

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2018

Cube Housing Association Limited

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

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2018.

Principal activities

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

OPERATING REVIEW

It has been another year of significant progress at Cube as we continued to invest in new homes, our communities and the support services we provide to our tenants and their families.

One of the highlights has been watching a range of new-build developments take shape across Glasgow and West Dunbartonshire. We also continued to improve and maintain our existing homes and, by working closely with our partners in our parent company Wheatley Group, we expanded the opportunities available to tenants to improve their lives. This included job and training opportunities, help to get ready for work for those facing the biggest challenges, advice on managing money and accessing benefits and help to get online.

At Cube we never stand still and our dedicated staff will be working just as hard in 2018/19 as we continue our mission to create better homes, better lives.

Highlights of the 2017/18 year included:

A year of success

Cube was recognised by a number of leading business accreditation schemes. This included achieving Investors in People ("IiP") platinum, the highest level available, for our commitment to developing our staff. We were also awarded the European Foundation for Quality Management ("EFQM") Recognised for Excellence 5-star award and went on to win an EFQM best practice award for 'adding value to customers'.

This went hand in hand with continued improvements across a number of areas we know are important to our customers. The most important indicator of all is the percentage of tenants who are satisfied with Cube overall as their landlord. We are delighted to report that tenant satisfaction rose to 87%, the highest ever and up from 86.8% the previous year. Other performance highlights included:

- 89% of tenants were satisfied with the neighbourhood they live in, an increase from 85.6% in 2016/17.
- 100% of tenants in Cube were happy with the standard of their home when moving in.

Our repairs service

More tenants were happy with the repairs and maintenance service in 2017/18. In total, 94% of tenants reported being satisfied with the service, up from 87.6% in 2016/17. Emergency repairs in Cube were completed in an average of 2.8 hours.

This came after we rolled out our new repairs service delivered by City Building (Glasgow) LLP ("CBG") which, since April 2017, is jointly owned by our parent company Wheatley Housing Group Limited and Glasgow City Council.

Improvements include new local teams, closer working between repairs teams and Cube staff, and greater focus on customer service.

OPERATING REVIEW (continued)

Building and improving homes

Cube built 60 new homes over the year for social rent, 18 at Kelvindale and 42 in Liddlesdale Road in Milton. The completed homes were part of bigger regeneration projects in Kelvindale and Milton.

We also started work on 130 new affordable Cube homes across West Dunbartonshire. These included:

- 20 in Auld Street, Dalmuir;
- 31 in Carrick Terrace in Dumbarton;
- 26 in Dumbain Road and 9 in Carrochan Road in Balloch; and
- 44 on the site of the old Bonhill Primary School.

We also invested £12.3m in existing homes across our communities.

Major projects this year included the first phases of environmental improvements at Wyndford in Glasgow, creating new courtyards and increased parking. We continued to upgrade communal areas in our multi-storeys with £2.0m invested in five blocks in Broomhill in Glasgow. This included new decoration, flooring and lighting and work to modernise the foyers. In West Dunbartonshire we started a £3.4m project to renew roofs and improve wall insulation. We also modernised bathrooms in the low-rise and newer built homes in Wyndford.

Investing in neighbourhoods

Our Community Improvement Partnership ("CIP") sees police and fire officers seconded to Wheatley Group to work closely with housing staff to keep local communities safe. It was further strengthened with a number of new roles including five new behaviour change officers to support young people in trouble to turn their lives around and two new fire safety officers.

Fire safety remained a top priority for us with daily fire checks at all our multi-storey sites by our environmental teams, inspections by Scottish Fire and Rescue, a programme of work to further improve the safety of blocks and a Stay Safe campaign to encourage all tenants to get a home fire safety visit.

We introduced a new 24-hour environmental service to keep all communities safe and clean and tidy round the clock. The extended service means environmental staff based at Wyndford, Gorgie and Broomhill now operate from 8am to 8pm every day with a night mobile team on hand through the night.

