



SCOTT-MONCRIEFF

EDINBURGH AND GLASGOW

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Registered Number: SP1860RS

Report and Financial Statements

For the year ended 31 March 2009

QUEENS CROSS HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2009

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Registration information

Financial Services Authority	Industrial and Provident Societies 1965 Registered number SP1860RS
Scottish Housing Regulator	Housing (Scotland) Act 2001 Registered number 172
Registered Scottish Charity	SC 036434

Members, Executives and Advisers

Committee of Management – elected

Eric Jacobs	Convenor
Margaret Dillon	Vice Convenor
Mary Russell	Secretary
Elizabeth Campbell	
Marilyn Clewes	
George Fraser	
Margaret Glass	
Sadie Gordon	
John Gray	
Jean Forrester	
James McCrossan	
Bridget McGeechan	
Janette McCrossan	
Mohammed Razaq	Joined September 2008
Mohammed Zahid	Resigned September 2008
Emma Devers	

Registered Office

45 Firhill Rd
Glasgow
G20 7ET

Auditors

Scott-Moncrieff
Chartered Accountants
Registered Auditor
25 Bothwell Street
Glasgow
G2 6NL

Executive Officers

Frank McCabe	Chief Executive
Irene Nicoll	Deputy Chief Executive
David Martin	Director, Operations – Queens Cross
Neil Manley	Director, Finance

Bankers

Clydesdale Bank plc
1 Woodside Crescent
Charing Cross
Glasgow
G3 7UL

Solicitors

T C Young
7 West George St
Glasgow
G2 1BA

**Report of the Management Committee
For the year ended 31 March 2009**

The Committee of Management present their report and the audited financial statements for the year ended 31 March 2009.

Principal activities

The principal activity of the Association is the provision of housing accommodation for rent.

Review of operations

During the financial year the Association has continued to provide a range of housing support and community services complementary to its principal activity of housing for rent.

Community Development Initiatives

A wide range of community initiatives including youth work, volunteering and employment counselling, and life skills were continued during the year. A number of grants were received from the Scottish Government, under its Wider Action agenda, and other bodies to assist with the provision of these activities. It is hoped that further funding will be secured to ensure the on-going provision of these services.

Major Repairs

The major repairs programme continued and work was completed on many of the former Scottish Homes properties including rewiring and replacement of windows and bathrooms.

Agency Work

We have also been active in providing agency services to other Housing Associations including property development, clerk of works services, marketing of property for sale, and general housing management.

Finance

The Association refinanced its existing loan portfolio in 2007/08 with two lenders, The Dunfermline Building Society and the Royal Bank of Scotland. This refinancing included an overall £8m facility to fund future developments. The Association has been assured that the transfer of the DBS loan to a bridging bank will not affect these obligations. The Association is currently agreeing further long and short term credit facilities to support its development programme.

Future Developments

The Association has been managing Glasgow Housing Association stock in South Maryhill, Hamiltonhill and Dundasvale. The Association has been accepted as one of the organisations with preferred bidder status for second stage transfer, which is expected to result in the ownership of approximately 2,800 homes being transferred to the Association.

The management committee continues to draw attention to the fact that, although the Association is a "not-for-profit" organisation, it is required to generate sufficient surpluses to ensure adequate provision for the future replacement of major structural components of its housing properties. The Association has completed a programme of major refurbishment for its older properties at a total cost of more than £7 million, and continues to follow a long-term maintenance programme for work on its properties, which includes as an objective the meeting of the Scottish Housing Quality Standard by 2015. The costs of this long-term maintenance work are expected to amount to £5 million over the next five years.

**Report of the Management Committee
For the year ended 31 March 2009****Changes in fixed assets**

Details of fixed assets are set out in Note 9a and 9b.

The committee of management and executive officers

The committee of management and executive officers of the Association are listed on page 1.

Each elected member of the committee of management holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in its share capital, and although not having the legal status of directors they act as executives within the authority delegated by the committee.

Internal Financial Controls

The Management Committee acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

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

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that:

- (a) Formal policies and procedures are in place, including the documentation of key system and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of Association's assets.
- (b) Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- (c) Forecasts and budgets are prepared which allow the Management Committee and management to monitor the key business risks and financial objectives, and progress towards financial plans set out for the year. During the financial year, regular management accounts are prepared promptly, providing relevant, reliable and up to date financial and other information. Significant variances from budgets are investigated as appropriate.
- (d) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the relevant sub-committees which are comprised of Management Committee members.
- (e) The Association has appointed a firm of accountants, on a consultancy basis, as internal auditors with the specific responsibility of assessing the adequacy and reliability of the system of internal financial control. The results of such reviews are reported to the Audit Sub-Committee.
- (f) The Management Committee reviews reports from the external auditors to provide reasonable assurance that control procedures are in place and are being followed.
- (g) Formal practices have been established for instituting appropriate action to correct weaknesses identified from the reports of the external and internal auditors.

The Management Committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2009. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

**Report of the Management Committee
For the year ended 31 March 2009**

Related Party Transactions

Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and, in common with other members of the Management Committee, they cannot use their positions to their advantage.

Charitable Donations

During the year, the Association made charitable donations amounting to £21,755 (2008 - £2,472). This included £16,500 to the Garscube Community Foundation and included a contribution for the annual gala day expenses.

Auditors

A resolution to re-appoint Scott-Moncrieff as auditors will be put to the members at the annual general meeting.

By order of the committee



Eric Jacobs
Convenor

Dated: 25 August 2009

Operating and Financial Review

Overview

Queens Cross Housing Association is a social landlord and registered charity operating in the Maryhill, Woodside and Westercommon area of North West Glasgow. Queens Cross Housing Association was formed in 1976 with the aim of providing high quality social housing. It owns and manages 2,052 homes and has additional property leased to other care providers who manage the tenancies in this stock. The Association's housing stock has been increased through construction, funded through grant and loan finance, and stock transfer from other bodies such as Scottish Homes and the City Council.

Its main businesses are the provision of long term rented housing and also the provision of housing support for those who need additional help. This housing support care is funded by a Supporting People grant from Glasgow City Council. On the 1st of April 2008 the staff and support provided by CHYP, (Council for Homeless Young People) transferred to the Association's community services section to add to the Association's care services.

