

Knowes Housing Association Limited
Report and Financial Statements

For the year ended 31st March 2013

Registered Housing Association No. HEP300

FCA Reference No. 2518R(S)

Scottish Charity No. SC027466

KNOWES HOUSING ASSOCIATION LIMITED

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KNOWES HOUSING ASSOCIATION LIMITED

**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2013**

MANAGEMENT COMMITTEE

Rhona Polak	Elected Chairperson March 2013
Ann Feeney	Resigned March 2013
William Stevenson	Elected secretary March 2013
Sheila Cope	Treasurer
Anne McGowan	
John Lafferty	
Lockhart Cameron	
Pat Giffin	Resigned May 2013
Ugonna Onyekwere	
Raymond Clarke	
Frank Newey	
Janet Downey	Removed under rule 44 - March 2013
Councillor Lawrence O'Neill	Removed under rule 44 - March 2013
John Redpath	Elected September 2012
Zhan McIntyre	

EXECUTIVE OFFICERS

Pierre De Fence	Director
Erica Davidson	Head of Finance
Barbara Cunningham	Technical Services Manager
Robert Murray	Housing Manager

REGISTERED OFFICE

10 Field Road
Fafley
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 2013

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2013.

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, and a registered Property Factor (PF000201)

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 two new members of staff, this being a Housing Manager as a result of the Depute Director leaving, and a Housing Officer as a result of an internal appointment to the Housing Manager role.

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 2013, we spent £572,296 on day to day repairs.

The year 2012/13 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 obtained grant funding of £315,000 which allowed us to install external wall insulation to properties at Auchnacraig Road, Waulkingmill Road and Fairley Road; these properties also benefited from the installation of solar PV panels. 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 £906,899 with £465,889 being capitalised.

The Association had 83 properties to re-allocate last year which is 7 less than the previous year but 14 more than the year before and more akin to our standard turnover levels. Our performance in this area was again very competitive against our peers with our days taken to let being on average 9 calendar days and void loss remained exceptionally low at 0.2%. The Association's stock continues to be popular with 262 new applications for housing being received in the last year – and a total of 456 applicants on our waiting lists.

Rent Arrears at the end of March 2013 again remained low - 1.4% of the annual debit (with only 0.4% being the non-technical, or actual, arrears figure). This again is a very impressive arrears figure which compares well against our peers. This financial year we had 2 evictions however there were 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.

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2013**

Review of Business and Future Developments (Contd.)

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 dipped slightly after losing our status of being a Public Reassurance Area however this is now improving 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 and only 1 eviction due to anti social behaviour in the last year which is an indication of an improving picture in our community against previous years.

Wider Action

Knowes Housing Association in partnership with Fairley, Clydebank and Dalmuir 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 Fairley 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 from West Dunbartonshire Community Planning Partnership to provide training courses and REHIS qualifications to twelve adults with learning difficulties from the Thomas Fortune Centre in Drumchapel and to provide cookery classes and food hygiene qualifications to 15 members of West Dunbartonshire Gypsy Travellers Community.

The Association, in partnership with Community Links Scotland successfully made an application for grant funding of £249,263 to the Big Lottery fund, and for £62,972 from the People for Communities fund to regenerate an area at Watchmeal Crescent. The project will provide training and employability initiatives aimed at local young people.

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 £1,048,897 (2012 – Surplus £961,949).

The Association met its financial loan covenant ratios with regard to interest cover (2013 – 1,769%; 2012 – 1,123%) and average gross debt per property (2013 - £5,713; 2012 - £6,376). Net assets now stand at £7,787,400 (2012 - £6,738,509).

KNOWES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2013

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 2010 and the Determination of Accounting Requirements 2012. 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 2013

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 or 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 £1,175 (2012 £745).

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

WILLIAM STEVENSON

Secretary
06 August 2013



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
06 August 2013

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

We have audited the financial statements of Knowes Housing Association Limited for the year ended 31st March 2013 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 work, for this report, or for the opinions we have formed.

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 2013 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 2010 and the Determination of Accounting Requirements 2012.

