



**Alexander Sloan**  
Accountants and Business Advisers

# **Knowes Housing Association Limited**

Report and Financial Statements

For the year ended 31 March 2021

Registered Social Landlord No. HEP300

FCA Reference No. 2518R(S)

Scottish Charity No. SC027466

Registered Property Factor PF000201

# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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# KNOWES HOUSING ASSOCIATION LIMITED

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## MANAGEMENT COMMITTEE, EXECUTIVE AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2021

### MANAGEMENT COMMITTEE

Rhona Polak	Chairperson
Katie Devaney	Vice Chairperson
Sheila Cope	Treasurer - resigned July 2020
William Stevenson	Secretary
Yvonne McDonald	Treasurer - appointed July 2020
Janet Cassidy	
Councillor Lawrence O'Neil	
Gary Clarke	
Lynsey Chrystal	Appointed December 2020
Ross Campbell Anderson	Appointed December 2020
Hilary Edgar	Appointed November 2020
Steven McCabe	

### 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
Joseph Wilson	Property Services Manager, appointed July 2020

### 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 Building Society  
5-11 St George Street  
Douglas  
Isle of Man  
IM99 1RM

### SOLICITORS

Harper McLeod  
The Ca'd'oro  
45 Gordon Street  
Glasgow

### SOLICITORS

TC 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 2021

The Management Committee presents its report and the financial statements for the year ended 31 March 2021.

### 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

The year 2020-21 was a year like no other. The Covid pandemic resulted in us having to close our office and moving our staff to working from home. Five members of staff were placed on Furlough, and were brought back to work over the year as workload permitted.

We continued to provide services to our customers over the year, and our performance was excellent in all of our key performance areas. Our fears that rent arrears and void loss would escalate did not materialise. In line with Scottish Government legislation, we suspended non-emergency repairs for a period of time, however we have resumed our full repairs service.

Our investment programme was also put on hold due to the Covid restrictions, however we did manage to complete all of our planned maintenance operations.

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 business projections 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. However given that the Association is currently in a strong financial position and, following a consultation with all our tenants, the Committee are delighted to be able to offer our tenants a rent freeze for one year from 1<sup>st</sup> April 2021.

Rent Arrears at the end of March 2021 were below anticipated levels, sitting at 2.6% gross of the annual debit (with only 1.73% 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 zero evictions and a reduction in the number of tenants receiving legal notices or referred to court. This was mainly down to restrictions introduced by the Scottish Government who introduced a ban on evictions and an extended notice period when issuing a Notice of Proceedings as a result of the Covid pandemic. Universal Credit continues to influence the Associations management of arrears and workload. In 2020-21 the arrears balance attributed to those in receipt of Universal Credit was £59,169. Taking the UC impact into account, our figures are impressive and remain low amongst our peers. In addition there was a small arrears balance for our garage sites and lock ups and our former tenant arrears were 0.53% at the end of the Financial year.



# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2021

### Review of Business and Future Developments (Contd.)

Lets for the year were the lowest they have been for a number of years with only 65 properties let in 2020-21. This again was down to the impact of Covid which stopped us being able to let at the start of the financial year due to restrictions in lettings activity. During the year we did restart letting properties quicker than many of our peers, however turnover was slower than expected. Normal Void loss was £10,577 or 0.24% of rental income lost due to property's being empty. This was higher than our target of 0.2%; this was affected however due to the pandemic protocol for lettings which allowed for 72 hours before void inspections and work was allowed to start to reduce possible infectious rates. This has had an impact on lettings time which were 15.2 calendar days and 9.7 working days of a property becoming vacant. Overall the performance was satisfactory considering the implications of the pandemic. We continue to play a vital role in assisting West Dunbartonshire Council manage homeless cases as well as managing our own waiting lists; however due to lower turnover of properties we did not meet the target of homeless referrals being rehoused agreed between Knowes and West Dunbartonshire Council.

Reported incidences of anti-social behaviour were higher than the previous financial year and remains at a reasonable 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.

### Wider Role

In 2020/21 we were able to obtain £59,899 in grants for wider role projects in our community to help alleviate hardship caused to our residents by the Covid lockdown and also to promote digital inclusion in the area. In partnership with other West Dunbartonshire social landlords we are able to provide the services of a tenancy sustainment officer who will be in post for two years. The solar panel income is continued to be put to good use in funding advice services to our residents as well as support local projects throughout the year.

