



Alexander Sloan
Accountants and Business Advisers

Knowes Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2020

Registered Social Landlord No. HEP300

FCA Reference No. 2518R(S)

Scottish Charity No. SC027466

Registered Property Factor PF000201

KNOWES HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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KNOWES HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2020

MANAGEMENT COMMITTEE

Rhona Polak	Chairperson
Katie Devaney	Vice Chairperson
Sheila Cope	Treasure - resigned July 2020
William Stevenson	Secretary
Yvonne McDonald	Treasurer - appointed July 2020
Janet Cassidy	
Councillor Lawrence O'Neil	resigned February 2020
Councillor Jim Finn	appointed June 2019
Gary Clarke	appointed June 2019
Lynsey Chrystal	appointed June 2019, resigned December 2019
Claire McGraw	

EXECUTIVE OFFICERS

Pierre De Fence	Director
Erica Davidson	Head of Finance
Peter French	Property Services Manager, resigned February 2020
Martin Harvey	Housing Manager
Elaine Lewty	ICT Manager

REGISTERED OFFICE

10 Field Road
Faifley
Clydebannk
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 Building Society
5-11 St George Street
Douglas
Isle of Man
IM99 1RM

SOLICITOR

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

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

KNOWES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2020.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 (No.2518R(S)). The Association is 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

Review of Business and Future Developments

Universal Credit has now been live in the Faifley area for over a year and we have seen a significant rise in the number of tenants on receipt of this benefit. This has resulted in an additional workload for our staff and has seen the level of rent arrears increase throughout the year. At the end of the financial year the Covid 19 pandemic struck and saw us having to close our office and move our staff to working from home. 5 staff were also put on furlough leave as we were not able to provide work for them to do as a result of the pandemic.

The annual rent review is something the Committee takes very seriously and they have a difficult job to balance rent affordability with ongoing provision of services to our tenants whilst ensuring the Association has enough cash to fund future maintenance programmes. The Committee is required to look at the long term as it would be in nobody's interest to keep rents unrealistically low now at the expense of the properties falling into disrepair in the future. Fortunately, the results of the rent review survey of tenants showed that a majority were in agreement with the proposals put forward - which was for a rent increase of 1.7% from 1st April 2020 (2.6% from 1st April 2019) which is slightly less than inflation was at the time.

The year 2019/20 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, door replacement, and replacement of kitchens in a significant number of properties. 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 £1,341,464 with £769,058 being capitalised.

KNOWES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Continued)

We continued working towards achieving the Energy Efficiency Standard for Social Housing (ESSH) and we are pleased to report that at the end of the financial year we are 96.33% compliant with the standard. We will be working to ensure that the remaining 4% of properties achieve the standard over the next year.

Rent Arrears at the end of March 2020 was reasonable at 3.51% of the annual debit (with only 2.29% being the non-technical or actual arrear figure). This is a very impressive arrears figure that compares well against our peers. This financial year we had 1 eviction and a slight increase in the number of tenants receiving legal notices or referred to court. Universal Credit (UC) has made an enormous impact on arrears performance with £77,916.58 attributed to those on UC at the end of March 2020. In addition this has increased the workload for staff due to the time spent managing Universal Credit cases and the Association has employed a full time Housing Assistant to help provide support to the team. Taking the UC impact into account, our figures are impressive and 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 0.18% at the end of the financial year.

Lets for the year were the lowest they have been for a number of years with only 77 properties let in 2019-20. Void loss was low with £6,536.58 or 0.15% of rental income lost due to properties being empty. Lettings times were very good with on average a property let within 7.6 calendar days of it becoming vacant. Overall the performance was excellent and we continue to play a vital role in assisting WDC manage homeless cases as well as managing our own waiting lists.

Reported incidences of anti-social behaviour have decreased slightly over the last financial year and remains at a low level. We are using our own anti-social behaviour policy and procedure to manage our cases. There were no evictions carried out in the year due to ASB. We continue to work closely with Police Scotland in managing our cases.

Future Developments

It is safe to say that Covid 19 is going to impact on the Association more than any other single event in our history. We have had to change our ways of working and since the lockdown we have seen a significant increase in the number of tenants moving onto Universal Credit and an associated increase in rent arrears.

We have also been unable to let empty properties from the end of March through to June, although we have re-commenced with this activity.

Without doubt there will be permanent changes to the way we operate and we will undoubtedly use technology more in the future.