As part of its ethos and vision the Association aims to contribute to the development of the area in social, economic and environmental terms. The Association secures Wider Action funding from a variety of sources for this work. Over and above this the Association funds specific wider action work from its own resources if it is seen as contributing to its overall objectives. It also works together with Queens Cross Workspace, an independent development agency promoting economic regeneration in the area. The Association fully owns a subsidiary company Queens Cross Factoring which provides a factoring service to the owners of property in the area. The FSA do not require us to produce consolidated group accounts.

The Association continues to work closely with Glasgow Housing Association with the aim of agreeing a further substantial stock transfer. The Association is currently a Local Housing Organisation of Glasgow Housing Association (G.H.A), managing 2,800 of G.H.A.'s homes, and has preferred bidder status for Second Stage Transfer. The Association is assisting G.H.A. with the provision of shared services to L.H.Os from its office accommodation at 45 Firhill Rd. The shared service model aims to devolve previously centrally provided services across the city and locate them with the L.H.Os that they service.

Objectives and Strategy

The objectives and strategy of the Association are set out in an Internal Management plan that is reviewed annually and approved by the Management Committee. The business planning process includes an assessment of strengths and weaknesses, opportunities and threats, which are discussed with staff, the Management Team and the Committee.

The Association's main objectives for the forthcoming year are summarised below: -

Development

- To become a preferred provider in receipt of Housing Grant and meet the Housing Regulator's delivery standards.
- To use innovative house building technologies.
- To contribute to G.H.A.'s re-provisioning programme and launch a Shared Equity initiative.

Asset Management

- To work towards full compliance with the Scottish Housing Quality Standard.
- To minimise the asset sales needed to meet our reinvestment obligations.

Customer Service

- To improve the standards of customer service.
- To further develop a Tenants participation strategy and address the results of the residents' satisfaction survey carried out in 2007/08 by drawing up an action plan and make progress on its findings.

Management

- To maintain the new computer system to manage the Association's housing stock.
- To implement a Community Safety Strategy.

Community Services

- To improve the way that we deliver services to our diverse community.
- To focus especially on the needs of our Supported Housing customers in 2009/10.

Operating and Financial Review

Regulation and Governance

The Association is regulated by the Scottish Housing Regulator and managed by an elected committee who are listed on page 1. The Management Committee has overall responsibility for managing the Association's finances and are supported by the Audit Sub committee who have the specific responsibility for overseeing financial control in the Association. The Audit Sub Committee meets quarterly, and the committee are supported by the work of both the internal and external auditors. At our last inspection review by Communities Scotland in 2003, the Association was assessed at a standard of B which represented a good standard, with many strengths, and some areas for improvements. These areas have now been acted upon. The Management Committee are charged with overseeing the management of the Association and monitoring its financial and non-financial performance. Key performance indicators are reported to the committee each month and to our regulators.

Such performance indicators in use in the Association are:

Housing Management	-Current Tenant Arrears as a % of the total rent -Bad Debts Written off -Void losses i.e. lost rent through unlet properties
Asset Management	-Repair Response times -Maintenance cost per unit -Scottish Homes Quality Standard compliance -Work towards 100% Gas Servicing coverage
Financial Management	-Surplus -Actual results compared to forecast -Financial gearing, e.g. debt against assets
Development	-Cost per unit -New units into management -Programme management

The following are the results in 2008/09 for specific performance indicators.

Housing

The net rental arrears excluding Shared Ownership figure at year end was £118,036 compared to the target figure of £127,707. This represents 1.8% of the total rental income figure.

There were 46 % of the tenants in arrears against a target figure of 45%. This target of 45% is set high due to the administration of Housing Benefit which pays in arrears every four weeks.

There were 21% of tenants in arrears for 6 months or more compared to the target of 6%. This above-target figure is an anomaly due to Glasgow City Councils Housing Benefit Departments delay in approving the payments of Service Charges to supported tenants in receipt of housing benefit.

The average Monthly void rent loss for the year was £2,243 against a target of £2,661. This target represents 0.41% of the rent roll. The Association are pleased with this successful void performance.

Operating and Financial Review

Asset Management

For the 8,178 contracted Maintenance jobs 97.2 % were completed within the required timescale against a target of 95%.

Gas servicing programme achieved 95% of programme with a total project cost of £41,000 with access difficulties the reason for not achieving the 100% target.

100% of the Close Decoration programme was achieved at total cost of £120,000.

100% of the Gutter Cleaning programme was achieved with a project cost of £33,000.

Financial Objectives

The Association's financial objectives continue to be economy of procurement, efficiency and continuing financial viability. Financial viability encompasses the ability to fund the long term repair and maintenance programme whilst meeting the repayments and debt servicing on its loan portfolio and its other operating costs. A financial plan is revised each year to ensure that sufficient reserves are retained to maintain the housing stock whilst ensuring the Association's financial viability.

Additionally the Association wishes to continue to be in a position to take advantage of any development opportunities that may arise. This is done by the accumulation of sufficient reserves over the business cycle, the prudent use of borrowing against assets when necessary, and the accessing of available funding opportunities to cover service and support costs. An important determinant in the surplus or deficit each year is the scale of Major Repairs work planned in that year. The level of Major Repairs work is determined from the 30 year asset lifecycle work-plan. The table below illustrates this point. The Association is required to meet covenants on its lending linked to the level of surplus or deficit each year and so future commitments on major repairs spend must be affordable through retained surpluses. This year the Association has designated £2m of its reserves as a major repair reserve to more formally identify this reserve in the accounts.

	2008/09	2007/08	2006/07	2005/06	2004/05
	£	£	£	£	£
Turnover	9,222	8,892	8,516	8,536	7,948
Operating Costs *	7,965	7,524	7,850	8,035	7,360
Operating Surplus	1,257	1,368	666	501	588
Major Repairs (inc above) *	1,378	862	1,618	1,684	1,544

The projection of operating surpluses, major repairs expenditure, retained reserves and borrowing are central to the forward business plan of the organisation. It is this business plan which charts the future flows of resources in and out of the Association and against which any new developments, projects or activities are assessed. This assessment would measure the benefits of the new activity against any impact on the financial objectives described above. The current business plan assumes above inflationary increases ranging between 0.5% and 1% above R.P.I. for these costs for the next 3 years then reverting to inflation only rises. Prolonged growth above inflation for these costs beyond this period would have a clear negative impact on the financial position within the business plan. The Association aims to meet the Scottish Housing Quality Standard by 2015 and this expenditure is incorporated into future forecasts. The current forecasts indicate that to fund the ongoing major repairs programme the Association may need to extend borrowing from 2023 for a period of up to 10 years.

