

Knowes Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2016

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 2016

MANAGEMENT COMMITTEE

John Lafferty	Chairperson
Rhona Polak	Vice Chairperson
Sheila Cope	Treasurer
William Stevenson	Secretary
Anne McGowan	Resigned September 2015
Ugonna Onyekwere	
Frank Newey	
Councillor Lawrence O'Neill	
Yvonne McDonald	Appointed September 2015
Katie Devaney	Appointed September 2015
Lorraine Easton	Appointed September 2015
Liam Gibson	Appointed May 2015, Resigned August 2015
Janet Cassidy	Appointed December 2015

EXECUTIVE OFFICERS

Pierre De Fence	Director
Erica Davidson	Head of Finance
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

Wylie & Bisset
168 Bath Street
Glasgow
G2 4TP

KNOWES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2016

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2016.

Legal Status

Community Benefit Societies Act 2014 No.2518R(S) The Association is governed 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 Association is a Registered Scottish Charity and we provide relief of those in need by reason of age, ill health (whether related to mental or physical health), disability (whether due to mental or physical health issues or learning disabilities), financial hardship or other disadvantage, both to individual persons or to a group of persons with similar needs and issues by;

1. providing, constructing, improving and managing land, accommodation and associated facilities and providing care;
2. providing or arranging home maintenance, repair and improvement services and providing facilities and services for the benefit of such people either exclusively for them or together with other persons;
3. undertaking any activities which are charitable, allowed under section 58 of the Housing (Scotland) Act 2001, including any statutory amendment or re enactment of the provisions of this section from time to time being in force and;
4. carrying on any other charitable activities permitted to registered social landlords from time to time.

Review of Business and Future Developments

The Future

During the year the Association recruited two new members of staff as a result of one staff member leaving in the year, and one leaving the previous year.

The Association continues to focus on improving services to our customers, and we retained our Investors in People gold standard and the Customer Service Excellence Standard. We published our second report on progress in meeting the Scottish Social Housing Charter, and our stakeholders can see how we performed in comparison to other landlords.

The year 2015/16 saw us complete our programme of maintenance and component replacement, which ensured the Association is compliant with the Scottish Housing Quality Standard. To this end we carried out maintenance painting to one fifth of our properties, we continued our central heating upgrading programme, our window replacement programme and our window replacement programme 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 £1,259,563 with £794,716 being capitalised.

The Association is waiting for feedback from West Dunbartonshire Council regarding plans to build houses in Abbeylands Road.

We submitted our first return on the Energy Efficiency Standard for Social Housing (EESH) and we are pleased to report that at the end of the financial year we had only 26 properties that fail the standard. We will be working to ensure that these properties achieve the standard over the next 3 years.

KNOWES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2016

Review of Business and Future Developments (Contd.)

We submitted our first return on the Energy Efficiency Standard for Social Housing (EESSH) and we are pleased to report that at the end of the financial year we had only 26 properties that fail the standard. We will be working to ensure that these properties achieve the standard over the next 3 years.

Rent Arrears at the end of March 2016 again remained low - 1.9% of the annual debit (with only 0.5% being the non-technical, or actual arrear figure). This again is a very impressive arrears figure which compares well against our peers. This financial year we had no evictions and 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 remained the same 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 in partnership with the other locally based Housing Associations in West Dunbartonshire, were successful in applying for continuation funding for the People and Communities Fund which supports the project "Supporting change in West Dunbartonshire". This project is progressing well and will continue to provide advice and assistance to people throughout West Dunbartonshire through to March 2017

Finance

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 £998,256 (2015 – Adjusted Surplus £998,731).

The Association met its financial loan covenant ratios with regard to interest cover (2016 – 2095%; 2015 – 1960%) and average gross debt per property (2016 - £3,970; 2015 - £4,550). Net assets now stand at £9,092,833 (2015 - £8,104,572).

KNOWES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2016

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 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 2014 and the Determination of Accounting Requirements - 2015. 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 2016

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;
- Quarterly 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
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- 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.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2016. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Donations

During the year the Association made charitable donations amounting to £925 (2015 £450).