We will require to delay our investment programme in 2020-21, however we hope we will catch up with this towards the end of the year.

It is hoped that the planning restrictions on the bowling club site will be lifted late in 2020, and maybe we will be able to build some new social housing on the site in 2021-22.

KNOWES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

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 requires 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; and
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. It is 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.

Going Concern

Based on its budgetary and forecasting processes the Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future; therefore, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

KNOWES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

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 misstatement 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 receives 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 2020. 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 £935 (2019 - £1,064).

Disclosure of Information to the Auditor

The members of the Management Committee at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to auditors.

KNOWES HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

Auditors

A resolution to reappoint the Auditors, Alexander Sloan, Accountants and Business Advisers, will be proposed at the Annual General Meeting.

WILLIAM STEVENSON

Secretary

4 August 2020

KNOWES HOUSING ASSOCIATION LIMITED

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 Financial Reporting Council. 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 within 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

ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW
10/8/2020



Alexander Sloan
Accountants and Business Advisers

KNOWES HOUSING ASSOCIATION LIMITED

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 2020 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 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 Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

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

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

Matters on which we are required to report by exception

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorresponsibilities>. This description forms part of our audit report.

Use of our Report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an 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.

Alexander Sloan

ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW
10/8/2020



Alexander Sloan
Accountants and Business Advisers

KNOWES HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
Revenue	2		4,667,746		4,563,148
Operating costs	2		3,675,054		3,597,354
OPERATING SURPLUS			992,692		965,794
Interest receivable and other income		28,819		26,332	
Interest payable and similar charges	7	(34,199)		(37,165)	
Other Finance income/(charges)	10	(30,000)		(26,000)	
			(35,380)		(36,833)
SURPLUS FOR THE YEAR			957,312		928,961
Other comprehensive income					
Adjustment relating to opening pension liability	17		-		(423,000)
Actuarial gains/(losses) on defined benefit pension plan	17		1,224,000		(392,000)
TOTAL COMPREHENSIVE INCOME			2,181,312		113,961

The results relate wholly to continuing activities.

The notes on pages 14 to 32 form an integral part of these financial statements.

KNOWES HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
NON-CURRENT ASSETS					
Housing properties - depreciated cost	11		18,137,600		17,839,785
Other tangible assets	11		304,636		370,796
			<u>18,442,236</u>		<u>18,210,581</u>
CURRENT ASSETS					
Receivables	12	178,192		240,297	
Investments	13	3,236,833		2,968,912	
Cash and cash equivalents	14	849,445		746,349	
		<u>4,264,470</u>		<u>3,955,558</u>	
CREDITORS: Amounts falling due within one year	15	<u>(1,345,870)</u>		<u>(1,122,790)</u>	
NET CURRENT ASSETS			<u>2,918,600</u>		<u>2,832,768</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>21,360,836</u>		<u>21,043,349</u>
CREDITORS: Amounts falling due after more than one year	16		<u>(1,953,397)</u>		<u>(2,370,227)</u>
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES					
Scottish housing association pension scheme	17	<u>(34,000)</u>		<u>(1,361,000)</u>	
			<u>(34,000)</u>		<u>(1,361,000)</u>
DEFERRED INCOME					
Social housing grants	18	<u>(3,706,944)</u>		<u>(3,816,534)</u>	
Other grants	18	<u>(1,171,565)</u>		<u>(1,181,951)</u>	
			<u>(4,878,509)</u>		<u>(4,998,485)</u>
NET ASSETS			<u><u>14,494,930</u></u>		<u><u>12,313,637</u></u>
EQUITY					
Share capital	19		132		151
Revenue reserves			14,528,798		13,674,486
Pension reserves			(34,000)		(1,361,000)
			<u>14,494,930</u>		<u>12,313,637</u>

The financial statements were approved by the Management Committee and authorised for issue and signed on their behalf on 4 August 2020.

Committee Member

Committee Member

Secretary

The notes on pages 14 to 32 form an integral part of these financial statements.

