

**Knowes Housing Association Limited**  
**Report and Financial Statements**

**For the year ended 31st March 2012**

**Registered Housing Association No. HEP300**

**FSA Reference No. 2518R(S)**

**Scottish Charity No. SC027466**

# KNOWES HOUSING ASSOCIATION LIMITED

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**KNOWES HOUSING ASSOCIATION LIMITED**

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**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2012**

**MANAGEMENT COMMITTEE**

William Stevenson	Chairperson
Ann Feeney	Vice Chair
Rhona Polak	Secretary
Sheila Cope	Treasurer
Anne McGowan	
John Lafferty	
Lockhart Cameron	
Pat Giffin	
Ugonna Onyekwere	
Raymond Clarke	
Frank Newey	
Janet Downey	
Councillor Lawrence O'Neill	Co-opted December 2011

**EXECUTIVE OFFICERS**

Pierre De Fence	Director
Paul McVey	Depute Director
Erica Davison	Head of Finance

**REGISTERED OFFICE**

10 Field Road  
Fairfley  
Clydebank  
G81 5BX

**AUDITORS**

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

**BANKERS**

Bank of Scotland  
42/44 Sylvania Way  
Clydebank  
Glasgow  
G81 2TL

**SOLICITORS**

Harper McLeod  
The Ca'd'oro  
45 Gordon Street  
Glasgow  
G1 3PE

**INTERNAL AUDITORS**

The Internal Audit Association  
Business Support Centre  
Granham House  
Spring Graden Lane  
Gosport

## KNOWES HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2012

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2012.

#### **Legal Status**

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.2518R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC027466.

#### **Principal Activities**

The principal activities of the Association are the provision and management of affordable rented accommodation.

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

During the year the Association recruited one new member of staff, this being a temporary Corporate Services Assistant. This post is supported by funding from Community Jobs Scotland and will be in post for 6 months.

#### **Repairs Maintenance and Development**

The Association continues to focus on improving services to our customers and to ensure compliance with statutory and best practice requirements. In year ending 31st March 2012, we spent £636,545 on day to day repairs, which is an increase of £42,772 on the previous year, this increase is predominantly as a result of the works to properties damaged by the storms of December / January.

The year 2011/12 saw us continue with our programme of maintenance and component replacement, which will ensure the Association complies with the Scottish Housing Quality Standard legislation by 2015. To this end we carried out maintenance painting to one fifth of our properties, continued with our programme of renewing kitchens, replaced bathroom sanitaryware and renewed boundary fencing to a number of our cottage type properties. We engaged a contractor to undertake a stock condition survey and we purchased an asset management software solution to manage our stock condition information. We also ensured that to the best of our ability all properties with gas heating appliances were maintained and serviced in accordance with legislative requirements. All of the planned maintenance and major component replacement work was undertaken at a cost of £994,550.

The Association submitted a formal expression of interest in the West Dunbartonshire Council stock transfer. Our interest was in the Clydebank West package. However after a full analysis of the information available the Committee took the decision to withdraw from the process.

## KNOWES HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2012

#### Review of Business and Future Developments (Contd.)

##### Housing Management

The Association had 90 properties to re-allocate last year which is a significant increase from the previous year and more akin to our standard turnover levels. Our performance in this area improved significantly with our days taken to let being on average 5 calendar days and void loss remained exceptionally low at 0.1%. The Association's stock continues to be popular with 249 new applications for housing being received in the last year - and a total of 461 applicants on our waiting lists.

Rent Arrears at the end of March 2012 reached a new low - 1.4% of the annual debit (with only 0.3% being the non-technical, or actual, arrears figure). This is a very impressive arrears figure with actual arrears reducing further from 0.5% to 0.3% and was achieved with no evictions, and a reduced number of tenants receiving legal notices or being referred to court. In addition there were no arrears for our garage sites or lock ups and our former tenant arrears stood at 0.1% at the end of the financial year.

Knowes continues to work with a range of agencies to tackle anti social behaviour through diversionary activities and preventative measures. Our information sharing with these agencies is continuing to improve and we are continuing to work with a common anti social behaviour policy and procedure among all local housing providers including West Dunbartonshire Council. There were no new ASBOs or evictions due to anti social behaviour in the last year which is an indication of an improving picture in our community. This has been helped with having Fairfley a designated "Public Reassurance" area, which demands more involvement and focus from all agencies.