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

02 August 2016

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 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

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 relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls 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 relevant Regulatory Standards in respect of internal financial controls within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls .

A handwritten signature in black ink, appearing to read 'Alexander Sloan'.

ALEXANDER SLOAN
Chartered Accountants

GLASGOW
02 August 2016

We have audited the financial statements of Knowes Housing Association Limited for the year ended 31st March 2016 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standard of the United Kingdom.

This report is made solely to the Association's members, as a body, in accordance with 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 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 2016 and of its surplus 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 2014 and the Determination of Accounting Requirements 2015.

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.

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

- the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position 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
02 August 2016

KNOWES HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2016

	Notes	2016	2015
		£	£
REVENUE	2.	4,421,322	4,393,255
Operating Costs	2.	<u>(3,420,303)</u>	<u>(3,188,012)</u>
OPERATING SURPLUS	9.	1,001,019	1,205,243
Gain On Sale Of Housing Stock	7.	41,679	24,031
Interest Receivable and Other Income		26,744	12,918
Interest Payable and Similar Charges	8.	(48,186)	(53,461)
Other Finance Charges	11.	<u>(33,000)</u>	<u>(190,000)</u>
		(12,763)	(206,512)
SURPLUS FOR YEAR		<u>988,256</u>	<u>998,731</u>

All amounts relate to continuing operations. Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The notes on pages 13 to 30 form part of these financial statements.

KNOWES HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2016

	Notes	2016		2015	
		£	£	£	£
NON-CURRENT ASSETS					
Housing Properties - Depreciated Cost	12.(a)		17,756,058		17,903,972
Other Non Current Assets	12.(b)		528,225		349,320
			<u>18,284,283</u>		<u>18,253,292</u>
CURRENT ASSETS					
Receivables	14.	368,522		96,091	
Investments	24	1,000,000		807,787	
Cash at bank and in hand		1,871,648		2,038,640	
		<u>3,240,170</u>		<u>2,942,518</u>	
CREDITORS: Amounts falling due within one year	15.	(1,314,463)		(1,076,651)	
NET CURRENT ASSETS			<u>1,925,707</u>		<u>1,865,867</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			20,209,990		20,119,159
CREDITORS: Amounts falling due after more than one year	16.	(5,772,568)		(6,488,345)	
DEFERRED INCOME					
Social Housing Grants	18.	(4,184,956)		(4,338,020)	
Other Grants	18.	(1,159,633)		(1,188,222)	
			<u>(5,344,589)</u>		<u>(5,526,242)</u>
NET ASSETS			<u>9,092,833</u>		<u>8,104,572</u>
EQUITY					
Share Capital	19.		134		129
Revenue Reserves			9,092,699		8,104,443
			<u>9,092,833</u>		<u>8,104,572</u>

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 02 August 2016.


Chairperson


Vice-Chairperson


Secretary

The notes on pages 13 to 30 form part of these financial statements.

KNOWES HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2016

	Notes	2016	2015
		£	£
Net Cash Inflow from Operating Activities	17.	1,597,929	1,749,569
Investing Activities			
Acquisition and Construction of Properties	(831,716)	(1,242,828)	
Purchase of Other Fixed Assets	(218,168)	(5,212)	
Other Grants Received	14,997	239,412	
Changes on short term deposits with banks	(192,213)	(7,787)	
Proceeds on Disposal of Properties	80,658	50,711	
Net Cash Outflow from Investing Activities		(1,146,442)	(965,704)
Financing Activities			
Loan Advances Received	-	-	
Loan Redemption Payments	-	-	
Interest Received on Cash and Cash Equivalents	26,744	12,918	
Interest Paid on Loans	(48,186)	(53,461)	
Loan Principal Repayments	(597,055)	(586,120)	
Share Capital Issued	18	46	
Net Cash Outflow from Financing		(618,479)	(626,617)
(Decrease) / Increase in Cash		(166,992)	157,248
Opening Cash & Cash Equivalents		2,038,640	1,881,392
Closing Cash & Cash Equivalents		1,871,648	2,038,640
Cash and Cash equivalents as at 31 March 2016.			
Cash		1,871,648	2,038,640
Bank overdraft		-	-
		1,871,648	2,038,640

The notes on pages 13 to 30 form part of these financial statements.