KNOWES HOUSING ASSOCIATION LIMITED**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020		2019	
		£	£	£	£
Surplus for the Year			957,312		928,961
<i>Adjustments for non-cash items:</i>					
Depreciation of tangible fixed assets	12	907,122		864,960	
Amortisation of capital grants	18	(156,372)		(155,070)	
Non-cash adjustments to pension provisions		(103,000)		(107,000)	
Share capital written off	19	(36)		(13)	
			647,714		602,877
Interest receivable			(28,819)		(26,332)
Interest payable	7		34,199		37,165
Operating cash flows before movements in working capital			1,610,406		1,542,671
Change in debtors		62,105		51,743	
Change in creditors		168,295		254,175	
			230,400		305,918
Net cash inflow from operating activities			1,840,806		1,848,589
Investing Activities					
Acquisition and construction of properties		(1,119,948)		(1,071,288)	
Purchase of other fixed assets		(18,829)		(35,070)	
Other grants received		36,396		59,726	
Changes on short term deposits	21	(267,921)		(1,466,479)	
Net cash outflow from investing activities			(1,370,302)		(2,513,111)
Financing Activities					
Interest received on cash and cash equivalents		28,819		26,332	
Interest paid on loans		(34,199)		(37,165)	
Loan principal repayments		(362,045)		(596,369)	
Share capital issued	19	17		16	
Net cash outflow from financing activities			(367,408)		(607,186)
Increase/(decrease) in cash	21		103,096		(1,271,708)
Opening cash & cash equivalents			746,349		2,018,057
Closing cash & cash equivalents			849,445		746,349
Cash and cash equivalents as at 31 March					
Cash			849,445		746,349
			849,445		746,349

The notes on pages 14 to 32 form an integral part of these financial statements.

KNOWES HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020

	Share Capital	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£
Balance as at 1 April 2018	148	-	12,199,525	12,199,673
Issue of Shares	16	-	-	16
Cancellation of Shares	(13)	-	-	(13)
Other comprehensive income	-	(815,000)	-	(815,000)
Other movements	-	(546,000)	546,000	-
Surplus for the year	-	-	928,961	928,961
Balance as at 31 March 2019	151	(1,361,000)	13,674,486	12,313,637
Balance as at 1 April 2019	151	(1,361,000)	13,674,486	12,313,637
Issue of Shares	17	-	-	17
Cancellation of Shares	(36)	-	-	(36)
Other comprehensive income	-	1,224,000	-	1,224,000
Other movements	-	103,000	(103,000)	-
Surplus for the year	-	-	957,312	957,312
Balance as at 31 March 2020	132	(34,000)	14,528,798	14,494,930

The notes on pages 14 to 32 form an integral part of these financial statements.

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance and Basis of Accounting

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 2018. 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 2019. They comply with the Determination of Accounting Requirements 2019. A summary of the principal 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 they relate. Revenue grants are receivable when the conditions for receipt of the agreed grant funding have been met.

Retirement Benefits

The Association participates in the Scottish Housing Association Pension Scheme (SHAPS), a multi-employer defined benefit scheme. 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 organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102.

Going Concern

On the basis that the Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, the Association has adopted the going concern basis of accounting in preparing these financial statements.

Housing Properties

Housing properties are held for the provision of social housing. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes acquisition of land and buildings and development cost. The Association depreciates housing properties over the useful life of each major component. Housing under construction and land are not depreciated.

<i>Component</i>	<i>Useful Economic Life</i>
Land	Not Depreciated
Structure	Over 50 years
Roofs	Over 50 years
Windows	Over 35 years
Doors	Over 25 years
Door Entry Systems	Over 20 years
Kitchens	Over 20 years
Bathrooms	Over 20 years
Separate WC	Over 20 years
Electrics	Over 30 years
Boiler	Over 20 years
Dunn Street	Over 25 years

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Depreciation and Impairment of Other Tangible Assets

Non-current assets are stated at cost less accumulated depreciation. Depreciation is charged over the expected economic useful lives of the assets at the following annual rates:

<i>Asset Category</i>	<i>Depreciation Rate</i>
Office Premises	3%
Furniture & Equipment	25%
Computer Equipment	20%

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

Social Housing Grants and Other Capital Grants

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 they relate.

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.

Taxation

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

Leases

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 or the term of the lease whichever is shorter.

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, a material reduction in future maintenance costs, or a significant extension of the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to ongoing development activities are capitalised.

Borrowing Costs

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. All other borrowing costs are expensed to the statement of comprehensive income using the effective interest rate method.

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

VAT

The Association is VAT registered but the substantial proportion of its income is exempt for VAT purposes. As a result most of the VAT paid is not recovered and therefore expenditure is shown inclusive of VAT.

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.

