

Knowes Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2014

Registered Housing Association No. HEP300

FCA Reference No. 2518R(S)

Scottish Charity No. SC027466

KNOWES HOUSING ASSOCIATION LIMITED

CONTENTS

	Page
MEMBERS OF THE MANAGEMENT COMMITTEE EXECUTIVES AND ADVISERS	1
REPORT OF THE MANAGEMENT COMMITTEE	2
REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS	6
REPORT OF THE AUDITORS	7
INCOME AND EXPENDITURE ACCOUNT	9
BALANCE SHEET	10
CASH FLOW STATEMENT	11
NOTES TO THE FINANCIAL STATEMENTS	12

KNOWES HOUSING ASSOCIATION LIMITED

**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2014**

MANAGEMENT COMMITTEE

John Lafferty	Chairperson
Rhona Polak	Vice Chairperson
Sheila Cope	Treasurer
William Stevenson	Secretary
Anne McGowan	
Lockhart Cameron	
Ugonna Onyekwere	
Raymond Clarke	
Frank Newey	
Councillor Lawrence O'Neill	
Zhan McIntyre	
Sharon Cassidy	
Ronnie McIntosh	
Claire Gallagher	Appointed August 2013, resigned December 2013
Pat Giffin	Resigned May 2013

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
Faifley
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

TIAA Limited
53 - 55 Gosport Business Centre
Aerodrome Road
Gosport
PO13 0FQ

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2014

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2014.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 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, both being training positions funded through West Dunbartonshire Council's employability project. Both posts are for 6 months duration. The Association also took the decision to cease operations from our Cafe and the three members of staff who worked in the Cafe were made redundant.

The Association continues to focus on improving services to our customers and during the year we were accredited with the Investors in People Gold standard, and also awarded the Customer Service Excellence compliance plus award. The year ending March 2014 was the first full year of operating toward the Scottish Social Housing Charter, and later this year we will be publishing our performance in relation to achieving the Charter.

The year 2013/14 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, We obtained grant funding which allowed us to accelerate our gas central heating upgrading programme. We also focussed on window replacement as our customers in our last survey recorded this as a priority. 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 £1,304,691 with £930,374 being capitalised.

The Association submitted plans to West Dunbartonshire Council to build 90 properties in partnership with Clydebank Housing Association on a previous school site in Clydebank. It appears that our bid was unsuccessful, however we will continue to pursue opportunities to build new social rented housing where possible.

Looking forward, the Government published the new energy standard for social housing which is required to be achieved by 2020, and we will be assessing all of our housing stock against this standard over the course of the current year.

The Association had 110 properties to re-allocate last year which is 27 more than the previous year and 20 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 6.2 calendar days and void loss remained exceptionally low at 0.2%. The Associations stock continues to be popular with 256 new applications for housing being received in the last year – and a total of 445 applicants on our waiting lists.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2014

Review of Business and Future Developments (Contd)

Rent Arrears at the end of March 2014 again remained low - 1.5% of the annual debit (with only 0.3% 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 however our former tenant arrears increased slightly and stood at 0.3% 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. We continue to share information with these agencies which has resulted in anti social behaviour reducing to the lowest levels in years. 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 against previous years.

Wider Action

Knowes Housing Association in partnership with Faifley, 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 Faifley 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.

Further to being allocated Big Lottery funding and Scottish Government People and Communities funding we have progressed the Watchmeal Crescent employability project which will be complete in summer 2014. This project will see the training of local people and the refurbishment of an area of land with artworks and informal play equipment installed.

Knowes in partnership with the other locally based Housing Associations in West Dunbartonshire, with the help of Community Links Scotland, successfully submitted a bid to the Lottery Support and Connect fund to carry out a project to alleviate the impact of Welfare Reform on the people living in West Dunbartonshire. This project will build on the work we already do with the Clydebank Independent Resource Centre and will involve three Credit Unions and Citizens Advice.

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 £1,126,370 (2013 – Surplus £1,048,897).

The Association met its financial loan covenant ratios with regard to interest cover (2014 – 1262%; 2013 – 1769%) and average gross debt per property (2014 - £5,135; 2013 - £5,713). Net assets now stand at £8,913,763 (2013 - £7,787,400).

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2014

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 Co-operative and Community Benefit Societies Act 2014 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 Co-operative and Community Benefit Societies Act 2014, 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.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2014

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

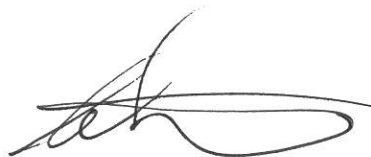
During the year the Association made charitable donations amounting to £675 (2013 £1,175).