KNOWES HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY

31st MARCH 2016

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1st April 2014	92	7,105,712	7,105,804
Issue of Shares	46		46
Cancellation of Shares	(9)		(9)
Adjustment from transition to FRS 102		(63,310)	(63,310)
Surplus for Year		1,062,041	1,062,041
Balance as at 31st March 2015	129	8,104,443	8,104,572
Balance as at 1st April 2015	129	8,104,443	8,104,572
Issue of Shares	18		18
Cancellation of Shares	(13)		(13)
Surplus for Year		988,256	988,256
Balance as at 31st March 2016	134	9,092,699	9,092,833

The reserves opening balance has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government Grants are released to income over the expected useful life of of the asset to which it relates.

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.

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

Valuation Of Housing Properties

Housing Properties are stated at cost 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 12. 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 2016 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Non-Current Assets

Non-Current 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% Straight Line
Furniture and Fittings	- 25% Straight Line
Computer Equipment	- 20% Straight Line
Office Equipment	- 25% Straight Line

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

Social Housing Grant And Other Grants In Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income 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

Disposals of housing property under the Right to Buy scheme are treated as a non-current asset disposals and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying Knowes Housing Association's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place, and court action.

Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

Useful life of properties, plant and equipment

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this.

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016
NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Key Judgements made in the application of Accounting Policies

a) Exemptions taken in the transition to FRS 102

The Association has considered and taken advantage of the following exemptions in its first time application of FRS 102:

- i) The Association has not revisited previous accounting estimates
- ii) The Association has not revisited the accounting of previous business combinations

b) The Categorisation of Housing Properties

In the judgement of the Management Committee the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

c) Identification of cash generating units

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

c) Pensions

We have calculated the SHAPS past service deficit liability using the latest accounting estimates available, these being based on the 2012 valuation, and believe these represent a fair estimate of the liability due.

Financial Instruments - Basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard

The Association's debt instruments are measured at amortised cost using the effective interest rate method

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

	Notes	2016			2015		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3.	4,183,387	3,254,670	928,717	4,070,802	2,852,596	1,218,206
Other Activities	4.	237,935	165,633	72,302	322,453	335,416	(12,963)
Total		4,421,322	3,420,303	1,001,019	4,393,255	3,188,012	1,205,243

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General		Restated	
	Needs Housing £	Supported Housing £	2016 Total £	2015 Total £
Revenue from Lettings				
Rent Receivable Net of Service Charges	3,795,010	104,297	3,899,307	3,815,233
Service Charges	86,708	-	86,708	78,958
Gross income from rent and service charges	3,881,718	104,297	3,986,015	3,894,191
Less: Rent losses from voids	8,662	-	8,662	5,510
Net Rents Receivable	3,873,056	104,297	3,977,353	3,888,681
Grants released from deferred income	156,539	-	156,539	158,121
Revenue grants from Scottish Ministers	30,370	-	30,370	24,000
Other revenue grants	19,125	-	19,125	-
Total turnover from affordable letting activities	4,079,090	104,297	4,183,387	4,070,802
Expenditure on affordable letting activities				
Management and maintenance administration costs	1,035,409	8,278	1,043,687	1,000,877
Service Costs	75,704	-	75,704	69,073
Planned and cyclical maintenance, including major repairs	464,846	10,154	475,000	351,518
Reactive maintenance costs	731,780	13,618	745,398	566,244
Bad Debts - rents and service charges	14,342	-	14,342	4,449
Depreciation of affordable let properties	859,211	41,328	900,539	860,435
Impairment of affordable letting activities	-	-	-	-
Operating costs of affordable letting activities	3,181,292	73,378	3,254,670	2,852,596
Operating surplus on affordable letting activities	897,798	30,919	928,717	1,218,206
2015	1,175,280	42,926		