Operating and Financial Review

Financial Objectives (cont'd)

The Association sees its wider contribution to the economic and social development of the area as very important. The Association's wider action and care work is supported through supporting people income, wider action and other grant funding sourced by the community services section. These services aim to be self financing over the long term and make appropriate contributions to the support costs that help service them, however when necessary the Association will contribute to them to ensure continuity of service provision. The business plan and risk strategy have highlighted the significance of this income in the overall financial objectives, and this is an area where significant changes are likely to affect the Association in the future.

Risk assessment

As part of the financial planning and budget setting process the Association continues to undertake a risk review with the Audit Committee. Risks are defined as events that will impact on the achievement of the business plan. Arising from this process the key risks have been identified and scored for their impact and probability.

Potential changes to the level of funding to support its non housing work, in particular supporting people income, and the impact this might have across the Association, continues to be the main risk factor identified. The Association has been impacted by reductions in the grant funding for this area in this financial year. A service review is on-going with the funder who is looking at this service provision and the costs involved. The Association is seeking and pressing the funder to ensure that the full cost of these services provisions are provided for.

Other significant risks identified are:

- Inflationary pressures, over and above those factored into the current business plan, on maintenance and Major Repairs expenditure, may be an area of concern. Over recent years these have outstripped general inflation, and therefore income growth, by a significant amount. A continuation of this trend would have a negative impact on the forward business plan.
- Further potential increases in pension scheme contributions that may arise from ongoing reviews of the SFHA pension scheme review may impact on the Association in the future.
- Possible changes to the Housing Benefit system that would adversely affect the Association, in particular its ability to control future income levels.
- Reductions in levels of Capital grant for securing progress on development plans which would increase the need for private finance to facilitate new schemes.
- Interest rate increases which would have a cost impact as the Association currently carries £8.6 million of debt not secured under long term fixed rate arrangements.

Beyond these a number of other less significant risks were discussed and highlighted.

Operating and Financial Review

Capital Structure

At the year end borrowings totalled £12,736,034 and were raised either from banks, building societies or the Scottish Government. The following table shows the split of debt between the various funders and whether the loan was obtained on a fixed/capped, variable or callable rate basis.

	Fixed/Capped £	Floating/Callable £
Scottish Government	819,593	41,673
Dunfermline Building Society	-	5,578,655
Royal Bank of Scotland	2,949,942	3,346,171
Total	3,769,535	8,966,499

The Association refinanced its loan portfolio in August 2007 and made considerable savings on the margins paid on its private loans. Interest hedging arrangements have been entered into for elements of the debt and it is the intention to increase the fixed element of the debt, in line with the Association's treasury management policy in the near future and when market conditions are most favourable. In addition as part of the refinancing the Association agreed future funding packages with the Dunfermline Building Society and the Royal Bank of Scotland to the sum of £8 million in total, and this will be used to finance the development programme detailed below. The Association has been assured that any change in ownership of the Dunfermline Building Society's social housing portfolio due to the UK government's intervention in the Society will not affect this facility.

Cash reserves continue to be placed on deposit with the Anglo Irish bank, the Co-op bank and with the Association's main banker the Clydesdale bank. The retained reserves will support the future major repairs programme as detailed earlier. The level of cash on hand at the end of March 2009 was augmented by the receipt of grant for the new build projects and will reduce as this work progresses.

Finance Policies

The accounting policies applied by the Association are detailed in the Notes to the accounts. It is useful here to note the key policies that affect the figures in the annual report. Capital grant is deducted in the balance sheet from the cost of the relevant assets, whilst property is recorded at the historical cost of construction and depreciated over 50 years.

Future Developments

The Association has been very successful in acquiring sites for future development and we can expect an exciting period of growth over the next few years.

It has acquired large sites through grant funding on both Oban Drive and Murano Street and through negotiations with GHA and GCC together with key land acquisitions, has successfully assembled land for the Garscube Estate redevelopment. The Association has now worked up design proposals for these 3 sites to provide a total of 385 units of mixed tenure developments and is in the process of agreeing both private finance and contractual costs to progress these developments.

The Association has tendered for the construction of these 3 sites and hopes to progress on site for all projects in 2009 with a final completion of all sites in 2011.

Operating and Financial Review

Future Developments (cont'd)

The potential growth through stock transfer of 2,800 properties from Glasgow Housing Association is the largest development opportunity the Association has every faced. The Association is continuing to work towards making the GHA stock transfer a viable business proposition and we expect to submit an updated business case in 2009/10. We will build on the improvements GHA has made through continued investment and improved management and work closely with the devolved GHA local support team based with us in the Firhill Road office.

The development of the Canal and Dundas basin may also provide other exciting development opportunities.

Over and above the core housing business, the Association will continue to seek and secure external funding for its wider role activities in pursuance of its charitable aims.

Health and Safety

The Board and senior staff of the Association are aware of their responsibilities with regards to health and safety. The Association prepares detailed policies on Health and Safety and provides staff training and education on these areas.

Equality and Diversity

Queens Cross Housing Association is committed to promoting an environment of respect and understanding, encouraging diversity and eliminating discrimination by providing equality of opportunity for all. Throughout the Association there will be a consistent approach in promoting equality and diversity across all areas. In addition to our statutory responsibility contained in the Housing Scotland Act 2001 we are keen to create safe and inclusive neighbourhoods and an environment where people can live and work without experiencing any form of discrimination or harassment.

Investors in People

In 2009 the Association was awarded Investors in People status and the organisation will continue to put a high priority to establishing standards and systems to support its service delivery. The recruitment, retention and development of high quality staff who support the aims and values of the organisation will continue to be central to the Association.