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
05 August 2014



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 5 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
05 August 2014

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 2014 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 87 of the Co-operative and Community Benefit Societies Act 2014. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. 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 2014 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 Co-operative and Community Benefit Societies Act 2014, 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.

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

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

- 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.
- 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
05 August 2014

KNOWES HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014

	Notes	2014 £	2013 £
TURNOVER	2.	4,106,380	4,169,268
Operating Costs	2.	<u>(2,979,167)</u>	<u>(3,109,331)</u>
OPERATING SURPLUS	9.	1,127,213	1,059,937
Gain On Sale Of Housing Stock	7.	26,756	6,073
Interest Receivable and Other Income		31,106	45,513
Interest Payable and Similar Charges	8.	<u>(58,705)</u>	<u>(62,626)</u>
		(843)	(11,040)
SURPLUS FOR THE YEAR		<u>1,126,370</u>	<u>1,048,897</u>

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

KNOWES HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2014

	Notes	£	2014 £	£	2013 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		18,899,679		18,492,961
Less: Social Housing Grant	11.(a)		(5,589,875)		(5,686,471)
: Other Public Grants	11.(a)		(1,210,998)		(1,186,998)
			<u>12,098,806</u>		<u>11,619,492</u>
Other fixed assets	11.(b)		378,389		408,240
			<u>12,477,195</u>		<u>12,027,732</u>
CURRENT ASSETS					
Debtors	14.	156,821		235,774	
Investments	22.	800,000		750,000	
Cash at bank and in hand		1,881,392		1,596,046	
			<u>2,838,213</u>	<u>2,581,820</u>	
CREDITORS: Amounts falling due within one year	15.	(1,042,482)		(869,216)	
NET CURRENT ASSETS			<u>1,795,731</u>		<u>1,712,604</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>14,272,926</u>		<u>13,740,336</u>
CREDITORS: Amounts falling due after more than one year	16.	(5,359,163)		(5,952,936)	
NET ASSETS			<u>8,913,763</u>		<u>7,787,400</u>
CAPITAL AND RESERVES					
Share Capital	18.		92		99
Revenue Reserves	19.		8,913,671		7,787,301
			<u>8,913,763</u>		<u>7,787,400</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 05 August 2014.

Chairperson



Vice-Chairperson

Sheila M. Cope

Secretary



KNOWES HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED

31st MARCH 2014

	Notes	2014	2013
		£	£
Net Cash Inflow from Operating Activities	17.	1,927,536	1,566,561
Returns on Investment and Servicing of Finance			
Interest Received	31,106	45,513	
Interest Paid	(58,705)	(62,626)	
Net Cash Outflow from Investment and Servicing of Finance		(27,599)	(17,113)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties	(1,083,637)	(865,728)	
Purchase of Other Fixed Assets	(5,369)	(26,621)	
Other Grants Received	(13,599)	19,839	
Proceeds on Disposal of Properties	121,111	15,915	
Proceeds on Disposal of Other Fixed Assets	7,892	-	
Net Cash Outflow from Capital Expenditure and Financial Investment		(973,602)	(856,595)
Net Cash Inflow before use of Liquid Resources and Financing		926,335	692,853
Management of Liquid Resources			
Change in short term deposits with banks		(50,000)	250,000
Financing			
Loan Principal Repayments	(590,993)	(633,089)	
Share Capital Issued	4	6	
Net Cash Outflow from Financing		(590,989)	(633,083)
Increase in Cash	17.	285,346	309,770

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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 Benefit 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 2014

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%
Motor vehicles	20%
Computer Equipment	20%
Office Equipment	25%

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 2014

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.

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2014			2013		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	3,793,789	2,601,028	1,192,761	3,659,965	2,512,362	1,147,603
Other Activities	4.	312,591	378,139	(65,548)	509,303	596,969	(87,666)
Total		4,106,380	2,979,167	1,127,213	4,169,268	3,109,331	1,059,937

