



**Alexander Sloan**  
Accountants and Business Advisers

# **Knowes Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31 March 2018**

**Registered Housing Association No. HEP300**

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

**Scottish Charity No. SC027466**

# KNOWES HOUSING ASSOCIATION LIMITED

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## CONTENTS

	<b>Page</b>
MEMBERS OF THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS	1
REPORT OF THE MANAGEMENT COMMITTEE	2 - 5
REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS	6
REPORT OF THE AUDITORS	7 - 9
STATEMENT OF COMPREHENSIVE INCOME	10
STATEMENT OF FINANCIAL POSITION	11
STATEMENT OF CASH FLOWS	12
STATEMENT OF CHANGES IN EQUITY	13
NOTES TO THE FINANCIAL STATEMENTS	14 - 29

# KNOWES HOUSING ASSOCIATION LIMITED

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## MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2018

### MANAGEMENT COMMITTEE

Rhona Polak	Chairperson
Katie Devaney	Vice Chairperson
Sheila Cope	Treasurer
William Stevenson	Secretary
Frank Newey	Member
Yvonne McDonald	Member
Janet Cassidy	Member
Ugonna Onyekwere	Member
Osamuyimen Enabulele	Member
Mary Burrell	Member - Resigned 4th April 2017
Councillor Lawrence O'Neil	Elected representative (Member)
Councillor Jim Finn	Elected representative (Member) - Appointed 1st August 2017

### EXECUTIVE OFFICERS

Pierre De Fence	Director
Erica Davidson	Head of Finance
Robert Murray	Housing Manager - Resigned 14th June 2017
Peter French	Property Services Manager
Martin Harvey	Housing Manager - Appointed 2nd October 2017
Elaine Lewty	ICT Manager - Appointed 10th July 2017

### REGISTERED OFFICE

10 Field Road  
Faifley  
Clydebank  
G81 5BX

### EXTERNAL AUDITORS

Alexander Sloan  
Accountants and Business Advisers  
180 St Vincent Street  
Glasgow  
G2 5SG

### INTERNAL AUDITORS

Wylie & Bisset  
168 Bath Street  
Glasgow  
G2 4TP

### BANKERS

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

### BANKERS

Nationwide Bulding Society  
5-11 St George Street  
Douglas  
Isle of Man  
IM99 IRN

### SOLICITORS

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

### SOLICITORS

T C Young  
7 West George Street  
Glasgow  
G2 1BA

# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2018.

### Legal Status

Knowes Housing Association Limited is a registered non-profit making organisation under the Co-operative and 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 with the number PF000201.

### Principal Activities

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

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

During the year the Association recruited two new members of staff as a result of one staff member leaving and the creation of an ICT Manager post.

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 fourth 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 2017/18 saw us complete another programme of maintenance and component replacement, which ensured the Association remained compliant with the Scottish Housing Quality Standard. To this end we carried out maintenance painting to one fifth of our properties, we continued our window replacement programme, controlled door entry replacement and renewal of floor coverings in some closes. 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 £853,100 with £368,154 being capitalised.

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

We continued working towards achieving the Energy Efficiency Standard for Social Housing (EESSH) and we are pleased to report that at the end of the financial year we are 96% compliant with the standard. We will be working to ensure that the remaining 4% of properties achieve the standard over the next 2 years.

The Association had 98 properties to re-allocate last year which is 2 more than the previous year. Our performance in this area was again very competitive against our peers with our days taken to let being on average 7.6 calendar days and void loss remained exceptionally low at 0.33%. Although these KPI's were over target the performance over the course of the year remains very good. The Associations stock continues to be popular with 267 new applications for housing being received in the last year – and a total of 389 applicants on our waiting lists. This is a slight increase on last year and shows that the our stock and area remain in demand.



# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

### **Review of Business and Future Developments (Continued)**

Rent Arrears at the end of March 2018 again remained low - 2.7% of the annual debit (with only 1.1% 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 2 evictions and a slight increase in the number of tenants receiving legal notices or being referred to court. Our figures in this respect still remain low amongst our peers. In addition there was a small arrear for our garage sites or lock ups and our former tenant arrears were 0.5% at the end of the Financial year.