Cash and Liquid Resources

Cash comprises cash at bank and in hand, deposits repayable on demand less overdrafts. Liquid resources are current asset investments that can't be disposed of without penalty and are readily convertible into amounts of cash at their carrying value.

Impairment

The Association assesses at the end of each accounting period whether there are indications that a non-current asset may be impaired or that an impairment loss previously recognised has fully or partially reversed.

Where the carrying value of non-current assets is less than their recoverable amounts the shortfall is recognised as an impairment loss in the Statement of Comprehensive Income. The recoverable amount is the higher of the fair value less costs to sell and value-in-use of the asset based on its service potential.

Impairment losses previously recognised are reversed if the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the Statement of Comprehensive Income.

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Key Judgements and estimates made in the application of Accounting Policies

The preparation of financial statements requires the use of certain accounting judgements and accounting estimates. It also requires the Association to exercise judgement in applying the 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.

Key Judgements

a) 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.

b) Identification of cash generating units

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

c) Pension Liability

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. The Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

Estimation Uncertainty

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.

d) Defined pension liability

In determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

e) Allocation of share of assets and liabilities for multi employer schemes

Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi employer pension schemes and estimations performed by the Pensions Trust.

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

		2020			2019		
	Notes	Turnover	Operating costs	Operating surplus / (deficit)	Turnover	Operating costs	Operating surplus / (deficit)
		£	£	£	£	£	£
Affordable letting activities	3	4,582,202	3,563,086	1,019,116	4,437,536	3,427,744	1,009,792
Other Activities	4	85,544	111,968	(26,424)	125,612	169,610	(43,998)
Total		4,667,746	3,675,054	992,692	4,563,148	3,597,354	965,794

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

	General Needs Housing	Supported Housing	2020 Total	2019 Total
	£	£	£	£
Revenue from Lettings				
Rent receivable net of service charges	4,212,785	114,802	4,327,587	4,179,600
Service charges receivable	88,427	-	88,427	85,953
Gross income from rent and service charges	4,301,212	114,802	4,416,014	4,265,553
Less: Rent losses from voids	10,575	-	10,575	16,087
Income from rents and service charges	4,290,637	114,802	4,405,439	4,249,466
Grants released from deferred income	156,371	-	156,371	155,070
Revenue grants from Scottish Ministers	20,392	-	20,392	20,000
Other revenue grants	-	-	-	13,000
Total turnover from affordable letting activities	4,467,400	114,802	4,582,202	4,437,536
Management and maintenance administration costs	1,212,029	5,799	1,217,828	1,249,066
Service costs	107,959	-	107,959	93,370
Planned and cyclical maintenance, including major	561,675	10,731	572,406	466,150
Reactive maintenance costs	775,225	5,840	781,065	821,358
Bad Debts - rents and service charges	61,694	-	61,694	15,520
Depreciation of affordable let properties	780,806	41,328	822,134	782,280
Operating costs of affordable letting activities	3,499,388	63,698	3,563,086	3,427,744
Operating surplus on affordable letting activities	968,012	51,104	1,019,116	1,009,792
2019	956,524	53,268		

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 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 income	Total Turnover	Operating costs - bad debts	Other operating costs	Operating surplus / (deficit) 2020	Operating surplus / (deficit) 2019
	£	£	£	£	£	£	£
Wider role activities	21,144	25,323	46,467	-	55,856	(9,389)	(18,530)
Factoring	-	28,293	28,293	2,792	43,604	(18,103)	(19,507)
Agency or management services	-	10,784	10,784	-	9,716	1,068	(5,961)
Total From Other Activities	21,144	64,400	85,544	2,792	109,176	(26,424)	(43,998)
2019	42,088	83,524	125,612	-	169,610	(43,998)	

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. OFFICERS' EMOLUMENTS

	2020	2019
	£	£
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)	135,146	139,347
Pension contributions made on behalf on Officers with emoluments greater than £60,000	19,420	20,228
Emoluments payable to Director (excluding pension contributions)	71,030	77,009
Pension contributions paid on behalf of the Director	10,211	11,168
Total emoluments payable to the Director	81,241	88,177
Total emoluments paid to key management personnel	248,142	277,937

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

6. EMPLOYEE INFORMATION

	2020	2019
	No.	No.
Average monthly number of full time equivalent persons employed during the year	20	20
Average total number of employees employed during the year	23	24
Staff costs were:	£	£
Wages and salaries	715,725	740,599
National insurance costs	57,368	61,553
Pension costs	139,568	137,154
Temporary, agency and seconded staff	25,901	11,312
	938,562	950,618