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**

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
06 August 2013

KNOWES HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2013

	Notes	£	2013 £	£	2012 £
TURNOVER	2.		4,169,268		3,654,947
Operating Costs	2.		<u>(3,109,331)</u>		<u>(2,658,957)</u>
OPERATING SURPLUS	9.		1,059,937		995,990
Gain On Sale Of Housing Stock	7.		6,073		10,000
Interest Receivable and Other Income			45,513		25,136
Interest Payable and Similar Charges	8.		<u>(62,626)</u>		<u>(69,177)</u>
			<u>(11,040)</u>		<u>(34,041)</u>
SURPLUS FOR THE YEAR			<u>1,048,897</u>		<u>961,949</u>

All amounts relate to continuing activities. Historical cost surpluses and deficits are identical to those shown in the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2013 £	2012 £
Surplus for the financial year	1,048,897	961,949
Prior year adjustment	<u>-</u>	<u>3,232,615</u>
Total gains recognised since last annual report	<u>1,048,897</u>	<u>4,194,564</u>

KNOWES HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2013

	Notes	£	2013 £	£	2012 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		18,492,961		18,107,756
Less: Social Housing Grant	11.(a)		(5,686,471)		(5,610,312)
: Other Public Grants	11.(a)		(1,186,998)		(1,156,932)
Other fixed assets	11.(b)		11,619,492		11,340,512
			408,240		417,024
			<u>12,027,732</u>		<u>11,757,536</u>
CURRENT ASSETS					
Debtors	14.	235,774		185,922	
Investments	22.	750,000		1,000,000	
Cash at bank and in hand		1,596,046		1,286,276	
			<u>2,581,820</u>	<u>2,472,198</u>	
CREDITORS: Amounts falling due within one year	15.	(869,216)		(905,296)	
			<u>1,712,604</u>		<u>1,566,902</u>
NET CURRENT ASSETS			<u>13,740,336</u>		<u>13,324,438</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
CREDITORS: Amounts falling due after more than one year	16.	(5,952,936)		(6,585,929)	
			<u>7,787,400</u>		<u>6,738,509</u>
NET ASSETS					
CAPITAL AND RESERVES					
Share Capital	18.	99		99	105
Revenue Reserves	19.	7,787,301		6,738,404	
			<u>7,787,400</u>		<u>6,738,509</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 06 August 2013.

Chairperson



Vice-Chairperson



Secretary



KNOWES HOUSING ASSOCIATION LIMITED

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2013**

	Notes	2013	2012
		£	£
Net Cash Inflow from Operating Activities	17.	1,566,561	1,330,278
Returns on Investment and Servicing of Finance			
Interest Received		45,513	25,136
Interest Paid		(62,626)	(69,177)
Net Cash Outflow from Investment and Servicing of Finance		(17,113)	(44,041)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(865,728)	(1,278,592)
Purchase of Other Fixed Assets		(26,621)	(45,774)
Social Housing Grant Received		-	-
Social Housing Grant Repaid		-	-
Other Grants Received		19,839	88,432
Proceeds on Disposal of Properties		15,915	12,779
Proceeds on Disposal of Other Fixed Assets		-	1,310
Net Cash Outflow from Capital Expenditure and Financial Investment		(856,595)	(1,221,845)
Net Cash Inflow before use of Liquid Resources and Financing		692,853	64,392
Management of Liquid Resources			
Change in short term deposits with banks		250,000	(1,000,000)
Financing			
Loan Principal Repayments		(633,089)	(584,378)
Share Capital Issued		6	2
Net Cash Outflow from Financing		(633,083)	(584,376)
Increase / (decrease) in Cash	17.	309,770	(1,519,984)

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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 Determination of Accounting Requirements 2012. 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 receivable.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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	3.3%
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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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 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 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2013		2012	
		Turnover £	Operating Costs £	Turnover £	Operating Costs £
Social Lettings	3.	3,659,965	2,512,362	3,496,065	2,435,661
Other Activities	4.	509,303	596,969	158,882	223,296
					1,060,404
					(64,414)
Total		4,169,268	3,109,331	3,654,947	2,658,957
					995,990

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General		Supported		2013		2012	
	Needs Housing £	Operating Surplus / (Deficit) £	Housing £	Operating Costs £	Total £	Total £	Total £	Total £
Income from Lettings								
Rent Receivable Net of Identifiable Service Charges		3,483,973	97,186	3,581,159	3,377,014			
Service Charges Receivable		56,212	-	56,212	66,635			
Gross Rents Receivable		3,540,185	97,186	3,637,371	3,443,649			
Less: Rent losses from voids		6,685	-	6,685	3,949			
Net Rents Receivable		3,533,500	97,186	3,630,686	3,439,700			
Revenue Grants from Scottish Ministers		29,279	-	29,279	56,365			
Total Income From Social Letting		3,562,779	97,186	3,659,965	3,496,065			
Expenditure on Social Letting Activities								
Service Costs		53,709	-	53,709	50,862			
Management and maintenance administration costs		968,651	8,867	977,518	941,080			
Reactive Maintenance		570,767	1,529	572,296	636,545			
Bad Debts - Rents and Service Charges		5,557	-	5,557	11,426			
Planned and Cyclical Maintenance, Including Major Repairs		429,804	11,206	441,010	372,496			
Depreciation of Social Housing		421,256	41,016	462,272	423,252			
Operating Costs of Social Letting		2,449,744	62,618	2,512,362	2,435,661			
Operating Surplus on Social Letting Activities		1,113,035	34,568	1,147,603	1,060,404			
2012		1,020,935	39,469					