Knowes continues to manage anti social behaviour by following its policy and procedures and acting timeously in dealing with reports of ASB. Reported incidences of anti-social behaviour have increased slightly over the last financial year but still remains at a low level. Over the course of the year we had 127 ASB complaints.

The Association revised its ASB policy so that it reflected the good work that we were doing in managing our ASB cases. Partnership working with the Police remains strong and they continue to work with us in tackling ASB issues

### **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 2018

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 £1,133,492 (2017: £1,973,334) which includes the decrease in pension liability of £6,000 (2017: £833,000).

The Association met its financial loan covenant ratios with regard to interest cover (2018 – 3848%; 2017 – 3367%) and average gross debt per property (2018 - £56; 2017 - £958). Net assets now stand at £12,199,673 (2017 - £11,066,174).

# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

### 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- 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 statement of comprehensive income and statement of financial position, 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 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 Association's auditors are aware of that information.



# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

### 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; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Committee's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements of the Association's systems include ensuring that the:-

- 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 2018. 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 £650 (2017 - £816).

### Auditors

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

By order  mittee

**WILLIAM STEVENSON**

Secretary

7th August 2018

# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT BY THE AUDITORS TO THE MEMBERS 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.



**ALEXANDER SLOAN**

Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
7th August 2018



**Alexander Sloan**  
Accountants and Business Advisers



# KNOWES HOUSING ASSOCIATION LIMITED

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

### Opinion

We have audited the financial statements of Knowes Housing Association Limited ("the Association") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Society 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 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 prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Management Committee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# KNOWES HOUSING ASSOCIATION LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KNOWES HOUSING ASSOCIATION LIMITED (Continued)

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

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Management Committee.

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- 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 Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the Management Committee**

As explained more fully in the Statement of Management Committee's Responsibilities as set out on Page 4, the Management Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.



# KNOWES HOUSING ASSOCIATION LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KNOWES HOUSING ASSOCIATION LIMITED (Continued)

- Conclude on the appropriateness of the Management Committee use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**ALEXANDER SLOAN**

Accountants and Business Advisers

Statutory Auditors

GLASGOW

7th August 2018



**Alexander Sloan**

Accountants and Business Advisers

# KNOWES HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018	2017
		£	£
<b>REVENUE</b>	2	4,414,935	4,401,537
Operating Costs	2	<u>(3,309,592)</u>	<u>(3,245,098)</u>
<b>OPERATING SURPLUS</b>		1,105,343	1,156,439
Gain On Sale Of Housing Stock	7	36,332	29,244
Interest Receivable and Other Income		24,109	28,719
Interest Payable and Similar Charges	8	(30,292)	(36,068)
Movement in fair value of financial instruments	24	6,000	833,000
Other Finance Income / (Charges)	11	<u>(8,000)</u>	<u>(38,000)</u>
		28,149	816,895
Surplus on ordinary activities before taxation		<u>1,133,492</u>	<u>1,973,334</u>
Tax on surplus on ordinary activities	10	-	-
<b>SURPLUS FOR THE YEAR</b>	9	<b>1,133,492</b>	<b>1,973,334</b>
Other Comprehensive Income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b><u>1,133,492</u></b>	<b><u>1,973,334</u></b>

The notes on pages 14 to 29 form part of these financial statements.



# KNOWES HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
<b>NON-CURRENT ASSETS</b>					
Housing Properties - Depreciated Cost	12 (a)		17,550,777		17,814,988
Other Non-current Assets	12 (b)		418,406		478,988
			<u>17,969,183</u>		<u>18,293,976</u>
<b>CURRENT ASSETS</b>					
Receivables	14	292,040		134,558	
Investments	25	1,502,433		2,803,946	
Cash at bank and in hand		2,018,057		554,294	
		<u>3,812,530</u>		<u>3,492,798</u>	
<b>CREDITORS: Amounts falling due within one year</b>	15	<u>(1,029,802)</u>		<u>(1,216,009)</u>	
<b>NET CURRENT ASSETS</b>			<u>2,782,728</u>		<u>2,276,789</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			20,751,911		20,570,765
<b>CREDITORS: Amounts falling due after more than one year</b>	16		<u>(3,458,409)</u>		<u>(4,217,646)</u>
<b>DEFERRED INCOME</b>					
Social Housing Grants	18	(3,926,122)		(4,074,259)	
Other Grants	18	<u>(1,167,707)</u>		<u>(1,212,686)</u>	
			<u>(5,093,829)</u>		<u>(5,286,945)</u>
<b>NET ASSETS</b>			<u>12,199,673</u>		<u>11,066,174</u>
<b>EQUITY</b>					
Share Capital	19		148		141
Revenue Reserves			<u>12,199,525</u>		<u>11,066,033</u>
			<u>12,199,673</u>		<u>11,066,174</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 7th August 2018.