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	2014 Total £	2013 Total £
Income from Lettings				
Rent Receivable Net of Identifiable Service Charges	3,603,090	100,127	3,703,217	3,581,159
Service Charges Receivable	70,453	-	70,453	56,212
Gross Rents Receivable	3,673,543	100,127	3,773,670	3,637,371
Less: Rent losses from voids	6,709	-	6,709	6,685
Net Rents Receivable	3,666,834	100,127	3,766,961	3,630,686
Revenue Grants from Scottish Ministers	26,828	-	26,828	29,279
Total Income From Social Letting	3,693,662	100,127	3,793,789	3,659,965
Expenditure on Social Letting Activities				
Service Costs	62,244	-	62,244	53,709
Management and maintenance administration costs	998,127	11,894	1,010,021	977,518
Reactive Maintenance	642,045	10,677	652,722	572,296
Bad Debts - Rents and Service Charges	15,756	-	15,756	5,557
Planned and Cyclical Maintenance, including Major Repairs	371,370	2,947	374,317	441,010
Depreciation of Social Housing	445,961	40,007	485,968	462,272
Operating Costs of Social Letting	2,535,503	65,525	2,601,028	2,512,362
Operating Surplus on Social Letting Activities	1,158,159	34,602	1,192,761	1,147,603
2013	1,113,035	34,568		

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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) 2014	Operating Surplus / (Deficit) 2013
	£	£	£	£	£	£	£	£
Wider Role Activities	74,082	120,043	74,252	268,377	-	325,970	(57,593)	(68,724)
Factoring	-	-	25,037	25,037	74	32,918	(7,955)	(18,942)
Other Activities	-	-	19,177	19,177	-	19,177	-	-
Total From Other Activities	74,082	120,043	118,466	312,591	74	378,065	(65,548)	(87,666)
2013	-	349,428	159,875	509,303	272	596,697	(87,666)	

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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.

	2014	2013
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>131,757</u>	<u>68,157</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>12,584</u>	<u>6,502</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>70,210</u>	<u>68,157</u>

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
£70,001 to £80,000	1	-

6. EMPLOYEE INFORMATION

	2014	2013
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>20</u>	<u>21</u>
The average total number of Employees employed during the year was	<u>27</u>	<u>24</u>
Staff Costs were:	£	£
Wages and Salaries	670,039	680,391
Social Security Costs	52,632	56,779
Other Pension Costs	120,404	116,786
Temporary, Agency and Seconded Staff	2,984	5,570
	<u>846,059</u>	<u>859,526</u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2014	2013
	£	£
Sales Proceeds	121,111	15,915
Cost of Sales	94,355	9,842
Gain On Sale Of Housing Stock	<u>26,756</u>	<u>6,073</u>

8. INTEREST PAYABLE

	2014	2013
	£	£
On Bank Loans & Overdrafts	<u>58,705</u>	<u>62,626</u>

9. SURPLUS FOR THE YEAR

	2014	2013
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	520,649	497,677
Auditors' Remuneration - Audit Services	7,600	7,500
Operating Lease Rentals - Other	6,342	5,376
Gain on sale of fixed assets	<u>(7,353)</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 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Total £
COST		
As at 1st April 2013	21,945,726	21,945,726
Additions	1,083,637	1,083,637
Disposals	(226,751)	(226,751)
Schemes Completed	-	-
As at 31st March 2014	<u>22,802,612</u>	<u>22,802,612</u>
DEPRECIATION		
As at 1st April 2013	3,452,765	3,452,765
Charge for Year	485,968	485,968
Disposals	(35,800)	(35,800)
As at 31st March 2014	<u>3,902,933</u>	<u>3,902,933</u>
SOCIAL HOUSING GRANT		
As at 1st April 2013	5,686,471	5,686,471
Additions	-	-
Disposals	(96,596)	(96,596)
Schemes Completed	-	-
As at 31st March 2014	<u>5,589,875</u>	<u>5,589,875</u>
OTHER CAPITAL GRANTS		
As at 1st April 2013	1,186,998	1,186,998
Additions	24,000	24,000
Disposals	-	-
Schemes Completed	-	-
As at 31st March 2014	<u>1,210,998</u>	<u>1,210,998</u>
NET BOOK VALUE		
As at 31st March 2014	<u>12,098,806</u>	<u>12,098,806</u>
As at 31st March 2013	<u>11,619,492</u>	<u>11,619,492</u>

Additions to housing properties includes capitalised development administration costs of £nil (2013 - £nil) and capitalised major repair costs to existing properties of £930,374 (2013 - £465,889)

All land and housing properties are freehold.