By order of the committee



Eric Jacobs
Convenor

Dated: 25 August 2009

Statement of Committee's Responsibilities

Housing Association legislation requires the committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ended on that date. In preparing those financial statements the committee are 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 a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association.

The committee is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors to the Members of Queens Cross Housing Association Limited

We have audited the financial statements on pages 15 to 38 which have been prepared under the accounting policies set out on pages 20 to 22, and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

This report is made solely to the Association's members as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of committee and auditors

As described on page 11 the Association's Committee of Management is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you, in our opinion, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Management Committee Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud, irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Committee of Management of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiary in group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2009, because of the immaterial nature of the subsidiary's transactions in the year.

Report of the Auditors to the Members of Queens Cross Housing Association Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2009 and of its results for the year then ended;
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and
- the information given in the Management Committee Report is consistent with the financial statements.



Scott-Moncrieff
Registered Auditors
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Dated: 25 August 2009

**Report of the Auditors to the Management Committee of
Queens Cross Housing Association Limited on Corporate Governance Matters**

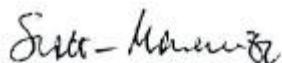
In addition to our audit of the Financial Statements, we have reviewed your Statement on page 3 concerning the Association's compliance with the paragraphs of the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of Opinion

We carried out our review having regard to Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

Opinion

In our opinion, your statement on internal financial control on page 3 has provided the disclosures required by the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing" and is not inconsistent with the information which came to our attention as a result of our audit work on the Financial Statements.



Scott-Moncrieff
Registered Auditors
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Dated: 25 August 2009

Income and Expenditure Account
For the year ended 31 March 2009

	Note	2009 £	2008 £
Turnover	2	9,222,301	8,892,133
Operating costs	2	(7,964,910)	(7,523,895)
Operating surplus	2	1,257,391	1,368,238
Gain on disposal of fixed assets		130,024	123,688
Interest receivable and other income	5	211,317	340,953
Interest payable and similar charges	6	(655,302)	(785,526)
		<u>943,430</u>	<u>1,047,353</u>
Exceptional Item - Irrecoverable Development Cost	24	-	(400,000)
Surplus for the year		<u><u>943,430</u></u>	<u><u>647,353</u></u>

The results for the year relate wholly to continuing activities.

The Association has no recognised gains and losses other than those included in the surplus above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the surplus on ordinary activities for the year and the retained surplus for the year stated above and their historical cost equivalents.

**Balance Sheet
As at 31 March 2009**

	Note	2009 £	2008 £
Tangible fixed assets			
Housing properties – cost less depreciation	9a	92,991,981	90,316,632
Less: SHG and other grants	9a	(81,394,962)	(78,698,441)
		<hr/>	<hr/>
Other fixed assets	9a 9b	11,597,019 628,021	11,618,191 677,650
		<hr/>	<hr/>
		12,225,040	12,295,841
		<hr/>	<hr/>
Investments	10	2	2
		<hr/>	<hr/>
		12,225,042	12,295,843
		<hr/>	<hr/>
Current assets			
Debtors	11	2,383,195	1,403,984
Cash at bank and in hand		7,321,213	5,083,702
		<hr/>	<hr/>
Creditors: amounts falling due within one year	12	9,704,408 (4,201,369)	6,487,686 (2,297,028)
		<hr/>	<hr/>
Net current assets		5,503,039	4,190,658
		<hr/>	<hr/>
Total assets less current liabilities		17,728,081	16,486,501
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	13	(12,267,391)	(12,045,164)
		<hr/>	<hr/>
Net assets		5,460,690	4,441,337
		<hr/>	<hr/>
Capital and reserves			
Share capital	14	557	562
Designated reserves	7	3,125,226	1,049,328
Revenue reserve	8	2,334,907	3,391,447
		<hr/>	<hr/>
		5,460,690	4,441,337
		<hr/>	<hr/>

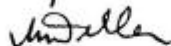
The financial statements on pages 15 to 38 were authorised for issue by the Committee of Management on 25 August 2009 and were signed on their behalf by:

Eric Jacobs



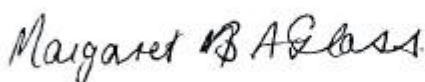
Convenor

Margaret Dillon



Vice Convenor

Margaret Glass



Committee member

The notes on pages 20 to 38 form part of these financial statements.

Cash Flow Statement
For the year ended 31 March 2009

	Notes	2009 £	2008 £
Net cash inflow from operating activities	1	2,759,154	1,941,984
Returns on investments and servicing of finance	2	(443,985)	(444,573)
Capital expenditure	2	(140,252)	(545,948)
		<u>2,174,917</u>	<u>951,463</u>
Financing	2	285,441	(220,487)
		<u>2,460,358</u>	<u>730,976</u>
Increase in cash	4	<u><u>2,460,358</u></u>	<u><u>730,976</u></u>

Notes to the Cash Flow Statement
For the year ended 31 March 2009

1) Reconciliation of surplus for year to net cash inflow from operating activities

	2009 £	2008 £
Operating surplus	1,257,391	1,368,238
Exceptional Item	-	(150,000)
Transferred from CHYP	75,898	-
Depreciation	341,077	293,434
(Increase) / decrease in debtors	(979,211)	288,470
Increase in creditors	2,063,999	141,842
	<u>2,759,154</u>	<u>1,941,984</u>
Net cash inflow	<u>2,759,154</u>	<u>1,941,984</u>

2) Gross cash flows

	2009 £	2008 £
Returns on investments and servicing of finance		
Interest received	211,317	340,953
Interest paid	(655,302)	(785,526)
	<u>(443,985)</u>	<u>(444,573)</u>

Capital expenditure

Purchase and development of housing properties	(2,990,730)	(2,023,196)
SHG and other grants received	2,794,600	1,329,159
SHG repaid	(74,823)	(274,109)
Sale of properties	218,055	439,023
Payments to acquire other tangible fixed assets	(87,354)	(16,825)
	<u>(140,252)</u>	<u>(545,948)</u>

Financing

Issue of ordinary share capital	25	12
Loan finance (repaid) / received	285,416	(220,499)
	<u>285,441</u>	<u>(220,487)</u>