Chairperson

Treasurer

The notes on pages 14 to 29 form part of these financial statements.

# KNOWES HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018	2017
		£	£
<b>Net cash inflow from operating activities</b>	17	1,300,619	1,828,626
<b>Investing Activities</b>			
Acquisition and Construction of Properties	(589,964)	(873,244)	
Purchase of Other Fixed Assets	(18,718)	(28,514)	
Social Housing Grant Received	-	96,900	
Changes on short term deposits with banks	1,301,513	(1,803,946)	
Proceeds on Disposal of Properties	73,127	61,910	
<b>Net cash inflow / (outflow) from investing activities</b>		765,958	(2,546,894)
<b>Financing Activities</b>			
Interest Received on Cash and Cash Equivalents	24,109	28,719	
Interest Paid on Loans	(30,292)	(36,068)	
Loan Principal Repayments	(596,646)	(591,745)	
Share Capital Issued	15	8	
<b>Net cash outflow from financing activities</b>		(602,814)	(599,086)
<b>Increase / (decrease) in cash</b>		1,463,763	(1,317,354)
<b>Opening Cash &amp; Cash Equivalents</b>		554,294	1,871,648
<b>Closing Cash &amp; Cash Equivalents</b>		<b>2,018,057</b>	<b>554,294</b>
<b>Cash and Cash equivalents as at 31 March</b>			
Cash		2,018,057	554,294
Bank overdraft		-	-
		<b>2,018,057</b>	<b>554,294</b>

The notes on pages 14 to 29 form part of these financial statements.

# KNOWES HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

	Share Capital	Revenue Reserve	Total
	£	£	£
<b>Balance as at 1 April 2016</b>	134	9,092,699	9,092,833
Issue of Shares	8	-	8
Cancellation of Shares	(1)	-	(1)
Surplus for the year	-	1,973,334	1,973,334
<b>Balance as at 31 March 2017</b>	<u>141</u>	<u>11,066,033</u>	<u>11,066,174</u>
<b>Balance as at 1 April 2017</b>	141	11,066,033	11,066,174
Issue of Shares	15	-	15
Cancellation of Shares	(8)	-	(8)
Surplus for the year	-	1,133,492	1,133,492
<b>Balance as at 31 March 2018</b>	<u>148</u>	<u>12,199,525</u>	<u>12,199,673</u>

The notes on pages 14 to 29 form part of these financial statements.



# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 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.

#### 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 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. A summary of the more important accounting policies is set out below.

#### Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it 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 the asset to which it relates.

#### Retirement Benefits

The Association participated in the Scottish Housing Association Defined Benefits Pension Scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. The Association has moved from the Defined Benefit scheme to the Scottish Housing Association Defined Contribution Scheme for new members of staff. Payments to this scheme are made in accordance with periodic calculations by consulting Actuaries.

The Association still has a liability for past service costs contributions to the Scottish Housing Association Defined Benefit Pension Scheme. The Association provides 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 a 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.

Component	Useful Economic Life
Land	Not depreciated
Structure	50 years
Roofs	50 years
Windows	35 years
Doors	25 years
Door entry systems	20 years
Kitchens	20 years
Bathrooms	20 years
Separate WC	20 years
Electrics	30 years
Boiler	20 years
Dunn Street	25 years



# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 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:

Asset Category	Depreciation Rate
Office Premises	3.3%
Furniture & Equipment	25%
Computer Equipment	20%

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 non-current asset disposals and any gain or loss on disposal accounted for in the Statement of Comprehensive Income.

#### Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

#### Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Board of Management to exercise judgement in applying the 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, are disclosed below:

##### a) 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.

##### b) 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.

##### c) 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 assessment.

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 1. PRINCIPAL ACCOUNTING POLICIES

### **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. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position 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.