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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 £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Operating Surplus / (Deficit) 2013 £	Operating Surplus / (Deficit) 2012 £
Wider Role Activities	-	34,428	116,224	150,652	-	219,376	(68,724)	(61,090)
Factoring	-	-	26,987	26,987	272	45,657	(18,942)	(3,324)
Other Income	-	-	16,664	16,664	-	16,664	-	-
Other Activities: Energy efficiency measures	-	315,000	-	315,000	-	315,000	-	-
Total From Other Activities	-	349,428	159,875	509,303	272	596,697	(87,666)	(64,414)
2012	6,618	9,550	142,714	158,882	-	223,296	(64,414)	

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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.

2013	2012
£	£

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)

<u>68,157</u>	<u>66,413</u>
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Pension contributions made on behalf on Officers with emoluments greater than £60,000

<u>6,502</u>	<u>6,343</u>
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Emoluments payable to Chief Executive (excluding pension contributions)

<u>68,157</u>	<u>66,413</u>
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The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

£60,001 to £70,000

Number	Number
1	1

6. EMPLOYEE INFORMATION

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

No.	No.
<u>21</u>	<u>23</u>

The average total number of Employees employed during the year was

<u>24</u>	<u>24</u>
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Staff Costs were:

£	£
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Wages and Salaries

680,391	668,131
---------	---------

Social Security Costs

56,779	55,047
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Other Pension Costs

116,786	113,593
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Temporary, Agency and Seconded Staff

5,570	-
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<u>859,526</u>	<u>836,771</u>
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KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2013	2012
Sales Proceeds	£ 15,915	£ 12,779
Cost of Sales	9,842	2,779
Gain On Sale Of Housing Stock	<u>6,073</u>	<u>10,000</u>

8. INTEREST PAYABLE

On Bank Loans & Overdrafts	2013	2012
	£ 62,626	£ 69,177

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

Surplus on Ordinary Activities before Taxation is stated after charging:-	2013	2012
Depreciation - Tangible Owned Fixed Assets	£ 497,677	£ 456,281
Auditors' Remuneration - Audit Services	7,500	8,000
Operating Lease Rentals - Other	5,376	3,600
Gain on sale of fixed assets	-	(1,310)

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 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting		Total
	£		
COST			
As at 1st April 2012	21,100,797	21,100,797	
Additions	857,319	857,319	
Disposals	(12,390)	(12,390)	
As at 31st March 2013	21,945,726	21,945,726	
DEPRECIATION			
As at 1st April 2012	2,993,041	2,993,041	
Charge for Year	462,272	462,272	
Disposals	(2,548)	(2,548)	
As at 31st March 2013	3,452,765	3,452,765	
SOCIAL HOUSING GRANT			
As at 1st April 2012	5,610,312	5,610,312	
Additions	76,159	76,159	
As at 31st March 2013	5,686,471	5,686,471	
OTHER CAPITAL GRANTS			
As at 1st April 2012	1,156,932	1,156,932	
Additions	30,066	30,066	
As at 31st March 2013	1,186,998	1,186,998	
NET BOOK VALUE			
As at 31st March 2013	11,619,492	11,619,492	
As at 31st March 2012	11,340,512	11,340,512	

Additions to housing properties includes capitalised development administration costs of £nil (2012 - £nil) and capitalised major repair costs to existing properties of £465,889 (2012 £667,382)

All land and housing properties are freehold.

KNOWES-HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Motor Vehicles	Computer Equipment	Office Premises & Furniture	Total
	£	£	£	£
COST				
As at 1st April 2012	18,547	124,123	646,311	95,733
Additions	-	25,635	-	986
Eliminated on Disposals	-	(36,400)	-	-
As at 31st March 2013	18,547	113,358	646,311	96,719
GRANTS RECEIVED				
As at 1st April 2012	17,310	12,945	-	30,620
As at 31st March 2013	17,310	12,945	-	30,620
AGGREGATE DEPRECIATION				
As at 1st April 2012	204	79,950	263,772	62,889
Charge for year	247	12,132	21,544	1,482
Eliminated on disposal	-	(36,400)	-	-
As at 31st March 2013	451	55,682	285,316	64,371
NET BOOK VALUE				
As at 31st March 2013	786	44,731	360,995	1,728
As at 31st March 2012	1,033	31,228	382,539	2,224