Notes to the Cash Flow Statement
For the year ended 31 March 2009

3) Analysis of changes in net debt	At 1 April 2008 £	Cash Flow £	At 1 April 2009 £
Cash in hand, at bank	5,083,702	2,237,511	7,321,213
Overdraft	(222,847)	222,847	-
	<u>4,860,855</u>	<u>2,460,358</u>	<u>7,321,213</u>
Debt due within 1 year	(405,454)	(63,189)	(468,643)
Debt due after 1 year	(12,045,164)	(222,227)	(12,267,391)
	<u>(7,589,763)</u>	<u>2,174,942</u>	<u>(5,414,821)</u>
4) Reconciliation of net cash flow to movement in net debt (Note 3)		2009 £	2008 £
(Increase) for the year		(2,460,358)	(510,477)
Cash used to repay loans		(214,584)	(220,499)
Loans received		500,000	-
Change in net debt		<u>(2,174,942)</u>	<u>(730,976)</u>
Net debt at 1 April 2008		<u>7,589,763</u>	<u>8,320,739</u>
Net debt at 31 March 2009		<u><u>5,414,821</u></u>	<u><u>7,589,763</u></u>

**Notes to the Financial Statements
For the year ended 31 March 2009**

1. Accounting policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in paragraphs (b) to (k) below.

These financial statements are prepared under the historical cost convention in accordance with applicable accounting standards, and comply with the requirements of the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

(b) Turnover

Turnover represents rental and service charge income and fees or revenue grants receivable from local authorities, from the Scottish Government, and from other sources. Also included is any income from first tranche shared ownership disposals. This represents a change in accounting policy arising from the adoption of SORP 2008. The Management Committee have examined the Association's recent history of shared ownership disposals and is satisfied that no prior year adjustment is required.

(c) Loans

Mortgage loans are advanced by Private Lenders or the Scottish Government under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by the Scottish Government.

(d) Social housing grant (SHG)

Social Housing Grant, at amounts approved by the Scottish Government, is paid directly to the Association as required to meet its liabilities during the development process.

SHG is repayable under certain circumstances, primarily following sale of property, but the amount repayable will normally be restricted to net proceeds of sale.

SHG received as a contribution towards the capital cost of housing development is deducted from the cost of those developments. SHG received as a contribution towards revenue expenditure is included in turnover.

**Notes to the Financial Statements
For the year ended 31 March 2009**

1. Accounting policies (cont'd)

(e) Fixed assets - Housing properties

Housing properties are stated at cost, less social housing grants (SHG) and other public grants and less accumulated depreciation. The development cost of housing properties includes:-

1. Cost of acquiring land and buildings
2. Development expenditure including administration costs

These costs are either termed "qualifying costs" by the Scottish Government for approved social housing grant schemes and are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the accounts for the year, provided that the dates of issue or valuation are prior to the year-end.

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

All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated.

(f) Depreciation

1. Housing properties

Housing properties at cost, less grants received, less land, are depreciated over their expected useful lives of 50 years.

2. Other fixed assets

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:-

Leasehold Property	- Over the lease term
Motor Vehicles	- 25% on cost
Furniture, Fittings & Equipment	- 15% on cost
Furniture – furnished lets	- 33% on cost

A full year's depreciation is charged in the year of purchase.

No charge is made in the year of disposal.

**Notes to the Financial Statements
For the year ended 31 March 2009**

1. Accounting policies (cont'd)

(g) Designated Reserves (Note 7)

(i) Major Repairs

The reserve is based on the Association's requirement to maintain housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. The reserve represents amounts set aside in respect of future costs and will be transferred to General Reserves as appropriate.

(ii) CHYP

The reserve represents the funds transferred from the Council for Homeless Young People (CHYP) which was absorbed into the Association's community services section on 1 April 2008. These funds are designated for use in this project.

(h) Apportionment of management expenses

Direct employee, administration and operating costs have been apportioned to the relevant sections of the income and expenditure account on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

(i) Pensions (Note 20)

The Association contributes to a defined benefit scheme, the cost of which is written off to the income and expenditure account on an accruals basis. The assets of the scheme are held separately from those of the Association in an independently administered fund.

(j) Financial Commitments

Assets held under finance leases, where substantially all the risks and rewards of ownership of the asset have passed to the Association, and hire purchase contracts are capitalised in the balance sheet and are depreciated in the income and expenditure account over the period of their useful lives.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

The principal office premises of the Association are held on a full repairing lease. The lease termination date is 2023, and rent reviews will take place in the years 2013 and 2018.

(k) Consolidation

The Association and its subsidiary undertakings comprise a group. The Financial Services Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not of the group.

Notes to the Financial Statements
For the year ended 31 March 2009

2. Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover	2009 Operating Costs	Operating Surplus	Turnover	2008 Operating Costs	Operating Surplus
	£	£	£	£	£	£
Income and Expenditure From lettings						
Social Lettings (Note 3)	6,862,243	(4,832,842)	2,029,401	6,336,468	(4,562,743)	1,773,725
Other activities (Note 4)	2,360,058	(3,132,068)	(772,010)	2,555,665	(2,961,152)	(405,487)
	<u>9,222,301</u>	<u>(7,964,910)</u>	<u>1,257,391</u>	<u>8,892,133</u>	<u>(7,523,895)</u>	<u>1,368,238</u>