### **Key Judgements made in the application of Accounting Policies**

#### ***a) The Categorisation of Housing Properties***

In the judgement of the Board of Management 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.

#### ***b) 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) Financial instrument break clauses***

The Association has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Board of Management, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

#### ***d) Pension Liability***

In March 2018 the Association received details from the Pension Trust of the valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Committee feels this is the best available estimate of the past service liability.

### **Financial Instruments - Basic**

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

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 31 MARCH 2018  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Notes	2018			2017			
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	
Affordable letting activities	3	4,292,067	3,167,679	1,124,388	4,245,161	3,089,768	1,155,393
Other Activities	4	122,868	141,913	(19,045)	156,376	155,330	1,046
<b>Total</b>		<b>4,414,935</b>	<b>3,309,592</b>	<b>1,105,343</b>	<b>4,401,537</b>	<b>3,245,098</b>	<b>1,156,439</b>

## 3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Supported Housing £	2018 Total £	2017 Total £
<b>Revenue from Lettings</b>				
Rent receivable net of service charges	3,947,013	108,439	4,055,452	3,982,859
Service charges receivable	74,151	-	74,151	92,849
<b>Gross income from rent and service charges</b>	<b>4,021,164</b>	<b>108,439</b>	<b>4,129,603</b>	<b>4,075,708</b>
Less: Rent losses from voids	13,198	-	13,198	8,124
Less: Rent losses from voids - Unlettable	-	-	-	-
<b>Net Rents Receivable</b>	<b>4,007,966</b>	<b>108,439</b>	<b>4,116,405</b>	<b>4,067,584</b>
Grants released from deferred income	154,662	-	154,662	154,543
Revenue grants from Scottish Ministers	21,000	-	21,000	20,784
Other revenue grants	-	-	-	2,250
<b>Total turnover from affordable letting activities</b>	<b>4,183,628</b>	<b>108,439</b>	<b>4,292,067</b>	<b>4,245,161</b>
<b>Expenditure on affordable letting activities</b>				
Management and maintenance administration costs	1,190,354	16,236	1,206,590	1,131,616
Service Costs	75,208	-	75,208	48,679
Planned and cyclical maintenance, including major repairs	457,659	27,287	484,946	466,827
Reactive maintenance costs	606,547	4,214	610,761	644,894
Bad Debts - rents and service charges	11,244	-	11,244	16,103
Depreciation of affordable let properties	737,602	41,328	778,930	781,649
<b>Operating costs of affordable letting activities</b>	<b>3,078,614</b>	<b>89,065</b>	<b>3,167,679</b>	<b>3,089,768</b>
<b>Operating surplus on affordable letting activities</b>	<b>1,105,014</b>	<b>19,374</b>	<b>1,124,388</b>	<b>1,155,393</b>
<b>2017</b>	<b>1,106,395</b>	<b>48,998</b>		

## KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018  
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	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2018	Operating Surplus / (Deficit) 2017
	£	£	£	£	£	£	£	£
Wider role activities	60,795	-	10,000	70,795	-	70,475	320	14,795
Factoring	-	-	27,678	27,678	3,818	40,913	(17,053)	(25,472)
Agency or management services	-	-	1,820	1,820	-	1,820	-	-
Other activities	-	992	21,583	22,575	-	24,887	(2,312)	11,723
<b>Total From Other Activities</b>	<b>60,795</b>	<b>992</b>	<b>61,081</b>	<b>122,868</b>	<b>3,818</b>	<b>138,095</b>	<b>(19,045)</b>	<b>1,046</b>
<b>2017</b>	<b>87,218</b>	<b>12,751</b>	<b>56,407</b>	<b>156,376</b>	<b>6,385</b>	<b>148,945</b>	<b>1,046</b>	



# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 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.