Our partnership with Keep Scotland Beautiful saw tenants in Wyndford become involved in plans to make sure their neighbourhood meets high environmental standards. The scheme will involve tenants receiving training and then assessing neighbourhoods according to Keep Scotland Beautiful's national standards with action plans being drawn up after the inspections.

Rents and value for money

We want our tenants to feel their home and services are good value for money. We were pleased the percentage of tenants who felt their rent represented good value for money increased from 72.7% in 2016/17 to 75% last year. Cube's gross rent arrears reduced from 4.70% in 2016/17 to 4.60% in 2017/18.

Engaging with customers

We continued to engage with customers across a range of channels, listening to their feedback and using it to improve services. 82% of tenants were happy with opportunities to participate in our decision-making process, up from 79.8%. There was also an increase in the tenants satisfied

OPERATING REVIEW (continued)

with their landlord keeping them informed about their services and decisions, up from 88.3% to 92%.

We consulted customers formally on a new allocations policy – due to be introduced later in 2018 as part of “My Housing”, our new housing advice, information and letting service – with their feedback influencing the final service. We also consulted tenants on three options for rent charges for 2018/19 and on proposals for new services at our sheltered housing complexes.

We held a range of community events across all our areas and continued to involve tenants in local decisions through our scrutiny panel, forums and local committees.

We also reached out to more tenants through online channels, with over 700 followers on Facebook and our website audience growing to around 3,500 visitors a month. Almost 500 tenants were registered for online self-service at the end of the financial year with people finding it quick and convenient to pay rent, check their account, book a repair or request a service. Since then we have simplified the sign-up process, encouraging dozens more tenants to register and use online self-service.

Supporting our customers

We supported our tenants and their families to get the most out of their lives through a range of services and projects, many of which are funded through the Wheatley Foundation, our charitable trust. This included providing jobs and training opportunities, support to get ready for work for those facing the biggest challenges, help with money, budgeting and benefits, access to bursaries to go to university and access to arts and sports projects.

Over 2017/18 we:

- Supported 24 Cube customers into jobs or training.
- Helped 3 people from our homes go to college or university through Wheatley Foundation’s bursary scheme which provides people with up to £1,500 funding a year.
- Provided vital support to 220 newer tenants to help them manage their finances and settle into their community through Wheatley’s My Great Start service.
- Gave 26 customers upcycled furniture through our Home Comforts service.
- Offered 47 of our most vulnerable households help to put food on the table through our Eat Well service.

Independent auditor

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 2018 totalled £20,309k (2017: £20,847k). The main source of income was net rental and service charge income of £15,850k (2017: £15,480k), with the remainder including:

- £3,569k of grant income recognised in relation to capital investment and the new build programme (2017: £4,610k);
- £873k of income from the district heating scheme, factoring, mid-market rental income and other income (2017: £757k).

Expenditure

Operating costs in the year totalled £13,952k (2017: £14,112k), largely comprising of the following:

- Management and maintenance administration costs associated with affordable letting activities totalling £2,948k (2017: £3,100k).
- £1,312k of reactive maintenance costs to our social letting properties (2017: £1,622k).
- £2,377k of planned and cyclical maintenance costs to our social housing properties (2017: £2,351k).
- Depreciation expenditure for social and non-social housing assets of £5,178k (2017: £4,794k).

The Association generated an operating surplus of £6,247k or 31% (2017: £6,182k or 30%) in the year after taking account of losses on the revaluation of investment properties held.

In the year the Association sold 9 (2017: 13) properties and disposed of components held within properties, reporting a net loss of £238k (2017: net loss £361k). Other expenditure in the year included £2,921k of interest due on housing loans (2017: £2,301k).

Total comprehensive income for the year of £5,879k (2017: £7,528k loss) includes the increase in value of social housing properties of £3,084k (2017: £10,023k decrease) and an actuarial loss of £222k (2017: loss of £966k) in respect of the SHAPS pension scheme.