Notes to the financial statements
For the year ended 31 March 2009

3. Particulars of turnover, operating costs and operating surplus from social letting activities

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2009 Total £	2008 Total £
Income from rent and service charges					
Rent receivable net of service charges	5,029,560	1,037,276	155,751	6,222,587	5,788,682
Service charges	173,642	178,230	-	351,872	209,996
Gross income from rents and service charges	<u>5,203,202</u>	<u>1,215,506</u>	<u>155,751</u>	<u>6,574,459</u>	<u>5,998,678</u>
Less voids	<u>(22,403)</u>	<u>(4,517)</u>	<u>-</u>	<u>(26,920)</u>	<u>(17,100)</u>
Net income from rents and service charges	<u>5,180,799</u>	<u>1,210,989</u>	<u>155,751</u>	<u>6,547,539</u>	<u>5,981,578</u>
Grants from the Scottish Ministers	314,704	-	-	314,704	354,890
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	<u>5,495,503</u>	<u>1,210,989</u>	<u>155,751</u>	<u>6,862,243</u>	<u>6,336,468</u>
Expenditure					
Management and maintenance administration costs	(1,344,030)	(255,084)	(16,493)	(1,615,607)	(1,338,294)
Service charges	(197,555)	(51,496)	-	(249,051)	(171,781)
Planned cyclical maintenance including major repairs	(980,407)	(399,167)	-	(1,379,574)	(862,224)
Reactive maintenance costs	(1,131,968)	(231,577)	-	(1,363,545)	(1,994,953)
Bad debts – rents and service charge	(22,674)	(6,397)	-	(29,071)	(35,762)
Depreciation of social housing	(158,237)	(37,757)	-	(195,994)	(159,729)
Impairment of social housing	-	-	-	-	-
Operating costs for social letting activities	<u>(3,834,871)</u>	<u>(981,478)</u>	<u>(16,493)</u>	<u>(4,832,842)</u>	<u>(4,562,743)</u>
Operating Surplus on letting activities, 2009	<u>1,660,632</u>	<u>229,511</u>	<u>139,258</u>	<u>2,029,401</u>	
Operating Surplus on letting activities, 2008	<u>1,388,615</u>	<u>242,199</u>	<u>142,911</u>		<u>1,773,725</u>

Notes to the financial statements for the year ended 31 March 2009

4. Particulars of turnover, operating costs and operating surplus from other activities

	Grants from	Other	Supporting	Other	Total		Other	Other	Operating				
	Scottish				revenue	people			income	Turnover	operating	operating	surplus or (deficit)
	Ministers				grants	income			income	2009	2008	costs	costs
£	£	£	£	£	£	£	£	£	£				
Wider role activities #	64,805	123,716	-	-	188,521	338,479	(405,010)	(430,316)	(216,489)	(91,837)			
Care and repair of property	-	-	-	-	-	-	-	-	-	-			
Factoring	-	-	-	-	-	-	-	-	-	-			
Development and construction of property activities	171,520	-	-	46,462	217,982	48,906	(412,651)	(450,612)	(194,669)	(401,706)			
Support activities	-	-	1,388,087	-	1,388,087	1,543,046	(1,792,041)	(1,556,629)	(403,954)	(13,583)			
Care activities	-	-	-	-	-	-	-	-	-	-			
Agency/management services for RSLs	-	-	-	303,296	303,296	270,514	(279,195)	(284,597)	24,101	(14,083)			
Other agency / management services	-	-	-	233,880	233,880	212,420	(243,171)	(238,998)	(9,291)	(26,578)			
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-			
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-	-			
Other activities	-	-	-	28,292	28,292	142,300	-	-	28,292	142,300			
Total from other activities, 2009	236,325	123,716	1,388,087	611,930	2,360,058		(3,132,068)		(772,010)				
Total from other activities, 2008	139,000	416,138	1,543,046	457,481		2,555,665		(2,961,152)		(405,487)			

Undertaken to support the community, other than the provision, construction, improvement and management of housing

Included with Other Revenue grants within Wider Action is a grant from the Big Lottery fund to support the Westercommon café of £56,371 (2008: £54,356).

Notes to the Financial Statements
For the year ended 31 March 2009

5. Interest Receivable and Other Income		2009	2008
		£	£
Interest receivable on deposits		211,317	340,953
		<u>211,317</u>	<u>340,953</u>
		<u><u>211,317</u></u>	<u><u>340,953</u></u>
6. Interest payable and similar charges			
On loans from the Scottish Government		88,612	98,653
On private loans		566,690	686,873
		<u>655,302</u>	<u>785,526</u>
		<u><u>655,302</u></u>	<u><u>785,526</u></u>
7. Designated Reserves	Opening Balance	Transfer	Closing Balance
	£	£	£
Major repairs reserve	1,049,328	2,000,000	3,049,328
CHYP restricted reserve	-	75,898	75,898
	<u>1,049,328</u>	<u>2,075,898</u>	<u>3,125,226</u>
	<u><u>1,049,328</u></u>	<u><u>2,075,898</u></u>	<u><u>3,125,226</u></u>

The CHYP (Council for Homeless Young People) reserve was transferred on 1st April 2008 when the CHYP's assets and liabilities were absorbed by Queens Cross Housing Association. CHYP now operates as part of the Association's community services section.

8. Revenue Reserves	2009	2008
	£	£
At 1 April 2008	3,391,447	2,744,064
Surplus for the year	943,430	647,353
	<u>4,334,877</u>	<u>3,391,417</u>
Transfer to designated reserves	(2,000,000)	-
Transfer from Share Capital	30	30
	<u>2,334,907</u>	<u>3,391,447</u>
At 31 March 2009	<u><u>2,334,907</u></u>	<u><u>3,391,447</u></u>

Notes to the Financial Statements
For the year ended 31 March 2009

9a Tangible Fixed Assets – Housing Properties

	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Housing Properties Under Construction £	2009 Total £	2008 Total £
Cost					
At start of year	76,480,685	2,293,472	12,994,710	91,768,867	90,173,455
Additions during year	64,502	94,750	2,831,478	2,990,730	2,023,196
Disposals	(119,387)	-	-	(119,387)	(427,784)
Transfers	2,977,695	(221,237)	(2,756,458)	-	-
At end of year	79,403,495	2,166,985	13,069,730	94,640,210	91,768,867
Depreciation					
At start of year	1,387,063	65,172	-	1,452,235	1,292,506
Charge for year	193,924	10,170	-	204,094	171,729
On disposals	(8,100)	-	-	(8,100)	(12,000)
At end of year	1,572,887	75,342	-	1,648,229	1,452,235
Cost less depreciation	<u>77,830,608</u>	<u>2,091,643</u>	<u>13,069,730</u>	<u>92,991,981</u>	<u>90,316,632</u>
SHG and Other Grants					
At start of year	63,863,154	1,832,810	13,002,477	78,698,441	77,714,339
Additions during year	55,318	-	2,739,282	2,794,600	1,329,159
Disposals	(98,079)	-	-	(98,079)	(345,057)
Transfers	2,595,927	(108,384)	(2,487,543)	-	-
At end of year	66,416,320	1,724,426	13,254,216	81,394,962	78,698,441
Net Book Value					
At end of year	<u>11,414,288</u>	<u>367,217</u>	<u>(184,486)</u>	<u>11,597,019</u>	<u>11,618,191</u>
At start of year	<u>11,230,468</u>	<u>395,490</u>	<u>(7,767)</u>	<u>11,618,191</u>	<u>11,166,610</u>

Development administration costs and SHG were capitalised in the year of £nil (2008 - £Nil).