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

Compensation payable to Officers for loss of Office

Pension contributions made on behalf on Officers with emoluments greater than £60,000

Emoluments payable to Chief Executive (excluding pension contributions)

Total Emoluments paid to key management personnel

2018	2017
£	£
139,387	138,137
3,844	-
20,257	16,908
74,916	73,633
311,655	236,849

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

£60,001 to £70,000

£70,001 to £80,000

£80,001 to £90,000

Number	Number
1	1
1	1
-	-

### 6. EMPLOYEE INFORMATION

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

The average total number of Employees employed during the year was:

Staff Costs were:

Wages and Salaries

Social Security Costs

Other Pension Costs

Temporary, Agency and Seconded Staff

2018	2017
No.	No.
20	20
23	23
£	£
698,957	679,793
56,960	48,804
100,635	83,262
32,571	32,497
889,123	844,356

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7. GAIN ON SALE OF HOUSING STOCK

	2018	2017
	£	£
Sales Proceeds	73,127	61,910
Cost of Sales	<u>36,795</u>	<u>32,666</u>
Gain On Sale Of Housing Stock	<u>36,332</u>	<u>29,244</u>

### 8. INTEREST PAYABLE & SIMILAR CHARGES

	2018	2017
	£	£
On Bank Loans & Overdrafts	<u>30,292</u>	<u>36,068</u>

### 9. SURPLUS FOR THE YEAR

	2018	2017
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	828,139	793,267
Auditors' Remuneration - Audit Services	9,000	8,840
Operating Lease Rentals - Other	7,625	7,834
Gain on sale of fixed assets	<u>(36,332)</u>	<u>(29,244)</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

	2018	2017
	£	£
Unwinding of Discounted Liabilities	<u>8,000</u>	<u>38,000</u>

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Total £
<b>COST</b>		
As at 1 April 2017	24,891,685	24,891,685
Additions	607,173	607,173
Disposals	(189,634)	(189,634)
As at 31 March 2018	<u>25,309,224</u>	<u>25,309,224</u>
<b>DEPRECIATION</b>		
As at 1 April 2017	7,076,697	7,076,697
Charge for Year	748,959	748,959
Disposals	(67,209)	(67,209)
As at 31 March 2018	<u>7,758,447</u>	<u>7,758,447</u>
<b>NET BOOK VALUE</b>		
As at 31 March 2018	<u>17,550,777</u>	<u>17,550,777</u>
As at 31 March 2017	<u>17,814,988</u>	<u>17,814,988</u>

Additions to housing properties include capitalised development administration costs of £nil (2017 - £nil) and capitalised major repair costs to existing properties of £368,154 (2017 - £524,824).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £853,100 (2017 - £991,651). The amount capitalised is £368,154 (2017 - £524,824) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £368,154 (2017 - £524,824) and improvement of £nil (2017 - £nil).

The Association's Lenders have standard securities over Housing Property with a carrying value of £7,675,786 (2017 - £8,075,730).



# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. NON CURRENT ASSETS (Continued)

(b) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Computer Equipment £	Total £
<b>COST</b>				
As at 1 April 2017	646,311	69,067	313,387	1,028,765
Additions	-	1,876	16,842	18,718
Eliminated on Disposals	-	( 2,214)	-	( 2,214)
As at 31 March 2018	<u>646,311</u>	<u>68,729</u>	<u>330,229</u>	<u>1,045,269</u>
<b>AGGREGATE DEPRECIATION</b>				
As at 1 April 2017	371,490	63,620	114,667	549,777
Charge for year	21,544	2,238	55,398	79,180
Eliminated on Disposals	-	( 2,094)	-	( 2,094)
As at 31 March 2018	<u>393,034</u>	<u>63,764</u>	<u>170,065</u>	<u>626,863</u>
<b>NET BOOK VALUE</b>				
As at 31 March 2018	<u>253,277</u>	<u>4,965</u>	<u>160,164</u>	<u>418,406</u>
As at 31 March 2017	<u>274,821</u>	<u>5,447</u>	<u>198,720</u>	<u>478,988</u>

## 13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Other</b>		
Not later than one year	9,553	12,381
Later than one year and not later than five years	<u>9,333</u>	<u>4,680</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 31 MARCH 2018  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 14. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Arrears of Rent & Service Charges	127,077	91,939
Less: Provision for Doubtful Debts	(19,644)	(12,877)
	107,433	79,062
Other Receivables	184,607	55,496
	<u>292,040</u>	<u>134,558</u>

## 15. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Housing Loans	598,596	598,005
Trade Payables	42,316	108,045
Rent Received in Advance	118,761	133,179
Other Taxation and Social Security	1,447	141
Other Payables	31,703	1,813
Liability for Past Service Contributions	164,000	159,000
Accruals and Deferred Income	72,979	215,826
	<u>1,029,802</u>	<u>1,216,009</u>

At the balance sheet date there were pension contributions outstanding of £29,851 (2017 - £72).