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Computer Equipment £	Motor Vehicles £	Office Premises £	Office Furniture & Equipment £	Total £
COST					
As at 1st April 2013	113,358	18,547	646,311	96,719	874,935
Additions	3,348	-	-	2,021	5,369
Eliminated on Disposals	(10,177)	(18,547)	-	(36,158)	(64,882)
As at 31st March 2014	106,529	-	646,311	62,582	815,422
GRANTS RECEIVED					
As at 1st April 2013	12,945	17,310	-	30,620	60,875
Repaid on Disposal	(9,100)	(17,310)	-	(30,620)	(57,030)
As at 31st March 2014	3,845	-	-	-	3,845
AGGREGATE DEPRECIATION					
As at 1st April 2013	55,682	451	285,316	64,371	405,820
Charge for year	11,808	247	21,544	1,082	34,681
Eliminated on disposal	(1,077)	(698)	-	(5,538)	(7,313)
As at 31st March 2014	66,413	-	306,860	59,915	433,188
NET BOOK VALUE					
As at 31st March 2014	36,271	-	339,451	2,667	378,389
As at 31st March 2013	44,731	786	360,995	1,728	408,240

12. CAPITAL COMMITMENTS

	2014 £	2013 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	103,810	475,000

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

	2014 £	2013 £
At the year end, the annual commitments under operating leases were as follows:-		
Other		
Expiring within one year	-	3,600
Expiring between two and five years	11,950	7,102

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2014	2013
	£	£
Arrears of Rent & Service Charges	67,745	74,521
Less: Provision for Doubtful Debts	<u>(14,029)</u>	<u>(6,243)</u>
Other Debtors	53,716	68,278
	<u>103,105</u>	<u>167,496</u>
	<u>156,821</u>	<u>235,774</u>

15. CREDITORS: Amounts falling due within one year

	2014	2013
	£	£
Housing Loans	580,409	577,629
Trade Creditors	234,430	65,501
Rent in Advance	135,941	99,307
Other Taxation and Social Security	16,605	17,173
Other Creditors	16,112	33,201
Accruals and Deferred Income	58,985	76,405
	<u>1,042,482</u>	<u>869,216</u>

At the balance sheet date there were pension contributions outstanding of £14,439 (2013 £13,378)

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

	2014	2013
	£	£
Housing Loans	<u>5,359,163</u>	<u>5,952,936</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	580,409	577,629
Between one and two years	585,634	581,712
Between two and five years	1,788,715	1,776,707
In five years or more	<u>2,984,814</u>	<u>3,594,517</u>
	5,939,572	6,530,565
Less: Amount shown in Current Liabilities	<u>580,409</u>	<u>577,629</u>
	<u>5,359,163</u>	<u>5,952,936</u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

Reconciliation of operating surplus to net cash inflow from operating activities

	2014 £	2013 £
Operating Surplus	1,127,213	1,059,937
Depreciation	520,649	497,677
Change in Debtors	116,552	(39,625)
Change in Creditors	170,486	48,584
Gain on sale of fixed assets	(7,353)	-
Share Capital Written Off	(11)	(12)
Net Cash Inflow from Operating Activities	<u>1,927,536</u>	<u>1,566,561</u>

Reconciliation of net cash flow to movement in net debt

	2014 £	2013 £	2013 £
Increase in Cash	285,346	309,770	
Cash flow from management of liquid resources	50,000	(250,000)	
Cash flow from change in debt	590,993	633,089	
Movement in net debt during year		926,339	692,859
Net debt at 1st April 2013		(4,184,519)	(4,877,378)
Net debt at 31st March 2014		<u>(3,258,180)</u>	<u>(4,184,519)</u>

Analysis of changes in net debt

	At 01.04.13 £	Cash Flows £	Other Changes £	At 31.03.14 £
Cash at bank and in hand	1,596,046	285,346		1,881,392
Liquid Resources	1,596,046	285,346		1,881,392
Debt: Due within one year	750,000	(50,000)		800,000
Due after more than one year	(577,629)	590,993	(593,773)	(580,409)
	<u>(5,952,936)</u>	-	593,773	<u>(5,359,163)</u>
Net Debt	<u>(4,184,519)</u>	<u>826,339</u>	-	<u>(3,258,180)</u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2013	99
Issued in year	4
Cancelled in year	(11)
At 31st March 2014	<u>92</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 2013	7,787,301
Surplus for the year	<u>1,126,370</u>
At 31st March 2014	<u>8,913,671</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2014	2013
General Needs - New Build	No.	No.
- Rehabilitation	116	119
Supported Housing	908	906
	<u>1</u>	<u>1</u>
	<u>1,025</u>	<u>1,026</u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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
- 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

	2014	2013
	£	£
Short Term Deposits	<u>800,000</u>	<u>750,000</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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 six 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
- Defined Contribution

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 2014 and the Career average revalued earnings with a 1/120th accrual rate, or the Direct Contribution Scheme with an employer contribution of 10%, for new entrants from 1st April 2014.

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%.

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 £544,449. 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

**Financial
Assumptions**

The key 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 price 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.

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.