Notes to the Financial Statements
For the year ended 31 March 2009

9b. Tangible Fixed Assets – Other Tangible Assets

	Leasehold Property £	Furniture & Fittings £	Motor Vehicles £	Furniture Provided in Furnished Flats £	2009 Total £	2008 Total £
Cost						
At start of year	578,320	403,596	96,323	52,033	1,130,272	1,160,214
Additions during year	28,584	43,470	15,300	-	87,354	16,825
Disposals	-	(24,257)	-	-	(24,257)	(46,767)
At end of year	606,904	422,809	111,623	52,033	1,193,369	1,130,272
Depreciation						
At start of year	41,422	262,844	96,323	52,033	452,622	377,684
Charge for year	12,138	112,169	12,676	-	136,983	121,705
Write off on disposal	-	(24,257)	-	-	(24,257)	(46,767)
At end of year	53,560	350,756	108,999	52,033	565,348	452,622
Net Book Value						
At end of year	553,344	72,053	2,624	-	628,021	677,650
At start of year	536,898	140,752	-	-	677,650	782,530

Additions include assets transferred from CHYP.

Write-offs include writing out of fully depreciated assets for this year with a net book value of nil and which are no longer held.

Notes to the Financial Statements
For the year ended 31 March 2009

10. Investments	2009	2008
	£	£
Investment in subsidiary undertakings	2	2
	<u>2</u>	<u>2</u>

Queens Cross Factoring Limited (company number SC278139) was incorporated on 7 January 2005 and began trading on 1 April 2005. Queens Cross Housing Association Limited acquired 1 ordinary £1 share in Queens Cross Factoring Limited, at par. This represents a 100% shareholding.

Queens Cross Factoring Limited made a loss of £1,287 for the year ended 31 March 2008. At 31 March 2008 Queens Cross Factoring has net assets of £1,562. The results for 31 March 2009 are not yet available.

Q Space Limited (company number SC278140) was incorporated on 7 January 2005 and began trading on 1 April 2006. The company was set up to take up specific commercial development opportunities outwith the scope of Queens Cross Housing Association Limited. The issued share capital of Q Space Limited is £2. Queens Cross Housing Association Limited acquired 1 ordinary £1 share in Q Space Limited, at par. This represents a 50% shareholding. The results for 31 March 2009 are not yet available.

Details of transactions during the year with the above companies can be found at note 24.

11. Debtors	2009	2008
	£	£
Amounts falling due within one year:		
Rental arrears	118,036	184,109
Less provision for bad debts	(12,093)	(11,200)
	<u>105,943</u>	<u>172,909</u>
Other debtors and prepayments	2,277,252	1,231,075
	<u>2,383,195</u>	<u>1,403,984</u>

12. Creditors: amounts falling due within one year	2009	2008
	£	£
Bank overdraft	-	222,847
Other loans repayable within one year	468,643	405,454
Deferred Income	1,643,824	-
SHG repayable on disposals	250,429	175,146
Other taxes and social security costs	76,109	74,747
Other creditors	1,762,364	1,418,834
	<u>4,201,369</u>	<u>2,297,028</u>

Notes to the Financial Statements
For the year ended 31 March 2009

13. Creditors: amounts falling due outwith one year	2009 £	2008 £
Loans:		
Due between one and two years	475,626	412,436
Due between two and five years	1,397,318	1,195,048
Due in five years or more	10,394,447	10,437,680
	<u>12,267,391</u>	<u>12,045,164</u>

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments over the next 30 years.

14. Share Capital	2009 £	2008 £
At beginning of year	562	580
Shares of £1 each fully paid and issued during the year	25	12
Shares forfeited in year	(30)	(30)
	<u>557</u>	<u>562</u>

**Notes to the Financial Statements
For the year ended 31 March 2009**

15. Directors' Emoluments

The directors are defined as the members of the Management Committee, the chief executive and any other person reporting directly to the chief executive or the Management Committee whose total emoluments exceed £60,000 per year. No emoluments were paid to any member of the Management Committee during the year.

	2009	2008
	£	£
Emoluments of chief executive (excluding pension contributions)	76,058	70,897
Pension contributions	11,760	9,754
Emoluments payable to highest paid director (excluding pension contributions)	76,058	70,897
	No of	No of
	Directors	Directors
The emoluments (excluding pension contributions) of the directors were in the following ranges:		
£60,001 to £65,000	1	-
£65,001 to £70,000	-	-
£70,001 to £75,000	-	1
£75,001 to £80,000	1	-
Pension contributions of directors earning > £60,000	21,425	9,754
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax	1,542	618

Notes to the Financial Statements
For the year ended 31 March 2009

16. Employee Information	2009 No	2008 No
The full time equivalent number of persons employed during the year was:	131	125
	<u> </u>	<u> </u>
	2009 £	2008 £
Staff costs (including Directors' Emoluments):		
Wages and salaries	3,274,720	2,991,498
Social security costs	264,082	246,314
Pension costs (note 20)	308,815	263,083
	<u> </u>	<u> </u>
	<u>3,847,617</u>	<u>3,500,895</u>
17. Operating Surplus		
Operating surplus is stated after charging:		
Depreciation	341,077	293,434
Auditors' remuneration		
- In their capacity as auditors	11,000	12,000
-In their capacity as tax and VAT advisors	764	5,000
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
18. Taxation		
As the Association was granted charitable status from 11 April 2005, it is no longer subject to corporation tax on its charitable activities.		
19. Capital Commitments		
Capital expenditure that has been contracted for but has not been provided for in the financial statements.	-	1,464,276
	<u> </u>	<u> </u>
This is to be funded by:		
HAG	-	-
Private Finance	-	1,464,276
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
Capital expenditure that has been approved but not contracted for	47,518,561	14,996,592
	<u> </u>	<u> </u>
This is to be funded by:		
HAG	32,992,530	8,003,822
Private Finance	14,526,031	6,992,770
	<u> </u>	<u> </u>
	<u>47,518,561</u>	<u>14,996,592</u>

The amount approved but not contracted for at 31 March 2009 relates to the planned construction work at the new build sites in Murano Street, Garscube Rd and Oban Drive.