## 16. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £	2017 £
Liability for Past Service Contributions	489,000	651,000
Housing Loans	2,969,409	3,566,646
	<u>3,458,409</u>	<u>4,217,646</u>
<b>Housing Loans</b>		
Amounts due within one year	598,596	598,005
Amounts due in one year or more but less than two years	603,983	601,892
Amounts due in two years or more but less than five years	1,844,762	1,829,250
Amounts due in more than five years	520,664	1,135,504
	<u>3,568,005</u>	<u>4,164,651</u>
Less: Amount shown in Current Liabilities	598,596	598,005
	<u>2,969,409</u>	<u>3,566,646</u>
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	164,000	159,000
Amounts due in one year or more but less than two years	169,000	164,000
Amounts due in two years or more but less than five years	320,000	343,000
Amounts due in more than five years	-	144,000
	<u>653,000</u>	<u>810,000</u>
Less: Amount shown in Current Liabilities	164,000	159,000
	<u>489,000</u>	<u>651,000</u>

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

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable / Fixed
Nationwide Building Society	Standard security over 842 properties	0.90%	2024	Variable

All of the Association's bank borrowings are repayable on 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 1.51% (2017 - 1.06%).



# KNOWES HOUSING ASSOCIATION LI

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to net cash inflow from operating</i>	2018 £	2017 £
Operating Surplus	1,105,343	1,156,439
Depreciation	856,322	859,399
Change in Provisions for liabilities and charges	6,000	833,000
Amortisation of Capital Grants	(154,660)	(154,544)
Change in debtors	(157,482)	233,964
Change in creditors	(346,896)	(1,061,631)
Unwinding of Discount on Pension Liability	(8,000)	(38,000)
Share Capital Written Off	(8)	(1)
Net cash inflow from operating activities	1,300,619	1,828,626

## 18. DEFERRED INCOME

	Housing Properties Held for Letting £	Total £
<b>Social Housing Grants</b>		
As at 1 April 2017	5,534,673	5,534,673
Eliminated on disposal of components and property	(55,198)	(55,198)
As at 31 March 2018	5,479,475	5,479,475
<b>Amortisation</b>		
As at 1 April 2017	1,460,414	1,460,414
Amortisation in year	109,681	109,681
Eliminated on disposal	(16,742)	(16,742)
As at 31 March 2018	1,553,353	1,553,353
<b>Net book value</b>		
As at 31 March 2018	3,926,122	3,926,122
As at 31 March 2017	4,074,259	4,074,259
<b>Other Grants</b>		
As at 1 April 2017	1,566,154	1,566,154
As at 31 March 2018	1,566,154	1,566,154
<b>Amortisation</b>		
As at 1 April 2017	353,468	353,468
Amortisation in year	44,979	44,979
As at 31 March 2018	398,447	398,447
<b>Net book value</b>		
As at 31 March 2018	1,167,707	1,167,707
As at 31 March 2017	1,212,686	1,212,686
<b>Total grants net book value as at 31 March 2018</b>	5,093,829	5,093,829
<b>Total grants net book value as at 31 March 2017</b>	5,286,945	5,286,945

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

	2018 £	2017 £
Amounts due within one year	154,660	154,544
Amounts due in one year or more	4,939,169	5,132,401
	5,093,829	5,286,945



# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 19. SHARE CAPITAL

<b>Shares of £1 each Issued and Fully Paid</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
As at 1 April 2017	141	134
Issued in year	15	8
Cancelled in year	(8)	(1)
At 31 March 2018	<u>148</u>	<u>141</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:-	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
General Needs - Built by Association	114	115
General Needs - Purchased by Association	914	912
Supported Housing	1	1
	<u>1,029</u>	<u>1,028</u>

### 21. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102.

Those members who 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.

The Management Committee cannot use their position to their advantage. Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members (and their close family) were as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Rent received from tenants on the Management Committee and their close family members	<u>17,384</u>	<u>29,352</u>
Factoring charges received from factored owners on the Management Committee	<u>809</u>	<u>676</u>

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £344 (2017 - £nil).