12. CAPITAL COMMITMENTS

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

2013	2012
£	£
475,000	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:-

2013	2012
£	£
3,600	-
7,102	4,276

Other
 Expiring within one year
 Expiring between two and five years

3,600	-
7,102	4,276

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2013	2012
Arrears of Rent & Service Charges	£ 74,521	£ 50,597
Less: Provision for Doubtful Debts	(6,243)	(6,243)
Other Debtors	68,278	44,354
	167,496	141,568
	<u>235,774</u>	<u>185,922</u>

15. CREDITORS: Amounts falling due within one year

	2013	2012
Housing Loans	£ 577,629	£ 577,725
Trade Creditors	65,501	64,894
Rent in Advance	99,307	104,546
Social Housing Grant in Advance	-	76,159
Other Taxation and Social Security	17,173	19,421
Other Creditors	33,201	41,551
Accruals and Deferred Income	76,405	21,000
	<u>869,216</u>	<u>905,296</u>

At the balance sheet date there were pension contributions outstanding of £13,378 (2012 £13,798)

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

	2013	2012
Housing Loans	£ 5,952,936	£ 6,585,929

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:-

	2013	2012
Within one year	577,629	577,725
Between one and two years	581,712	582,925
Between two and five years	1,776,707	1,780,442
In five years or more	3,594,517	4,222,562

Less: Amount shown in Current Liabilities

	6,530,565	7,163,654
	577,629	577,725
	<u>5,952,936</u>	<u>6,585,929</u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

		2013		2012	
		£	£	£	£
<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>					
Operating Surplus		1,059,937	995,990		
Depreciation		497,677	456,281		
Change in Debtors		(39,625)	(81,211)		
Change in Creditors		48,584	(39,449)		
Gain on sale of fixed assets		-	(1,310)		
Share Capital Written Off		(12)	(23)		
Net Cash Inflow from Operating Activities		<u>1,566,561</u>	<u>1,330,278</u>		
<i>Reconciliation of net cash flow to movement in net debt</i>					
	2013	2012			
	£	£		£	
Increase / (decrease) in Cash	309,770	(1,519,984)		64,394	
Cash flow from management of liquid resources	(250,000)	1,000,000		(4,941,772)	
Cash flow from change in debt	<u>633,089</u>	<u>584,378</u>		<u>(4,877,378)</u>	
Movement in net debt during Year		692,859		64,394	
Net debt at 1st April 2012		(4,877,378)		(4,941,772)	
Net debt at 31st March 2013		<u>(4,184,519)</u>		<u>(4,877,378)</u>	
<i>Analysis of changes in net debt</i>					
	At 01.04.12	Cash Flows	Other Changes	At 31.03.13	
	£	£	£	£	
Cash at bank and in hand	1,286,276	309,770		1,596,046	
Bank Overdrafts	-	-		-	
Liquid Resources	1,286,276	309,770		1,596,046	
	1,000,000	250,000		750,000	
Debt: Due within one year	(577,725)	633,089	(632,993)	(577,629)	
Due after more than one year	(6,585,929)	-	632,993	(5,952,936)	
Net Debt	<u>(4,877,378)</u>	<u>1,192,859</u>	-	<u>(4,184,519)</u>	

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2012	105
Issued in year	6
Cancelled in year	(12)
At 31st March 2013	<u>99</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 2012	6,738,404
Surplus for the year	1,048,897
At 31st March 2013	<u>7,787,301</u>

20. HOUSING STOCK

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

	2013 No.	2012 No.
General Needs - New Build	119	119
- Rehabilitation	906	900
Supported Housing	1	1
	<u>1,026</u>	<u>1,020</u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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:

- 6 members are tenants of the Association
- 2 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

	2013	2012
Short Term Deposits	£ 750,000	£ 1,000,000
	<u>750,000</u>	<u>1,000,000</u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. 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 2012 and the CARE with a 1/80th accrual rate benefit structure for new entrants from 1st April 2012.

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% of pensionable salaries. Member contributions were 9.6%.

Housing Association Limited. The annual pensionable payroll in respect of these members was £549,043. Knowes Housing Association Limited continues to offer membership of the Scheme to its employees.

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.

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of inflation:	
RPI	2.6
CPI	2.0

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 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. 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	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

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.

The trustees have recently supplied Knowes Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014 Knowes Housing Association Limited will be required to pay £144,869.67 per annum as a contribution to the past service deficit. This will represent an increase of 115% in Knowes Housing Association Limited's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

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