Cashflows

The cash flow statement of the Association is shown on page 16. Cube generated £3,668k from operating activities (2017: £13,017k). Cash and cash equivalents in the year increased by £1,315k (2017: decreased by 2,035k), primarily due to the timing of intra-group loan draw downs.

Rental debtors

At the 31 March 2018, the Association had rent arrears of £518k offset by bad debt provisions of £244k (2017: £505k and £203k respectively).

Liquidity

Cube reported net current liabilities of £14,134k as at 31 March 2018 – an increase of £894k from the net current liability of £13,240k reported as at 31 March 2017. 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.

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 (WFL1"), as detailed in note 20. The Association has access to an intra-group facility of £91.1m through WFL1, 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 WFL1. The SPRUCE loan was repaid in April 2018.

Investment in tenants' homes

During the year we invested £12,298k in improving tenant's homes. At the year-end our housing stock (including housing under construction) was valued at £117,132k (2017: £92,611k).

New Build

During the financial year we completed 60 new build properties across two developments. Our new build programme invested £14,666k in the year. The Business Plan includes a further projected spend of £56,658k on the new build programme in Cube over the next five years.

Reserves policy

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

Revenue reserve

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

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

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

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

FINANCIAL REVIEW (continued)

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

By order of the Board

A handwritten signature in blue ink, appearing to read 'Peter Kelly', with a long horizontal flourish extending to the right.

Peter Kelly, Director

29 August 2018

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)
William Carroll
Bill Coghill
Robert Keir*
Linda McGrory*
Steve Scott
Jennifer Williamson*

* 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 auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the 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 Board's Report and the financial statements in accordance with applicable law and regulations.

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

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

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

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

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

By order of the Board



Peter Kelly, Director

29 August 2018

Wheatley House
25 Cochrane Street
Glasgow
G1 1HL

INDEPENDENT AUDITOR'S REPORT TO CUBE HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Cube Housing Association ("the association") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2018 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

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

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

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Statement on Internal Financial Control on page 9 does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- in our opinion, the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

Matters on which we are required to report by exception

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

INDEPENDENT AUDITOR'S REPORT TO CUBE HOUSING ASSOCIATION LIMITED (Continued)

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

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 10, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010 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.



Andrew Shaw

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

319 St Vincent Street
Glasgow G2 5AS

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

7 September 2018

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 MARCH 2018**

	Note	2018 £'000	2017 £'000
Turnover	3	20,309	20,847
Operating expenditure	3	(13,952)	(14,112)
Movement in valuation of investment properties	3	(110)	(553)
Operating surplus		6,247	6,182
Loss on disposal of fixed assets	9	(238)	(361)
Finance income	10	-	18
Finance charges	11	(2,992)	(2,378)
Increase/(decrease) in valuation of social housing properties	15	3,084	(10,023)
Surplus/(deficit) for the financial year		6,101	(6,562)
Actuarial loss in respect of pension schemes	22	(222)	(966)
Total comprehensive income for the year		5,879	(7,528)

All amounts relate to continuing operations.

The notes on pages 17 to 39 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2018

	Revenue Reserve £'000
Balance at 1 April 2016	34,550
Total comprehensive expenditure	(7,528)
Balance at 1 April 2017	<u>27,022</u>
Total comprehensive income	5,879
Balance at 31 March 2018	<u>32,901</u>

All amounts relate to continuing operations.

The notes on pages 17 to 39 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	<i>Note</i>	2018 £'000	2017 £'000
Fixed assets			
Social housing properties	15	117,132	92,611
Other tangible assets	16	3,310	3,481
Investments	17	5,900	6,010
		<u>126,342</u>	<u>102,102</u>
Current assets			
Trade and other debtors	18	1,707	3,767
Cash and cash equivalents		2,568	1,253
		<u>4,275</u>	<u>5,020</u>
Creditors: amounts falling due within one year	19	(18,409)	(18,260)
Net current liabilities		<u>(14,134)</u>	<u>(13,240)</u>
Total assets less current liabilities		112,208	88,862
Creditors: amounts falling due after more than one year	20	(76,775)	(59,030)
Provisions for liabilities			
Pension liability	22	(2,532)	(2,810)
Total net assets		<u>32,901</u>	<u>27,022</u>
Reserves			
Share capital	21	-	-
Revenue reserve		32,901	27,022
Total reserves		<u>32,901</u>	<u>27,022</u>