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
On bank loans and overdrafts	34,199	37,165
	<u>34,199</u>	<u>37,165</u>

8. SURPLUS FOR THE YEAR

	2020	2019
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	874,551	835,301
Auditors' remuneration - audit services	9,360	9,000
Operating lease rentals - other	4,906	5,558
	<u>888,817</u>	<u>859,859</u>

9. CORPORATION TAX

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

10. OTHER FINANCE INCOME / (CHARGES)

	2020	2019
	£	£
Net interest on pension obligations	(30,000)	(26,000)
	<u>(30,000)</u>	<u>(26,000)</u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

11. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Total £
COST		
At 1 April 2019	26,325,679	26,325,679
Additions	1,119,948	1,119,948
Disposals	(42,604)	(42,604)
At 31 March 2020	<u>27,403,023</u>	<u>27,403,023</u>
DEPRECIATION		
At 1 April 2019	8,485,894	8,485,894
Charge for Year	789,562	789,562
Disposals	(10,033)	(10,033)
At 31 March 2020	<u>9,265,423</u>	<u>9,265,423</u>
NET BOOK VALUE		
At 31 March 2020	<u>18,137,600</u>	<u>18,137,600</u>
At 31 March 2019	<u>17,839,785</u>	<u>17,839,785</u>

Expenditure on Existing Properties	2020		2019	
	<i>Component replacement</i> £	<i>Improvement</i> £	<i>Component replacement</i> £	<i>Improvement</i> £
Amounts capitalised	1,119,948	-	659,794	-
Amounts charged to the statement of comprehensive income	<u>1,353,471</u>	<u>-</u>	<u>1,287,508</u>	<u>-</u>

All land and housing properties are heritable.

The Association's lenders have standard securities over housing property with a carry value of £7,913,380 (2019 - £7,782,479).

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

11. NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Furniture & Equipment £	Computer Equipment £	Total £
COST				
At 1 April 2019	646,311	75,864	318,866	1,041,041
Additions	-	2,724	16,105	18,829
At 31 March 2020	<u>646,311</u>	<u>78,588</u>	<u>334,971</u>	<u>1,059,870</u>
DEPRECIATION				
At 1 April 2019	414,578	57,965	197,702	670,245
Charge for year	21,544	5,758	57,687	84,989
At 31 March 2020	<u>436,122</u>	<u>63,723</u>	<u>255,389</u>	<u>755,234</u>
NET BOOK VALUE				
At 31 March 2020	<u>210,189</u>	<u>14,865</u>	<u>79,582</u>	<u>304,636</u>
At 31 March 2019	<u>231,733</u>	<u>17,899</u>	<u>121,164</u>	<u>370,796</u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. RECEIVABLES

	2020	2019
	£	£
Gross arrears of rent and service charges	158,464	139,738
Less: Provision for doubtful debts	<u>(62,639)</u>	<u>(22,933)</u>
<i>Net arrears of rent and service charges</i>	95,825	116,805
Other receivables	<u>82,367</u>	<u>123,492</u>
	<u>178,192</u>	<u>240,297</u>

13. CURRENT ASSET INVESTMENTS

	2020	2019
	£	£
Short term deposits	3,236,833	2,968,912
	<u>3,236,833</u>	<u>2,968,912</u>

14. CASH AND CASH EQUIVALENTS

	2020	2019
	£	£
Cash at bank and in hand	849,445	746,349
	<u>849,445</u>	<u>746,349</u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

15. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR		
	2020	2019
	£	£
Bank loans	656,194	601,409
Trade payables	235,836	242,594
Rent received in advance	183,497	123,611
Other taxation and social security	609	1,223
Other payables	37,397	37,350
Accruals and deferred income	232,337	116,603
	<u>1,345,870</u>	<u>1,122,790</u>

At the balance sheet date there were pension contributions outstanding of £31,416 (£2019 - £30,974).

16. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
	2020	2019
	£	£
Bank loans	1,953,397	2,370,227
	<u>1,953,397</u>	<u>2,370,227</u>
Housing Loans		
Amounts due within one year	656,194	601,409
Amounts due in one year or more but less than two years	663,189	608,326
Amounts due in two years or more but less than five years	1,242,340	1,761,901
Amounts due in more than five years	47,868	-
	<u>2,609,591</u>	<u>2,971,636</u>

The Association has a number of bank loans the principal terms of which are as follows:

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable or Fixed
Nationwide Building Society	842	1.2%	2024	Variable
Scottish Government	-	0.0%	2024	Fixed

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

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

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

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 pensions schemes in the UK.

The last valuation of the Scheme was performed as at 30 September 2018 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £877m. The valuation revealed a shortfall of assets compared with the value of liabilities of £121m (equivalent to a past service funding level of 89%). A recovery plan is in place to eliminate the past service deficit which runs to 28 February 2022.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal, then the liability of the withdrawing employer is reapportioned amongst the remaining employers. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

In 2019 the Pensions Trust, the administrator of the Scheme, developed a method of determining the share of assets and liabilities for individual employers. This method was adopted by the Association in 2019 and resulted in an adjustment to the opening pension liability recognised in the statement of financial position of £423,000.

Present values of defined benefit obligation, fair value of assets and defined benefit asset / (liability)

	2020	2019
	£	£
Fair value of plan assets	6,952,000	6,198,000
Present value of defined benefit obligation	6,986,000	7,559,000
Surplus / (deficit) in plan	(34,000)	(1,361,000)
Unrecognised surplus	-	-
Defined benefit asset / (liability) to be recognised	(34,000)	(1,361,000)

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Reconciliation of opening and closing balances of the defined benefit obligation

	2020	2019
	£	£
Defined benefit obligation at the start of period	7,559,000	6,798,000
Current service cost	149,000	158,000
Expenses	5,000	5,000
Interest expense	177,000	177,000
Contributions by plan participants	3,000	-
Actuarial losses (gains) due to scheme experience	144,000	(66,000)
Actuarial losses (gains) due to changes in demographic assumptions	(43,000)	20,000
Actuarial losses (gains) due to changes in financial assumptions	(879,000)	527,000
Benefits paid and expenses	(129,000)	(60,000)
Defined benefit obligation at the end of period	<u>6,986,000</u>	<u>7,559,000</u>

Reconciliation of opening and closing balances of the fair value of plan assets

	2020	2019
	£	£
Fair value of plan assets at start of period	6,198,000	5,722,000
Interest income	147,000	151,000
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	446,000	91,000
Contributions by the employer	287,000	294,000
Contributions by plan participants	3,000	-
Benefits paid and expenses	(129,000)	(60,000)
Fair value of plan assets at the end of period	<u>6,952,000</u>	<u>6,198,000</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £593,000 (2019 - £242,000).

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Defined benefit costs recognised in the statement of comprehensive income

	2020	2019
	£	£
Current service cost	149,000	158,000
Expenses	5,000	5,000
Net interest expense	30,000	26,000
	<u> </u>	<u> </u>
Defined benefit costs recognised in statement of comprehensive income	184,000	189,000
	<u> </u>	<u> </u>

Defined benefit costs recognised in the other comprehensive

	2020	2019
	£	£
Experience on plan assets (excluding amounts included in interest income) - gain /(loss)	446,000	91,000
Experience gains and losses arising on plan liabilities - gain /(loss)	(144,000)	66,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain /(loss)	43,000	(20,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	879,000	(527,000)
	<u> </u>	<u> </u>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain / (loss)	1,224,000	(390,000)
	<u> </u>	<u> </u>

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Assets

	2020	2019	2018
	£	£	£
Absolute Return	427,000	525,000	679,000
Alternative Risk Premia	557,000	346,000	217,000
Corporate Bond Fund	508,000	435,000	399,000
Credit Relative Value	167,000	108,000	-
Distressed Opportunities	127,000	106,000	26,000
Emerging Markets Debt	247,000	199,000	196,000
Fund of Hedge Funds	-	17,000	164,000
Global Equity	956,000	997,000	1,029,000
Infrastructure	410,000	260,000	104,000
Insurance-Linked Securities	186,000	161,000	157,000
Liability Driven Investment	1,831,000	2,205,000	2,014,000
Long Lease Property	170,000	75,000	-
Net Current Assets	53,000	6,000	11,000
Over 15 Year Gilts	88,000	159,000	185,000
Private Debt	138,000	80,000	53,000
Property	130,000	123,000	226,000
Risk Sharing	220,000	180,000	52,000
Secured Income	386,000	216,000	210,000
Opportunistic Illiquid credit	169,000	-	-
Liquid credit	182,000	-	-
Total Assets	6,952,000	6,198,000	5,722,000
Key Assumptions			
Discount Rate	2.4%	2.3%	2.6%
Inflation (RPI)	2.6%	3.3%	3.2%
Inflation (CPI)	1.6%	2.3%	2.2%
Salary Growth	2.6%	3.3%	3.2%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 years (years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	24.5