##### Wider Action

Knowes Housing Association in partnership with Fairfley, Clydebank and Dalnair Park Housing Associations, along with the Independent Resource Centre, have provided a satellite welfare benefits and debt counselling service. This project has attracted wider role funding and has proved very successful among the residents of Fairfley and Duntocher. The service, which is independent and confidential, ensures that residents are assisted in maximising their income while tackling any financial problems they may be facing. Both Associations have integrated client referrals into their arrears management procedures to ensure that all customers are encouraged to access this service when their rent account is falling into arrears.

Café Knowes continues to provide healthy food to the community as well as providing fruit for all primary schools in West Dunbartonshire. This year we obtained funding to provide training courses and REHIS qualifications to six adults with learning difficulties from the Thomas Fortune Centre in Drumchapel.

The Association, in partnership with the Wise Group completed a timber fencing renewal project. The aim of the partnership was to train local people and help get them into full time employment. Funding for the project was provided from The Scottish Government Wider Role Fund with the Association funding the materials.

The members of the Management Committee are of the opinion that the state of affairs of the Association is satisfactory given the surplus in the year of £961,949 (2011 – Surplus (restated) £901,885).

The Association met its financial loan covenant ratios with regard to interest cover (2012 – 1123%; 2011 – 1180%) and average gross debt per property (2012 - £6,376; 2011 - £6,032). Net assets now stand at £6,738,509 (2011 (restated) - £5,776,581).

## KNOWES HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2012

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#### **Management Committee and Executive Officers**

The members of the Management Committee and the Executive Officers are listed on Page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Committee.

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

#### **Statement of Management Committee's Responsibilities**

The Industrial and Provident Societies Acts 1965 to 2002 require the Management 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 surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments 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;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

KNOWES HOUSING ASSOCIATION LIMITED

**REPORT OF THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31ST MARCH 2012**

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**Statement on Internal Financial Control**

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment 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;
- 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 of loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- regular financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- the Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

**Donations**

During the year the Association made charitable donations amounting to £766 (2011 £475).

**Auditors**

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

**By order of the Management Committee**



**RHONA POLAK**  
Secretary  
07 August 2012

KNOWES HOUSING ASSOCIATION LIMITED

**REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF  
KNOWES HOUSING ASSOCIATION LIMITED  
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

**Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



**ALEXANDER SLOAN**  
Chartered Accountants

GLASGOW  
07 August 2012



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
KNOWES HOUSING ASSOCIATION LIMITED**

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We have audited the financial statements of Knowes Housing Association Limited for the year ended 31st March 2012 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

**Respective Responsibilities of Management Committee and Auditors**

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit on the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

**Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements

**Matters on which we are required to report by exception**

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
KNOWES HOUSING ASSOCIATION LIMITED**

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Matters on which we are required to report by exception (contd.)

- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
07 August 2012

**KNOWES HOUSING ASSOCIATION LIMITED**

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2012**

	Notes	2012 £	2011 £
<b>TURNOVER</b>	2.	3,654,947	3,512,019
Operating Costs	2.	<u>(2,658,957)</u>	<u>(2,575,160)</u>
<b>OPERATING SURPLUS</b>	9.	995,990	936,859
Gain On Sale Of Housing Stock	7.	10,000	12,059
Interest Receivable and Other Income		25,136	27,388
Interest Payable and Similar Charges	8.	<u>(69,177)</u>	<u>(74,421)</u>
		<u>(34,041)</u>	<u>(34,974)</u>
<b>SURPLUS FOR THE YEAR</b>		<u>961,949</u>	<u>901,885</u>

All amounts relate to continuing activities.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	2012 £	Restated 2011 £
Surplus for the financial year	961,949	901,885
Prior year adjustment (as explained in Note 23)	<u>3,232,615</u>	-
<b>Total gains recognised since last annual report</b>	<u>4,194,564</u>	<u>901,885</u>

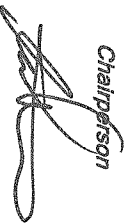
**KNOWES HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET AS AT 31st MARCH 2012**

