
Return on plan assets	3,377	68
Actuarial (losses)/gains	(4,343)	1,158
Net (loss)/gain	(966)	1,226

The major categories of scheme assets as a percentage of total plan assets are as follows:

	2017	2016
	%	%
Equities	35	37
Corporate bonds	4	5
Property	35	32
Alternatives	24	24
Cash and other	2	2
	100	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (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 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.

Jacqueline Barnes (to 20 September 2016)
William Carroll
Robert Keir
Linda McGrory
Elizabeth Ruine (to 20 September 2016)
Jennifer Williamson (from 7 November 2017 onwards)

Transactions and arrear balances outstanding at 31 March 2017 are as follows:

	2017 £'000
Rent charged during the year	15
Arrear balances outstanding at 31 March 2017	-

Other related parties

There were no other related party transactions during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

24. Cash Flow Analysis

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

	2017 £'000	2016 £'000
Surplus for the financial year	(6,562)	1,661
Depreciation of property, plant and equipment	4,794	3,911
Decrease/(Increase) in trade and other receivables	337	(1,138)
Increase/(Decrease) in trade payables	6,299	(931)
Pension costs less contributions payable	(538)	(523)
<i>Adjustments for investing or financing activities:</i>		
Loss/(Gain) from the sale of tangible fixed assets	361	(92)
Government grants utilised in the year	(4,610)	(7,047)
Interest paid	2,378	2,163
Interest received	(18)	(8)
Decrease in valuation of housing properties	10,576	4,399
Net cash generated from operating activities	13,017	2,395

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

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

Principal Office

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

Independent Auditors

KPMG LLP (UK)
319 St Vincent Street
Glasgow G2 5AS

Bankers

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