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. DEFERRED INCOME

	Social Housing Grants £	Other Housing Grants £	Total £
Capital grants received			
At 1 April 2019	5,479,475	1,625,880	7,105,355
Additions in the year	-	36,396	36,396
At 31 March 2020	<u>5,479,475</u>	<u>1,662,276</u>	<u>7,141,751</u>
Amortisation			
At 1 April 2019	1,662,941	443,929	2,106,870
Amortisation in year	109,590	46,782	156,372
At 31 March 2020	<u>1,772,531</u>	<u>490,711</u>	<u>2,263,242</u>
Net book value			
At 31 March 2020	<u>3,706,944</u>	<u>1,171,565</u>	<u>4,878,509</u>
At 31 March 2019	<u>3,816,534</u>	<u>1,181,951</u>	<u>4,998,485</u>

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

	2020 £	2019 £
Amounts due within one year	157,716	155,070
Amounts due in more than one year	4,720,793	4,843,415
	<u>4,878,509</u>	<u>4,998,485</u>

19. SHARE CAPITAL

Shares of £1 each, issued and fully paid	2020 £	2019 £
At 1 April	151	148
Issued in year	17	16
Cancelled in year	(36)	(13)
At 31 March	<u>132</u>	<u>151</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.

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

20. CASH FLOWS

Reconciliation of net cash flow to movement in net funds

	2020		2019
	£	£	£
Increase / (decrease) in cash	103,096	(1,271,708)	
Change in liquid resources	267,921	1,466,479	
Cashflow from change in net debt	362,045	596,369	
Movement in net funds in the year	<u>733,062</u>		791,140
Net funds at 1 April		743,625	(47,515)
Net funds at 31 March		<u>1,476,687</u>	<u>743,625</u>

	At 01 April 2019	Cashflows	Other Changes	At 31 March 2020
	£	£	£	£
Cash and cash equivalents	746,349	103,096	-	849,445
Liquid resources	746,349	103,096	-	849,445
Debt: Due within one year	2,968,912	267,921	-	3,236,833
Due after more than one year	(601,409)	362,045	(416,830)	(656,194)
	(2,370,227)	-	416,830	(1,953,397)
Net funds	<u>743,625</u>	<u>733,062</u>	-	<u>1,476,687</u>

21. CAPITAL COMMITMENTS

	2020	2019
	£	£
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	-	9,205

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

22. COMMITMENTS UNDER OPERATING LEASES

At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-

	2020	2019
	£	£
Other		
Expiring in the next year	-	576
Expiring later than one year and not later than five years	<u>6,136</u>	<u>1,619</u>

23. 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, G81 5BX.

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

KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

24. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £458 (2019 - £527) in the year by way of reimbursement of expenses. No remuneration is paid to members in respect of their duties to the Association.

25. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2020 No.	2019 No.
General needs - Built by Association	114	114
General Needs - Purchased by Association	929	922
Supported housing	1	1
	<u>1,044</u>	<u>1,037</u>

26. RELATED PARTY TRANSACTIONS

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

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:

	2020 £	2019 £
Rent received from tenants on the Management Committee and their close family members	<u>18,632</u>	<u>21,833</u>
Factoring charges received from factored owners on the Management Committee and their close family members	<u>65</u>	<u>809</u>

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £0 (2019 - £363).

At the year end total factoring arrears owed by owner occupiers on the Management Committee (and their close family) were £0 (2019 - £135).

Members of the Management Committee who are tenants	3	4
Members of the Management Committee who are owner occupiers	1	1
Members of the Management Committee who are local councillors	1	2
	<u>5</u>	<u>7</u>

27. NON ADJUSTING POST BALANCE SHEET EVENT

At the time of approving the financial statements the United Kingdom is impacted by the Coronavirus pandemic. The Association is monitoring the position and updating its plans accordingly. Like most RSLs, however, the virus is likely to impact the Association's activities.