	Notes	£	2012	£	£	Restated 2011
<b>TANGIBLE FIXED ASSETS</b>						
Housing Properties - Depreciated Cost	11.(a)		18,107,756			17,280,178
Less: Social Housing Grant	11.(a)		(5,610,312)			(5,610,312)
: Other Public Grants	11.(a)		(1,156,932)			(1,034,114)
Other fixed assets	11.(b)		11,340,512			10,635,752
			417,024			418,124
<b>CURRENT ASSETS</b>			11,757,536			11,053,876
Debtors	14.	185,922		103,438		
Investments	22.	1,000,000				
Cash at bank and in hand		1,286,276		2,806,260		
<b>CREDITORS: Amounts falling due within one year</b>			2,472,198		2,909,698	
	15.	(905,296)		(1,012,371)		
<b>NET CURRENT ASSETS</b>			1,566,902			1,897,327
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			13,324,438			12,951,203
<b>CREDITORS: Amounts falling due after more than one year</b>			(6,585,929)			(7,174,622)
<b>NET ASSETS</b>			6,738,509			5,776,581
<b>CAPITAL AND RESERVES</b>						
Share Capital	18.	105				126
Revenue Reserves	19.(b)	6,738,404				5,776,455
			6,738,509			5,776,581

The Financial Statements were approved by the Management Committee and signed on their behalf on 07 August 2012.

*Chairperson*



*Vice-Chairperson*



*Secretary*



**KNOWES HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2012**

	Notes	2012	2011
	£	£	£
<b>Net Cash Inflow from Operating Activities</b>	17.	1,330,278	1,427,080
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received		25,136	27,388
Interest Paid		(69,177)	(74,421)
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		(44,041)	(47,033)
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties		(1,278,592)	(612,291)
Purchase of Other Fixed Assets		(45,774)	(1,970)
Other Grants Received		88,432	107,355
Proceeds on Disposal of Properties		12,779	14,893
Proceeds on Disposal of Other Fixed Assets		1,310	-
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		(1,221,845)	(492,013)
<b>Net Cash Inflow before use of Liquid Resources and Financing</b>		64,392	888,034
<b>Management of Liquid Resources</b>			
Change in short term deposits with banks		(1,000,000)	-
<b>Financing</b>			
Loan Principal Repayments		(584,378)	(582,250)
Share Capital Issued	2		19
<b>Net Cash Outflow from Financing</b>		(584,376)	(582,231)
<b>(Decrease) / Increase in Cash</b>	17.	(1,519,984)	305,803

# KNOWES HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

## NOTES TO THE FINANCIAL STATEMENTS

### 1 PRINCIPAL ACCOUNTING POLICIES

#### **Basis Of Accounting**

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

#### **Turnover**

Turnover represents rental and service charge income receivable, fees receivable and revenue grants

#### **Retirement Benefits**

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the 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.

#### **Valuation Of Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Structure	50 years
Roofs	50 years
Windows	35 years
Doors	25 years
Door entry systems	20 years
Kitchens	20 years
Bathrooms	20 years
Electrics	30 years
CH systems	20 years

# KNOWES HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### Depreciation And Impairment Of Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	3.30%
Furniture and Fittings	25%
Computer Equipment	20%
Office Equipment	25%
Motor vehicles	20%

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

##### Social Housing Grant And Other Grants In Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

##### Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

# KNOWES HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

### **Leases/Leased Assets**

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

### **Works to Existing Properties**

The Association capitalises major repairs expenditure, not already capitalised as the replacement of a material component, where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

### **Capitalisation Of Development Overheads**

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

### **Development Interest**

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

### **Property Development Cost**

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

### **Negative Goodwill**

Negative goodwill created through transfer of engagements is written off to the Income and Expenditure account as the non-cash assets acquired are depreciated or sold.



# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2012		2011		<i>Restated</i>	
		Operating Costs		Operating Costs		Operating Surplus / (Deficit)	
	Notes	Turnover	Costs	Turnover	Costs	Surplus / (Deficit)	
		£	£	£	£	£	£
Social Lettings	3.	3,496,065	2,435,661	1,060,404	3,332,288	2,347,335	984,953
Other Activities	4.	158,882	223,296	(64,414)	179,731	227,825	(48,094)
<b>Total</b>		<b>3,654,947</b>	<b>2,658,957</b>	<b>995,990</b>	<b>3,512,019</b>	<b>2,575,160</b>	<b>936,859</b>

### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	Income from Lettings	General Needs Housing	Supported Housing	2012 Total	2011 Total	<i>Restated</i> 2011 Total
		£	£	£	£	£
Rent Receivable Net of Identifiable Service Charges		3,283,997	93,017	3,377,014	3,207,158	66,634
Service Charges Receivable		66,635	-	66,635	66,634	
<b>Gross Rents Receivable</b>		<b>3,350,632</b>	<b>93,017</b>	<b>3,443,649</b>	<b>3,273,792</b>	<b>4,388</b>
Less: Rent losses from voids		3,949	-	3,949	4,388	
<b>Net Rents Receivable</b>		<b>3,346,683</b>	<b>93,017</b>	<b>3,439,700</b>	<b>3,269,404</b>	<b>62,884</b>
Revenue Grants from Scottish Ministers		56,365	-	56,365	62,884	
<b>Total Income From Social Letting</b>		<b>3,403,048</b>	<b>93,017</b>	<b>3,496,065</b>	<b>3,332,288</b>	
<b>Expenditure on Social Letting Activities</b>						
Service Costs		50,862	-	50,862	68,614	
Management and maintenance administration costs		936,457	4,623	941,080	915,166	
Reactive Maintenance		633,959	2,586	636,545	593,773	
Bad Debts - Rents and Service Charges		11,426	-	11,426	2,404	
Planned and Cyclical Maintenance, including Major Repairs		367,509	4,987	372,496	378,048	
Depreciation of Social Housing		381,900	41,352	423,252	389,330	
<b>Operating Costs of Social Letting</b>		<b>2,382,113</b>	<b>53,548</b>	<b>2,435,661</b>	<b>2,347,335</b>	
<b>Operating Surplus on Social Letting Activities</b>		<b>1,020,935</b>	<b>39,469</b>	<b>1,060,404</b>	<b>984,953</b>	
<b>2011 (as restated)</b>		<b>973,829</b>	<b>11,124</b>			

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Operating Surplus / (Deficit) 2012 £	Operating Surplus / (Deficit) 2011 £
Wider Role Activities	6,618	9,550	-	115,471	131,639	-	192,729	(61,090)	(42,661)
Factoring	-	-	-	27,243	27,243	-	30,567	(3,324)	(5,433)
<b>Total From Other Activities</b>	<b>6,618</b>	<b>9,550</b>	<b>-</b>	<b>142,714</b>	<b>158,882</b>	<b>-</b>	<b>223,296</b>	<b>(64,414)</b>	<b>(48,094)</b>
<b>2011</b>	<b>-</b>	<b>46,500</b>	<b>-</b>	<b>133,231</b>	<b>179,731</b>	<b>-</b>	<b>227,825</b>	<b>(48,094)</b>	

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

	2012	2011
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	66,413	65,986
Pension contributions made on behalf on Officers with emoluments greater than £60,000	6,343	10,091
Emoluments payable to Chief Executive (excluding pension contributions)	66,413	65,986

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	1	1

#### 6. EMPLOYEE INFORMATION

The average monthly number of full time equivalent persons employed during the year was

	2012	2011
No.	23	22

The average total number of Employees employed during the year was

24	23
----	----

Staff Costs were:

Wages and Salaries  
 Social Security Costs  
 Other Pension Costs  
 Temporary, Agency and Seconded Staff

668,131	663,134
55,047	53,184
113,593	83,473
-	2,186
<u>836,771</u>	<u>801,977</u>

**KNOWES HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**7. GAIN ON SALE OF HOUSING STOCK**

	2012	2011
Sales Proceeds	£ 12,779	£ 14,893
Cost of Sales	2,779	2,834
Gain On Sale Of Housing Stock	<u>10,000</u>	<u>12,059</u>

**8. INTEREST PAYABLE**

	2012	2011
On Bank Loans & Overdrafts	£ 69,177	£ 74,421

**9. SURPLUS FOR THE YEAR**

	2012	2011
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	£ 456,281	£ 431,898
Auditors' Remuneration - Audit Services	8,000	6,500
Operating Lease Rentals - Other	3,600	4,496
Gain on sale of fixed assets	<u>(1,310)</u>	<u>-</u>

**10. TAX ON SURPLUS ON ORDINARY ACTIVITIES**

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Total £
<b>COST</b>		
As at 1st April 2011 - restated	19,850,845	19,850,845
Additions	1,253,609	1,253,609
Disposals	(3,657)	(3,657)
As at 31st March 2012	21,100,797	21,100,797
<b>DEPRECIATION</b>		
As at 1st April 2011 - restated	2,570,667	2,570,667
Charge for Year	423,252	423,252
Disposals	(878)	(878)
As at 31st March 2012	2,993,041	2,993,041
<b>SOCIAL HOUSING GRANT</b>		
As at 1st April 2011 - restated	5,610,312	5,610,312
As at 31st March 2012	5,610,312	5,610,312
<b>OTHER CAPITAL GRANTS</b>		
As at 1st April 2011 - restated	1,034,114	1,034,114
Additions	122,818	122,818
As at 31st March 2012	1,156,932	1,156,932
<b>NET BOOK VALUE</b>		
As at 31st March 2012	11,340,512	11,340,512
As at 31st March 2011	10,635,752	10,635,752