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	£	£	£	£	£	£	£	£	£	£	£	£	£
	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2016	Operating Surplus / (Deficit) 2015				
Wider Role Activities	83,287	101,075	-	-	184,362	-	135,715	48,647	(49,219)				
Investment property activities	-	-	-	-	-	-	-	-	-				
Factoring	25,961	-	-	-	25,961	-	26,151	(190)	(10,326)				
Other activities	-	-	-	27,612	27,612	-	3,767	23,845	46,582				
Total From Other Activities	109,248	101,075	-	27,612	237,935	-	165,633	72,302	(12,963)				
2015	2,358	270,862	-	49,233	322,453	-	335,416	(12,963)					

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.

	2016	2015
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>140,052</u>	<u>134,118</u>
Compensation payable to Officers for loss of Office	<u>-</u>	<u>11,693</u>
No Pension contributions were made to Officers receiving greater than £60,000		
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>16,741</u>	<u>16,546</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>75,246</u>	<u>71,217</u>
Total Compensation paid to key management personnel	<u>140,052</u>	<u>134,118</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	1
£80,001 to £90,000	<u>-</u>	<u>-</u>

6. EMPLOYEE INFORMATION

	2016	2015
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>19</u>	<u>20</u>
The average total number of Employees employed during the year was	<u>21</u>	<u>22</u>
Staff Costs were:	£	£
Wages and Salaries	647,076	635,994
Social Security Costs	45,729	44,007
Other Pension Costs	80,531	83,206
Temporary, Agency and Seconded Staff	35,050	43,047
	<u>808,386</u>	<u>806,254</u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2016	2015
	£	£
Sales Proceeds	80,658	50,711
Cost of Sales	<u>38,979</u>	<u>26,680</u>
Gain On Sale Of Housing Stock	<u>41,679</u>	<u>24,031</u>

8. INTEREST PAYABLE & SIMILAR CHARGES

	2016	2015
	£	£
On Bank Loans & Overdrafts	<u>48,186</u>	<u>53,461</u>
	48,186	53,461
Less: Interest Capitalised	<u>-</u>	<u>-</u>
	<u>48,186</u>	<u>53,461</u>

9. SURPLUS FOR YEAR

	2016	2015
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	939,802	896,255
Auditors' Remuneration - Audit Services	9,294	8,000
Operating Lease Rentals - Other	7,463	4,627
Gain on sale of fixed assets	<u>41,679</u>	<u>24,031</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.

11. OTHER FINANCE INCOME / CHARGES

	2016	2015
	£	£
Unwinding of Discounted Liabilities	<u>33,000</u>	<u>190,000</u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Total £
COST		
As at 1st April 2015	23,784,029	23,784,029
Additions	831,716	831,716
Disposals	(434,014)	(434,014)
Schemes Completed	-	-
As at 31st March 2016	<u>24,181,731</u>	<u>24,181,731</u>
DEPRECIATION		
As at 1st April 2015	5,880,057	5,880,057
Charge for Year	691,857	691,857
Disposals	(146,241)	(146,241)
As at 31st March 2016	<u>6,425,673</u>	<u>6,425,673</u>
NET BOOK VALUE		
As at 31st March 2016	<u>17,756,058</u>	<u>17,756,058</u>
As at 31st March 2015	<u>17,903,972</u>	<u>17,903,972</u>

Additions to housing properties includes capitalised development administration costs of £nil (2015 - £nil) and capitalised major repair costs to existing properties of £794,716 (2015 £896,829)

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £2,090,818. The amount capitalised is £794,716, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £794,716 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £15,038,000 (2015 - £15,038,000).