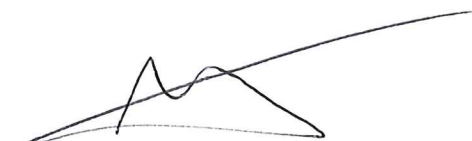
These financial statements were approved by the Board on 14 August 2018 and were signed on its behalf on 29 August 2018 by:



Peter Kelly
Board Member



Steve Scott
Board Member



Anthony Allison
Secretary

The notes on pages 17 to 39 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	<i>Note</i>	2018 £'000	2017 £'000
Net cash generated from operating activities	25	<u>3,668</u>	<u>13,017</u>
Cash flows from investing activities			
Improvement of properties – housing stock		(13,501)	(16,201)
New build		(13,069)	(10,467)
Improvement of properties - investment		(58)	(32)
Purchase of other fixed assets		(32)	(291)
Proceeds from sale of fixed assets	9	314	559
Grants received		8,335	5,672
Interest received		-	18
Net cash used in investing activities		<u>(18,011)</u>	<u>(20,742)</u>
Cash flows from financing activities			
Interest paid		(3,342)	(2,310)
Intra-group loan drawn down		19,000	8,000
		<u>15,658</u>	<u>5,690</u>
Net change in cash and cash equivalents		1,315	(2,035)
Cash and cash equivalents at 1 April		1,253	3,288
Cash and cash equivalents at 31 March		<u>2,568</u>	<u>1,253</u>

The notes on pages 17 to 39 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. Legal status

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

2. Accounting policies

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

Basis of accounting

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

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

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

Accounting judgements and estimations

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

Judgements have been made in:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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 (“EUVS”) 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 2018 (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 2018 (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 2018 (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	2018 Operating Costs	Loss on investment activities	Operating Surplus/ (deficit)	2017 Operating Surplus/ (deficit)
	£ 000	£ 000	£000	£ 000	£ 000
Affordable letting activities (note 4)	19,419	(12,517)	-	6,902	6,360
Other activities (note 5)	890	(1,435)	-	(545)	375
Loss on investment activities (note 17)	-	-	(110)	(110)	(553)
Total	20,309	(13,952)	(110)	6,247	6,182
Total for previous reporting year	20,847	(14,112)	(553)	6,182	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (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	2018 Total £'000	2017 Total £'000
Rent receivable net of service charges	13,799	1,695	91	15,585	15,104
Service charges	243	296	5	544	529
Gross income from rents and service charges	14,042	1,991	96	16,129	15,633
Less rent loss from voids	(133)	(146)	-	(279)	(153)
Net income from rents and service charges	13,909	1,845	96	15,850	15,480
Grants released from deferred income	3,569	-	-	3,569	3,271
Revenue grants from Scottish Ministers	-	-	-	-	-
Total turnover from affordable letting activities	17,478	1,845	96	19,419	18,751
Management and maintenance administration costs	(2,750)	(169)	(29)	(2,948)	(3,100)
Service costs	(347)	(423)	(7)	(777)	(583)
Planned and cyclical maintenance including major repairs costs	(2,241)	(136)	-	(2,377)	(2,351)
Reactive maintenance costs	(1,237)	(75)	-	(1,312)	(1,622)
Bad debts – rents and service charges	(121)	(7)	-	(128)	(159)
Depreciation of social housing	(4,665)	(285)	(25)	(4,975)	(4,576)
Operating costs from social letting activities	(11,361)	(1,095)	(61)	(12,517)	(12,391)
Operating surplus from social lettings	6,117	750	35	6,902	6,360
Operating activities for affordable letting activities for the previous reporting year	5,442	856	62	6,360	