Additions to housing properties includes capitalised development administration costs of £nil (2011 - £nil) and capitalised major repair costs to existing properties of £667,382 (2011 £475,155)

All land and housing properties are freehold.

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Computer Equipment		Motor Vehicles		Office Premises & Equipment		Furniture		Total
	£	£	£	£	£	£	£		
<b>COST</b>									
As at 1st April 2011 - restated	89,939		20,400		646,311		95,738		852,388
Additions	34,184		11,237		-		353		45,774
Eliminated on Disposals	-		(13,090)		-		(358)		(13,448)
As at 31st March 2012	124,123		18,547		646,311		95,733		884,714
<b>GRANTS RECEIVED</b>									
As at 1st April 2011 - restated	9,100		20,400		-		30,620		60,120
Received in year	3,845		10,000		-		-		13,845
Repaid on Disposal	-		(13,090)		-		-		(13,090)
As at 31st March 2012	12,945		17,310		-		30,620		60,875
<b>AGGREGATE DEPRECIATION</b>									
As at 1st April 2011 - restated	70,085		-		242,228		61,831		374,144
Charge for year	9,865		204		21,544		1,416		33,029
Eliminated on disposal	-		-		-		(358)		(358)
As at 31st March 2012	79,950		204		263,772		62,889		406,815
<b>NET BOOK VALUE</b>									
As at 31st March 2012	31,228		1,033		382,539		2,224		417,024
As at 31st March 2011	10,754		-		404,083		3,287		418,124

#### 12. CAPITAL COMMITMENTS

Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements

	2012	2011
	£	£
	318,408	-

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

#### 13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-

	2012	2011
Other	£	£
Expiring between two and five years	4,276	4,496

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 14. DEBTORS

	2012	2011
Arrears of Rent & Service Charges	£ 50,597	£ 52,765
Less: Provision for Doubtful Debts	(6,243)	(31,993)
	<u>44,354</u>	<u>20,772</u>
Other Debtors	141,568	82,666
	<u>185,922</u>	<u>103,438</u>

## 15. CREDITORS: Amounts falling due within one year

	2012	2011
Housing Loans	£ 577,725	£ 573,410
Trade Creditors	64,894	66,557
Rent in Advance	104,546	120,715
Social Housing Grant in Advance	76,159	76,159
Other Taxation and Social Security	19,421	18,545
Other Creditors	41,551	61,080
Accruals and Deferred Income	21,000	95,905
	<u>905,296</u>	<u>1,012,371</u>

At the balance sheet date there were pension contributions outstanding of £133798 (2011 £10193)

## 16. CREDITORS: Amounts falling due after more than one year

	2012	2011
Housing Loans	£ 6,585,929	£ 7,174,622
	<u>6,585,929</u>	<u>7,174,622</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:		
Within one year	577,725	573,410
Between one and two years	582,925	578,570
Between two and five years	1,780,442	1,767,141
In five years or more	4,222,562	4,828,911
	<u>7,163,654</u>	<u>7,748,032</u>
Less: Amount shown in Current Liabilities	577,725	573,410
	<u>6,585,929</u>	<u>7,174,622</u>