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Computer Equipment £	Office Premises £	Furniture & Equipment £	Total £
COST				
As at 1st April 2015	110,941	646,311	63,242	820,494
Additions	217,279	-	889	218,168
Eliminated on Disposals	(38,311)	-	-	(38,311)
As at 31st March 2016	<u>289,909</u>	<u>646,311</u>	<u>64,131</u>	<u>1,000,351</u>
AGGREGATE DEPRECIATION				
As at 1st April 2015	81,983	328,404	60,787	471,174
Charge for year	16,586	21,542	1,135	39,263
Eliminated on disposal	(38,311)	-	-	(38,311)
As at 31st March 2016	<u>60,258</u>	<u>349,946</u>	<u>61,922</u>	<u>472,126</u>
NET BOOK VALUE				
As at 31st March 2016	<u>229,651</u>	<u>296,365</u>	<u>2,209</u>	<u>528,225</u>
As at 31st March 2015	<u>28,958</u>	<u>317,907</u>	<u>2,455</u>	<u>349,320</u>

12. CAPITAL COMMITMENTS

	2016 £	2015 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	34,359	-

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

	2016 £	2015 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Not later than one year	4,745	-
Later than one year and not later than five years	<u>2,268</u>	<u>6,896</u>

Lease commitments have been restated under FRS102 to include the timing of the full payment due under the contract.

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Arrears of Rent & Service Charges	94,658	70,842
Less: Provision for Doubtful Debts	(15,724)	(15,724)
	<u>78,934</u>	<u>55,118</u>
Other Receivables	289,588	40,973
	<u>368,522</u>	<u>96,091</u>

15. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Housing Loans	588,828	585,107
Trade Payables	74,836	72,881
Rent in Advance	121,782	126,761
Other Taxation and Social Security	18,200	52
Other Payables	215,346	1,852
Liability for Past Service Contributions	148,000	144,000
Accruals and Deferred Income	147,471	145,998
	<u>1,314,463</u>	<u>1,076,651</u>

At the balance sheet date there were pension contributions outstanding of £26,610 (2015 £14,439)

16. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2016 £	2015 £
Liability for Past Service Contributions	1,605,000	1,720,000
Housing Loans	4,167,568	4,768,345
	<u>5,772,568</u>	<u>6,488,345</u>
<i>Housing Loans</i>		
Amounts due within one year	588,828	255,825
Amounts due in one year or more but less than two years	594,130	265,504
Amounts due in two years or more but less than five years	1,814,613	856,566
Amounts due in more than five years	1,758,825	4,564,883
	<u>4,756,396</u>	<u>5,942,778</u>
Less: Amount shown in Current Liabilities	588,828	585,107
	<u>4,167,568</u>	<u>5,357,671</u>
<i>Liability for Past Service Contributions</i>		
Amounts due within one year	148,000	144,000
Amounts due in one year or more but less than two years	153,000	148,000
Amounts due in two years or more but less than five years	486,000	472,000
Amounts due in more than five years	966,000	1,100,000
	<u>1,753,000</u>	<u>1,864,000</u>

The Association has a number of long-term housing loans the terms and conditions of which are as follows:

Lender	Security	Effective Interest Rate	Maturity	Variable / Fixed
Nationwide Building Society	Standard Security over 841 properties	0.90%	2024	variable

All of the Association's bank borrowings are repayable in a monthly basis with the principal being amortised over the term of the loans

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 2.29% (2015 - 2.22%)

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to balance as at 31st march 2016</i>	2016 £	2015 £
Operating Surplus	1,001,019	1,205,243
Depreciation	939,802	896,255
Amortisation of Capital Grants	(156,539)	(158,121)
Change in debtors	(272,431)	60,730
Change in creditors	119,091	(64,529)
Unwinding of Discount on Pension Liability	(33,000)	(190,000)
Share Capital Written Off	(13)	(9)
Balance as at 31st March 2016	<u>1,597,929</u>	<u>1,749,569</u>

18. DEFERRED INCOME

	2016 £	2015 £
<i>Social Housing Grants</i>		
Balance as at 1st April 2015	4,338,020	4,452,628
Released / Repaid as the result of property disposal	(40,111)	-
Amortisation in Year	(112,953)	(114,608)
Balance as at 31st March 2016	<u>4,184,956</u>	<u>4,338,020</u>
<i>Other Grants</i>		
Balance as at 1st April 2015	1,188,222	1,231,735
Additions in year	14,997	-
Amortisation in Year	(43,586)	(43,513)
Balance as at 31st March 2016	<u>1,159,633</u>	<u>1,188,222</u>
Total	<u>5,344,589</u>	<u>5,526,242</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2,016 £	2,015 £
Amounts due within one year	156,539	158,121
Amounts due in one year or more	5,188,050	5,368,121
	<u>5,344,589</u>	<u>5,526,242</u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2015	129
Issued in year	18
Cancelled in year	<u>(13)</u>
At 31st March 2016	<u>134</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.