At the year end total factoring arrears owed by the factored owners on the Management Committee (and their close family) were nil (2017 - £nil).

Members of the Management Committee who are tenants	4	7
Members of the Management Committee who are owner occupiers	2	2
Members of the Management Committee who are local councillors	2	1

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 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. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £541 (2017 - £429) in the year by way of reimbursement of expenses. No remuneration is paid to Management Committee members in respect of their duties to the Association.

### 24. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

	2018 £	2017 £
Opening pensions deficit liability	810,000	1,753,000
Unwinding of discount factor	8,000	38,000
Deficit contribution paid in year	(159,000)	(148,000)
Re-measurement in year	(6,000)	(833,000)
Closing pensions deficit liability	<u>653,000</u>	<u>810,000</u>
<i>Movement in fair value of financial instruments</i>		
Remeasurements - amendments to the contribution schedule	(6,000)	24,000
Remeasurements - impact of any change in assumptions	-	(857,000)
	<u>(6,000)</u>	<u>(833,000)</u>
<i>Other finance income / charges</i>		
Unwinding of discount factor	8,000	38,000
	<u>8,000</u>	<u>38,000</u>

### 25. INVESTMENTS

	2018 £	2017 £
Short term deposits	<u>1,502,433</u>	<u>2,803,946</u>



# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 26. RETIREMENT BENEFIT OBLIGATIONS

#### SCHEME: TPT Retirement Solutions - Scottish Housing Associations' Pension Scheme

##### General

Knowes Housing Association Limited participates in the Scottish Housing Association's Pension Scheme ('the scheme'), a multi-employer scheme which provides benefits to over 150 non-associated employers. The scheme is a defined benefit scheme in the UK. 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.

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. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

##### Deficit contributions

From 1 April 2017 to 28 February 2022:	£25,735,092 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 30 June 2025:	£727,217 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 31 October 2026:	£1,239,033 per annum (payable monthly, increasing by 3% each 1st April)

Unless a concession has been agreed with the Trustee the term to 28 February 2022 applies.

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-18	31-Mar-17	31-Mar-16
	(£000s)	(£000s)	(£000s)
Present Value of Provision	653	810	1,753



# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 26. RETIREMENT BENEFIT OBLIGATIONS

### SCHEME: TPT Retirement Solutions - Scottish Housing Associations' Pension Scheme

#### RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31-Mar-18 (£000s)	Period Ending 31-Mar-17 (£000s)
Provision at start of period	810	1,753
Unwinding of the discount factor (interest expense)	8	38
Deficit contribution paid	(159)	(148)
Remeasurements - impact of any change in assumptions	(6)	24
Remeasurements - amendments to the contribution schedule	-	(857)
Provision at end of period	653	810

#### INCOME AND EXPENDITURE IMPACT

	Period Ending 31-Mar-18 (£000s)	Period Ending 31-Mar-17 (£000s)
Interest expense	8	38
Remeasurements – impact of any change in assumptions	(6)	24
Remeasurements – amendments to the contribution schedule	-	(857)
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-18 % per annum	31-Mar-17 % per annum	31-Mar-16 % per annum
Rate of discount	1.51	1.06	2.29

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.

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 26. RETIREMENT BENEFIT OBLIGATIONS

#### SCHEME: TPT Retirement Solutions - Scottish Housing Associations' Pension Scheme

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 10.45% 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 21 active members (2017: 23) of the Scheme employed by Knowes Housing Association Limited. The annual pensionable payroll in respect of these members was £717,334 (2017: £667,270). Knowes Housing Association Limited continues to offer membership of the Scheme to its employees.

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-18 (£000s)	31-Mar-17 (£000s)	31-Mar-16 (£000s)
Year 1	164	159	148
Year 2	169	164	153
Year 3	174	169	157
Year 4	165	174	162
Year 5	-	165	167
Year 6	-	-	172
Year 7	-	-	177
Year 8	-	-	183
Year 9	-	-	188
Year 10	-	-	194
Year 11	-	-	199
Year 12	-	-	103
Year 13	-	-	-
Year 14	-	-	-

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.

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. Knowes Housing Association Ltd's estimated debt on withdrawal has been calculated as £5,917,112 (30 September 2016: £7,622,203).