Notes to the Financial Statements
For the year ended 31 March 2009

20. Pensions

SFHA Pension Scheme

General

Queens Cross Housing Association Limited participates in the SFHA Pension Scheme (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme and from April 2008 there are three benefit structures available, namely:

- Final salary with a 1/60th accrual rate
- Career average revalued earnings with a 1/60th accrual rate;
- Career average revalued earnings with a 1/70th accrual rate

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join. The Association has chosen to operate the Final salary with a 1/60th accrual rate structure.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period, Queens Cross Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 74 active members of the Scheme employed by Queens Cross Housing Association Limited. The annual pensionable payroll in respect of these members was £1,929,319. Queens Cross Housing Association Limited continues to offer membership of the Scheme to its employees.

**Notes to the Financial Statements
For the year ended 31 March 2009**

20. Pensions (cont'd)

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared to liabilities of £54 million (equivalent to a past service funding level of 83.4%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

Financial Assumptions

The financial assumptions underlying the valuation were as follows:-	% pa
- Investment return pre retirement	7.2
- Investment return post retirement	4.9
- Rate of salary increases	4.6
- Rate of pension increases	
Pension accrued pre 6 April 2005	2.6
Pension accrued from 6 April 2005	2.25
(for leavers before 1 October 1993 pension increases are 5.0% pa)	
- Rate of price inflation	2.6

Notes to the Financial Statements
For the year ended 31 March 2009

20. Pensions (cont'd)

Valuation results

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions.

	Males Assumed life expectancy In years at age 65	Females Assumed life expectancy in years at age 65
Non-pensioners	21.6	24.4
Pensioners	20.7	23.6

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary 60ths	17.8% Comprising employer contributions of 10.1% and member contributions of 7.7%
Career average 60ths	14.6% Comprising employer contributions of 8.0% and member contributions of 6.6%
Career average 70ths	12.6% Comprising employer contributions of 6.6% and member contributions of 6.0%

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the valuation it was agreed that the shortfall of £54 million would be dealt with by the payment of additional employer contributions of 5.3% of pensionable salaries with effect from 1 April 2008. It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly the joint contribution rates from 1 April 2008, for each of the benefit structures will be:

Benefit structure	Joint contribution rate (% of pensionable salaries)
Final salary 60ths	23.1% Comprising employer contributions of 15.4% and member contributions of 7.7%
Career average 60ths	19.9% Comprising employer contributions of 13.3% and member contributions of 6.6%
Career average 70ths	17.9% Comprising employer contributions of 11.9% and member contributions of 6.0%

**Notes to the Financial Statements
For the year ended 31 March 2009****20. Pensions (cont'd)**

A small number of employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an ongoing funding basis, by 31 March 2020.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SFHA Pension Scheme and confirmed that, in respect of the September 2006 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2009.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt would be 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.

Queens Cross Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2006. As of this date the estimated employer debt for Queens Cross Housing Association was £6,258,580.

The Association does not intend to withdraw from the scheme and the trustee has confirmed that there is no intention to wind up the Scheme.

Notes to the Financial Statements
For the year ended 31 March 2009

21. Housing Stock

	Units in management	
	2009	2008
The number of units of accommodation in management was as follows:-		
General needs housing	1,474	1,523
Supported housing accommodation	512	511
Shared ownership accommodation	66	69
	<u>2,052</u>	<u>2,103</u>

22. Accommodation managed by others

	No of units/bedspaces	
	2009	2008
Women's Aid	14	14
Share HA	2	2
Quarriers	9	8
Archdiocese of Glasgow	1	2
Talbot Association	19	19
Barnardos	9	9
Tact	14	14
Fairholme	6	6
Aspire	11	11
Key Housing	17	15
CHYP	-	13
CIC	4	4
Turning Point	11	-
Mungo Foundation	6	-
	<u>123</u>	<u>117</u>

23. Revenue Commitments

The Association has commitments under operating leases for the next year for leases expiring as follows:

	2009		2008	
	Land & buildings £	Other Leases £	Land & buildings £	Other leases £
Within one year	-	-	-	-
Between two and five years		75,971		79,344
More than 5 years	230,000	-	230,000	-
	<u>230,000</u>	<u>75,971</u>	<u>230,000</u>	<u>79,344</u>

**Notes to the Financial Statements
For the year ended 31 March 2009**

24. Related party transactions

Q-Space Limited

In the prior year, Queens Cross Housing Association Ltd wrote off a £400,000 loan to Q-Space Ltd in respect of a development which did not get planning permission.

No transactions occurred between Queens Cross Housing Association Ltd and Q-Space Ltd in the year to 31 March 2009.

Queens Cross Factoring Limited

Queens Cross Factoring Limited is a subsidiary undertaking of Queens Cross Housing Association Limited. The Association also provided short term loan funding to Queens Cross Factoring Ltd, in which the company owns 1 Ordinary share (see Note 10). At 31 March 2009 the amount outstanding was £30,968 (2008: £ 56,588). No interest is chargeable on this balance and the balance is included within other debtors and prepayments (see Note 11).

Queens Cross Housing Association Limited has a service level agreement in place with Queens Cross Factoring Limited. During the year management charges in respect of this agreement were charged to Queens Cross Factoring Ltd for £110,000 (2008: £90,000). At the year end there is a balance within trade debtors relating to Queens Cross Factoring of £166,798 (2008: £244,696)

Queens Cross Housing Association Limited paid on behalf of Queens Cross Factoring £367,705 (2008: £243,665) of repairs, insurance and environmental and cleaning costs. This was recharged to Queens Cross Factoring Limited in the year.

25. Legislative Provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965.