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2016	2015
	No.	No.
General Needs - New Build	115	116
General Needs - Rehabilitation	910	911
Supported Housing	<u>1</u>	<u>1</u>
	<u>1,026</u>	<u>1,028</u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

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 102

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.

Transactions with governing body members (and their close family) were as follows:

Rent Received from Tenants on the Committee	£ 22,750
Factoring Charges received from owners on the Committee	57

The total rent balances due to the Association from governing body members and those of their close family at the year end were £227. These amounts are recoverable and will be paid in full during the year.

At the year end total factoring arrears owed by the factored owners of the Committee were £0.

22. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 10 Field Road, Faifley, Clydebank.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Faifley.

23. GOVERNING BODY MEMBER EMOLUMENTS

Board members received £nil in the year by way of reimbursement of expenses.(2015 - £nil). No remuneration is paid to Board members in respect of their duties in the Association.

24. INVESTMENTS

	2016	2015
	£	£
Term deposit	<u>1,000,000</u>	<u>807,787</u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

General

Knowes Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme).

The company participates in the scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

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
- 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 elected to operate the final salary with 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

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 13.3% of pensionable salaries for the final salary 1/60 scheme (includes 1% surcharge for closing the scheme to new members) and 10% of pensionable salary for the direct contribution scheme. Member contributions were 12.3% and 5.5% respectively.

As at the balance sheet date there were 17 active members of the Scheme employed by Knowes Housing Association Limited. The annual pensionable payroll in respect of these members was £577,519. Knowes Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2015. The preliminary valuation results were received and considered by the Pensions Committee (the Committee) at its meeting on 25 February 2016. Overall the valuation position since has improved since the 2012 valuation with the deficit reducing from £304m to £198m. This is primarily due to the outperformance of the assets held in the Scheme over the three year period.

The Committee proposes to maintain the aggregate deficit recovery contributions (across all employers) at the current level (£28.7m for the year from 1 April 2017) and retain the 3.0% per annum annual increase. As a result the Scheme Actuary projects that the deficit will be removed from the Scheme by 28 February 2022 (previously 30 September 2027).

However as the 2015 valuation has not yet been signed off and certified by the Actuary then for the purposes of these accounts the 2012 valuation has been used. The 2012 actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers had agreed that the amounts of the additional contributions will be paid to the scheme as follows:

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Deficit contributions

From 1 April 2014 to 30 September 2027:	£26,304,000 per annum (payable monthly and increasing by 3% each on 1st April)
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The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

	31-Mar-16 (£000s)	31-Mar-15 (£000s)	31-Mar-14 (£000s)
Present value of provision	1,753	1,864	1,814

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (CONTD)

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31-Mar-16 (£000s)	Period Ending 31-Mar-15 (£000s)
Provision at start of period	1,864	1,814
Unwinding of the discount factor (interest expense)	40	59
Deficit contribution paid	(144)	(140)
Remeasurements - impact of any change in assumptions	(7)	131
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	1,753	1,864

INCOME AND EXPENDITURE IMPACT

	Period Ending 31-Mar-16 (£000s)	Period Ending 31-Mar-15 (£000s)
Interest expense	40	59
Remeasurements – impact of any change in assumptions	(7)	131
Remeasurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.)