**KNOWES HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**17. CASH FLOW STATEMENT**

		2012	2011
		£	£
<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>			
Operating Surplus		995,990	936,859
Depreciation		456,281	431,898
Change in Debtors		(81,211)	783
Change in Creditors		(39,449)	57,555
Gain on sale of fixed assets		(1,310)	-
Share Capital Written Off		(23)	(15)
Net Cash Inflow from Operating Activities		<u>1,330,278</u>	<u>1,427,080</u>
<i>Reconciliation of net cash flow to movement in net debt</i>			
	2012	2011	
	£	£	£
(Decrease) / Increase in Cash	(1,519,984)	305,803	
Cash flow from management of liquid resources	1,000,000	-	
Cash flow from change in debt	<u>584,378</u>	<u>582,250</u>	
Movement in net debt during Year		64,394	888,053
Net debt at 1st April 2011		(4,941,772)	(5,829,825)
Net debt at 31st March 2012		<u>(4,877,378)</u>	<u>(4,941,772)</u>
<i>Analysis of changes in net debt</i>			
	At 01.04.11	Cash Flows	Other Changes
	£	£	£
Cash at bank and in hand	2,806,260	(1,519,984)	1,286,276
Liquid Resources	2,806,260	(1,519,984)	1,286,276
Debt: Due within one year	-	(1,000,000)	1,000,000
Due after more than one year	(573,410)	584,378	(577,725)
	<u>(7,174,622)</u>	-	<u>(6,585,929)</u>
Net Debt	(4,941,772)	(1,935,606)	(4,877,378)



# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2011	126
Issued in year	2
Cancelled in year	(23)
At 31st March 2012	<u>105</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.

#### 19. RESERVES

Revenue Reserves	Total £
At 1st April 2011 (as restated)	5,776,455
Surplus for the year	961,949
At 31st March 2012	<u>6,738,404</u>

#### 20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-

	2012 No.	2011 No.
General Needs - New Build	119	119
- Rehabilitation	900	892
Supported Housing	1	1
	<u>1,020</u>	<u>1,012</u>

# KNOWES HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 21. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Committee is summarised as follows:

- 8 members are tenants of the Association
- 3 members are factored owners
- 1 member is a relevant local councillor

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

#### 22. CURRENT ASSET INVESTMENTS

	2012	2011
Short Term Deposits	£ 1,000,000	£ -

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 23 PRIOR YEAR ADJUSTMENT

During the year, the Association changed its accounting policy in relation to housing properties and depreciation, as detailed in Note 1 of the Financial Statements, in order to incorporate component accounting. Major repairs which relate to identified components are capitalised, with major components being depreciated over the estimated useful economic lives of each identified component.

As a result of the change in accounting policy, a prior year adjustment has been required under Financial Reporting Standard 3 - Reporting Financial Performance and Financial Reporting Standard 18 - Accounting Policies, as follows:

£

Increase / (Decrease) in Net Book Value of Housing Properties	3,232,615
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The effect of adopting component accounting has been to increase reserves as at 1 April 2010 by £2980462.

The figures in the 2011 Financial Statements have been adjusted as follows:

	Reported in 2011 Accounts	Restated 2011 figures
Housing Property	7,403,137	10,635,752
Revenue Reserves	<u>2,543,840</u>	<u>5,776,455</u>
Housing Depreciation Charge	197,171	389,330
Major Repairs Charge	<u>822,360</u>	<u>378,048</u>

The reported surplus in 2011 has been restated by £252,153 and now stands at £901,885.

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS

##### General

Knowes Housing Association Limited participates in the Scottish Housing Association 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.

The Scheme offers five benefit structures to employers, 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
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in

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.

Knowes Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2011 and the career average revalued earnings with a 1/80th accrual rate benefit structure for new entrants from 1st April 2011.

The Trustee commissions an actuarial valuation of the Scheme every three 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 values. 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 Knowes Housing Association Limited paid contributions at the rate of 9.6% to of pensionable salaries. Member contributions were 9.6%.

In addition to this the Association have since 1 April 2011 paid a contribution to the past service deficit which is currently set at an annual payment of £61,608.

As at the balance sheet date there were 16 active members of the Scheme employed by Knowes Housing Association Limited. The annual pensionable payroll in respect of these members was £540,217. Knowes Housing Association Limited continues to offer membership of the Scheme to its employees.

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

The last formal valuation of the Scheme was performed as at 30th September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (equivalent to a past service funding level of 64.8%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

#### Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2009 were as follows:

	% p.a.
- Investment return pre-retirement	7.4
- Investment return post-retirement - non pensioners	4.6
- Investment return post-retirement - pensioners	4.8
- Rate of Salary increases	4.5
- Rate of pension increases:	
pension accrued pre 6 April 2005 in excess of GMP	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

##### Valuation Results

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

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable</i>
Final salary - 60ths	19.2
Career average 60ths	17.1
Career average 70ths	14.9
Career average 80ths	13.2
Career average 120ths	9.4

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 £160m would be dealt with by the payment of additional contributions of 10.4% of pensionable salaries per annum with effect from 1st April 2011, increasing each 1 April in line with the rate of salary increases assumption.

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.