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 2018 (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	2018 Operating Surplus/ (Deficit) £'000	2017 Operating Surplus/ (Deficit) £'000
Development and construction of property activities	-	-	-	-	-	(13)
Depreciation – non social housing	-	-	-	(203)	(203)	(218)
District heating scheme	-	348	348	(449)	(101)	(148)
Factoring	-	95	95	(133)	(38)	(34)
Investment property activities	-	318	318	-	318	1,500
Organisation restructuring	-	-	-	(168)	(168)	(217)
Other income	-	112	112	(1)	111	147
Wider role activities to support the community	17	-	17	(481)	(464)	(642)
Total from other activities	17	873	890	(1,435)	(545)	375
Total from other activities for the previous reporting year	1,396	700	2,096	(1,721)	375	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

6. Board members' emoluments

Board members received £nil (2017: £543) 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:

	2018 £'000	2017 £'000
Aggregate emoluments payable to key management (excluding pension contributions and benefits in kind)	162	159
Pension contributions made on behalf of officers with emoluments greater than £60,000	31	31
Emoluments payable to highest paid key management (excluding pension contributions)	96	94

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	1

8. Employees

	2018 No.	2017 No.
The average monthly number of full time equivalent persons employed during the year was	64	66
The average total number of employees employed during the year was	65	68
	2018 £'000	2017 £'000
Staff costs (for the above persons)		
Wages and salaries	1,881	1,957
Social security costs	203	194
Pension costs	743	737
FRS 102 pension adjustment	(589)	(556)
	<u>2,238</u>	<u>2,332</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

9. Gain on disposal of fixed assets

	2018			2017		
	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	256	58	314	398	161	559
Value of properties/components disposed	(482)	(70)	(552)	(767)	(153)	(920)
(Loss)/gain on disposal of housing stock	(226)	(12)	(238)	(369)	8	(361)

10. Finance income

	2018 £'000	2017 £'000
Bank interest receivable on deposits in the year	-	18

11. Finance charges

	2018 £'000	2017 £'000
Interest payable on housing loans	2,921	2,301
Net interest charge on pension liability	71	77
	<u>2,992</u>	<u>2,378</u>

12. Auditor's remuneration

	2018 £'000	2017 £'000
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	12	11
Other services	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

13. Financial commitments

Capital commitments

All capital commitments of the Association were as follows:

	2018 £'000	2017 £'000
Expenditure contracted for, but not provided in the financial statements	11,291	5,099
Expenditure authorised by the Board but not contracted	948	21,116
	<u>12,239</u>	<u>26,215</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:

	2018 £'000	2018 £'000	2017 £'000	2017 £'000
	Land and Buildings	Other	Land and Buildings	Other
Commitments falling due:				
Within one year	163	8	104	-
In the second to fifth years inclusive	601	31	124	-
Over five years	65	21	-	-
	<u>829</u>	<u>60</u>	<u>228</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (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 2017	82,189	1,620	8,802	92,611
Additions	12,298	-	14,666	26,964
Disposals	(488)	(70)	-	(558)
Transfer	6,410	-	(6,410)	-
Revaluation	(1,885)	-	-	(1,885)
At 31 March 2018	98,524	1,550	17,058	117,132
Depreciation				
At 1 April 2017	-	-	-	-
Charge for year	4,950	25	-	4,975
Disposals	(5)	(1)	-	(6)
Revaluation	(4,945)	(24)	-	(4,969)
At 31 March 2018	-	-	-	-
Net Book Value - valuation				
At 31 March 2018	98,524	1,550	17,058	117,132
At 31 March 2017	82,189	1,620	8,802	92,611
Net Book Value - cost				
At 31 March 2018	150,248	1,171	17,059	168,478
At 31 March 2017	137,019	1,240	8,802	147,061

Total expenditure in the year on existing properties was £15,987k (2017: £19,038k). Of this, repair costs of £3,689k (2017: £3,973k) were charged to the Statement of Comprehensive Income (note 4) and capital works of £12,298k (2017: £15,065k) were included as additions to properties held for letting on the Statement of Financial Position (note 15). Capital works were:

- £11,742k in relation to the replacement of components (2017: £14,239k); and
- £556k on the improvement of components (2017: £826k).