ASSUMPTIONS

	31-Mar-16 % per annum	31-Mar-15 % per annum	31-Mar-14 % per annum
Rate of discount	2.29	2.22	3.42

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	31-Mar-16 (£000s)*	31-Mar-15 (£000s)*	31-Mar-14 (£000s)*
Year 1	148	144	140
Year 2	153	148	144
Year 3	157	153	148
Year 4	162	157	153
Year 5	167	162	157
Year 6	172	167	162
Year 7	177	172	167
Year 8	183	177	172
Year 9	188	183	177
Year 10	194	188	183
Year 11	199	194	188
Year 12	103	199	194
Year 13	-	103	199
Year 14	-	-	103

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (CONTD)

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

*It is these contributions that have been used to derive the company's balance sheet liability.

Based on the preliminary results of the 2015 valuation the estimated deficit contributions may be as follows:-

Year ending	31-Mar-16 (£000s)
Year 1	148
Year 2	159
Year 3	164
Year 4	169
Year 5	174
Year 6	179
Year 7	164

	31-Mar-16 (£000s)
Revised estimated present value of provision	1,080

The 2015 valuation is likely to have the effect of materially reducing the value of the pensions' provision in the company balance sheet.

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. The amount of employer debt on withdrawal for Knowes Housing Association Ltd has been calculated at £5,840,467 at 30 September 2015.

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 TRANSITION TO THE FINANCIAL REPORTING STANDARD

In accordance with the Statement of Recommended Practice the Association has adopted the Financial Reporting Standard for UK & Ireland (FRS 102) for the accounting period beginning on 1 April 2015. As a result of this the comparative figures for the period ending 31 March 2015 have been restated in accordance with FRS 102.

The transition to FRS 102 has resulted in a number of changes in accounting policies compared with those used previously.

The following describes the differences between the assets and liabilities and income and expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ending 31 March 2016.

Reconciliation of Capital & Reserves							
At 31 March 2015				At 31 March 2014			
Note	As previously Stated	Effect of Transition	As Restated	As previously Stated	Effect of Transition	As Restated	
	£	£	£	£	£	£	£
Non Current Assets (i)	12,720,508	5,532,784	18,253,292	12,477,195	5,450,992	17,928,187	
Investment	-	-	-	-	-	-	-
Debtors due after more than a year	-	-	-	-	-	-	-
Negative Goodwill	-	-	-	-	-	-	-
Current Assets	2,942,518	-	2,942,518	2,838,213	-	2,838,213	
Current Liabilities (ii)	(918,840)	(157,811)	(1,076,651)	(1,042,482)	(140,000)	(1,182,482)	
Non Current Liabilities (ii)	(4,768,345)	(1,720,000)	(6,488,345)	(5,359,163)	(1,674,000)	(7,033,163)	
Deferred Income (i)	-	(5,526,242)	(5,526,242)	-	(5,444,951)	(5,444,951)	
	9,975,841	(1,871,269)	8,104,572	8,913,763	(1,807,959)	7,105,804	
Capital & Reserves	(9,975,841)	1,871,269	(8,104,572)	(8,913,763)	1,807,959	(7,105,804)	

Reconciliation of Retained Surpluses for the Year				
Year Ended 31 March 2015				
Note	As previously Stated	Effect of Transition	As Restated	
	£	£	£	£
Revenue (i)		4,235,134	158,121	4,393,255
Operating Costs (i) & (ii)		(3,156,581)	(31,431)	(3,188,012)
Other Income		24,031	-	24,031
Exceptional item		-	-	-
Interest Receivable		12,918	-	12,918
Interest Payable		(53,461)	-	(53,461)
Change in Fair Value of Financial Inst.		-	-	-
Other Finance Income / Costs		-	(190,000)	(190,000)
		1,062,041		998,731
Surplus		1,062,041	(63,310)	998,731

Notes to the Reconciliations

(i) - Social Housing Grants and Other grants have been accounted for in accordance with the SORP which has meant that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in income over the useful life of the related asset.

(ii) - As the Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with the FRS. This liability was not previously recognised and payments made under this agreement were written off as operating costs. In addition to this the Association has an interest rate swap which was previously unrecognised, but now requires to be recognised at its fair value under FRS 102 Section 12.

(iii) - The liability recognised as a result of (ii) above has been discounted to its present value. The unwinding of the discount is recognised as a finance cost in accordance with FRS 102 para 28.13A