Additions to housing under construction include capitalised interest costs of £667k (2017: £428k). Interest has been capitalised at the weighted average interest cost for the Association of 5.50% (2017: 5.56%)

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 2018 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 (2017: 5.75% - 6.50%). 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 (2018/19). 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 2017/18 Cube disposed of 7 properties (2017:8) to tenants under RTB entitlements. These properties were valued at £168k during the year (2017: £143k).

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

	2018 No.	2017 No.
General needs	3,237	3,182
Shared ownership	34	36
Supported housing	199	213
	<u>3,470</u>	<u>3,431</u>

The number of units disclosed above is based on complete dwellings. The Association's supported accommodation includes 48 dwellings, which contain 146 bed spaces (2017 – 52 dwellings containing 160 bed spaces).

The Association had no shared equity schemes on-going at the year end (2017 nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (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 2017	5,778	695	314	6,787
Additions	-	-	32	32
At 31 March 2018	5,778	695	346	6,819
Depreciation				
At 1 April 2017	2,909	111	287	3,307
Charge for year	108	71	23	202
At 31 March 2018	3,017	182	310	3,509
Net Book Value				
At 31 March 2018	2,761	513	36	3,310
At 31 March 2017	2,870	584	27	3,481

17. Investments

Investment Properties

	Properties held for market rent £'000
Cost	
At 1 April 2017	6,010
Revaluation taken to operating surplus	(110)
At 31 March 2018	5,900
Net Book Value	
At 31 March 2018	5,900
At 31 March 2017	6,010

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 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

17. Investments (continued)

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

	2018	2017
Mid Market Rent Properties		
Total Units	68	68

18. Trade and other debtors

	2018 £'000	2017 £'000
Arrears of rent and service charges	518	505
Adjustment to discount arrears balances with payment plans	(7)	(5)
Less: provision for bad and doubtful debts	(244)	(203)
	267	297
Prepayments and accrued income	70	83
Other debtors	1,343	3,223
Due from other group companies	27	164
Total	1,707	3,767

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

	2018 £'000	2017 £'000
Trade creditors	273	773
Accruals	6,188	6,167
Deferred income (note 20)	9,188	4,781
Rent and service charges received in advance	730	666
Tax and social security	48	49
Other creditors	967	1,021
Due to other group companies	1,015	4,803
	18,409	18,260

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 2018 (continued)**

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

	2018	2017
	£'000	£'000
Deferred income	1,640	3,041
Due to other group companies	69,315	49,817
Housing loans	5,000	5,000
Other creditors	820	1,172
Total	<u>76,775</u>	<u>59,030</u>

Bank lending facility

Borrowing arrangements are in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility was made up of a committed facility of £658.14m from a syndicate of commercial banks, a committed facility of £106.25m from the European Investment Bank, £300m raised through the issue of a public bond, £100m private placement loan notes with BlackRock Real Assets and £100m facility with HSBC. This provided total facilities of £1,264.4m for RSLs within the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No.1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Limited, with Cube Housing Association having access to an intra-group facility of £91.1m, secured on the Association's housing stock. Interest in the year has been charged at 5.50% (2017: 5.56%).

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 loan was repaid in April 2018.

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	2018	2017
	£'000	£'000
In less than one year	115	-
In more than one year but less than five years	213	-
In more than five years	73,987	54,817
	<u>74,315</u>	<u>54,817</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (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 2017	7,615	207	7,822
Additional income received	6,281	311	6,592
Released to the Statement of Comprehensive Income	(3,080)	(506)	(3,586)
Deferred income as at 31 March 2018	10,816	12	10,828

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:	2018 £'000	2017 £'000
In less than one year (note 19)	9,188	4,781
In more than one year but less than two years	1,640	2,795
In more than two years but less than five years	-	246
In more than five years	-	-
	<u>10,828</u>	<u>7,822</u>

21. Share capital

	2018 £	2017 £
Shares of £1 each issued and fully paid		
At 1 April	228	228
Cancellations	(65)	-
At 31 March	<u>163</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 2018 (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 2018.

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 2018 (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 2018	31 March 2017
Discount rate	2.7%	2.8%
Future salary increases	2.0%	*2.0%
Inflation (CPI)	2.2%	2.3%
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 2.10% p.a. for 2018/19 and 2.0% p.a. thereafter.

**In valuing the liabilities of the pension fund at 31 March 2018, mortality assumptions are based on standard mortality tables (references provided above) and include an allowance for future improvements in longevity. The assumptions in 2018 and 2017 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) (2017: 25.7 years), 27.4 years (female) (2017: 27.4 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 2018 (continued)

22. Pensions (continued)

Movements in present value of defined benefit obligation

	2018 £'000	2017 £'000
Opening defined benefit obligation	19,463	15,073
Current service cost	-	-
Interest cost	537	563
Contributions by members	-	-
Actuarial losses	962	4,343
Estimated benefits paid	(584)	(516)
Closing defined benefit obligation	20,378	19,463

Movements in fair value of plan assets

	2018 £'000	2017 £'000
Opening fair value of plan assets	16,653	12,768
Expected return on plan assets	740	3,377
Interest income	466	486
Contributions by the employer	589	556
Contributions by the members	-	-
Estimated benefits paid	(584)	(516)
Administration costs	(18)	(18)
Closing fair value of plan assets	17,846	16,653
Net liability	(2,532)	(2,810)

Amounts recognised in statement of comprehensive income

	2018 £'000	2017 £'000
Current service cost – operating expenditure	-	-
Administration costs – operating expenditure	18	18
Interest on defined benefit pension plan obligation – finance charges	537	563
Expected return on defined benefit pension plan asset – finance charges	(466)	(486)
Net cost	89	95

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

22. Pensions (continued)

The expense is recognised in the following line items in the Statement of Comprehensive Income

	2018 £'000	2017 £'000
Operating expenses	(13,952)	(14,112)
Finance costs	(2,775)	(2,378)

The total amount recognised in the Statement of Comprehensive Income in respect of actuarial gains and losses is £222k loss (2017: £966k loss).

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

	2018 %	2017 %
Equities	18	35
Property	4	4
Corporate bonds	45	35
Alternatives	32	24
Cash and other	1	2
	100	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (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.

William Carroll
Robert Keir
Linda McGrory
Jennifer Williamson

Transactions and arrears balances outstanding at 31 March 2018 are as follows:

	2018 £'000
Rent charged during the year	15
Arrear balances outstanding at 31 March 2018	-

Other related parties

There were no other related party transactions during the year.

24. Subsequent events

Cube Housing Association repaid the £5m loan from the Scottish Partnership for Regeneration in Urban Centres Fund (see note 20 for further details) in April 2018. The terms of the agreement required repayment of the loan in full on 31 December 2023; however, no break penalty was incurred following the early repayment. £5m of replacement funding was drawn from Wheatley Funding No1 Limited in April.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

25. Cash Flow Analysis

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

	2018 £'000	2017 £'000
Surplus/(deficit) for the financial year	6,101	(6,562)
Depreciation of property, plant and equipment	5,178	4,794
(Increase)/decrease in trade and other receivables	(23)	337
(Decrease)/increase in trade payables	(3,669)	6,317
Pension costs less contributions payable	(589)	(556)
<i>Adjustments for investing or financing activities:</i>		
Loss from the sale of tangible fixed assets	238	361
Government grants utilised in the year	(3,586)	(4,610)
Interest paid	2,992	2,378
Interest received	-	(18)
(Increase)/decrease in valuation of housing properties	(2,974)	10,576
Net cash generated from operating activities	3,668	13,017

26. 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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Cube Housing Association Limited
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Glasgow
G1 1HL

Principal Office

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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