### Future Developments

We are now hopeful that we will be able to progress the development of new properties on the Bowling Club site, and we are aware that West Dunbartonshire Council intends to relocate the local schools onto one campus, which will hopefully provide an opportunity for further new housing development in the next five years.

Working from home will become the norm for some staff going forward, however service provision remains our priority. We are continually be looking at new ways of interacting with our customers which include introducing Digital Kiosk Customer services in our office and also a new web-based customer portal to be launched in 2021.

# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2021

### Management Committee and Executive Officers

The members of the Management Committee and the Executive officers are listed on page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of directors, they act as executives within the authority delegated by the Management Committee.

The members of the Management Committee are also trustees of the charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

### Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Management Committee to prepare financial statements for each financial year that 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 a 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 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.

### 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

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2021

### 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 end 31 March 2021. 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 of £360 (2020 - £935).

### 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 the auditors.

### Auditor

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

# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2021

**By order of the Management Committee**

A black rectangular redaction box covering the signature of the Secretary.

William Stevenson  
Secretary  
3 AUGUST 2021



# 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 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 reason given for non-compliance.

### Opinion

In our opinion the Statement of 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 issued 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 contained 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  
3 AUGUST 2021



# KNOWES HOUSING ASSOCIATION LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KNOWES HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2021

### Opinion

We have audited the financial statements of Knowes Housing Association Limited (the 'Association') for the year ended 31 March 2021 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 2021 and of the 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 of 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 United Kingdom, including the Financial Reporting Council'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 audit opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Management Committee use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Management Committee with respect to going concern are described in the relevant sections of this report.

### Other Information

The Management Committee is responsible for the other information. The other information comprises the information contained 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.



# KNOWES HOUSING ASSOCIATION LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KNOWES HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2021 (continued)

### Other Information (Contd.)

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.

### 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 require 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 is responsible for the preparation of the financial statements and for being satisfied that they give true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of the 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 intend to liquidate the Association or to cease operations, or have 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:



# KNOWES HOUSING ASSOCIATION LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KNOWES HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2021 (continued)

### **The extent to which the audit was considered capable of detecting irregularities including fraud**

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we gained an understanding of the legal and regulatory framework applicable to the Association through discussions with management, and from our wider knowledge and experience of the RSL sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Association, including the Co-operative and Community Benefit Societies Act 2014 (and related regulations), the Housing (Scotland) Act 2010 and other laws and regulations applicable to a registered social housing provider in Scotland. We also considered the risks of non-compliance with the other requirements imposed by the Scottish Housing Regulator and we considered the extent to which non-compliance might have a material effect on the financial statements.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Association's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 1 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reviewing the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- reviewing the Association's Assurance Statement and associated supporting information; and
- reviewing correspondence with the Scottish Housing Regulator.



# KNOWES HOUSING ASSOCIATION LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KNOWES HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2021 (continued)

### The extent to which the audit was considered capable of detecting irregularities including fraud (Contd.)

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. The 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  
3 AUGUST 2021



**Alexander Sloan**  
Accountants and Business Advisers

# KNOWES HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021		2020	
		£	£	£	£
Revenue	2		4,841,206		4,667,746
Operating costs	2		<u>3,143,557</u>		<u>3,675,054</u>
<b>OPERATING SURPLUS</b>			1,697,649		992,692
Interest receivable and other income		16,844		28,819	
Interest payable and similar charges	7	(11,856)		(34,199)	
Other Finance income/(charges)	10	<u>1,000</u>		<u>(30,000)</u>	
			5,988		(35,380)
<b>SURPLUS FOR THE YEAR</b>			<u>1,703,637</u>		<u>957,312</u>
<b>Other comprehensive income</b>					
Actuarial gains/(losses) on defined benefit pension plan	17		<u>(997,000)</u>		<u>1,224,000</u>
<b>TOTAL COMPREHENSIVE INCOME</b>			<u><u>706,637</u></u>		<u><u>2,181,312</u></u>

The results relate wholly to continuing activities.

The notes on pages 16 to 34 form an integral part of these financial statements.

# KNOWES HOUSING ASSOCIATION LIMITED


## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Notes	2021		2020	
		£	£	£	£
<b>NON-CURRENT ASSETS</b>					
Housing properties - depreciated cost	11		17,512,933		18,137,600
Other tangible assets	11		252,386		304,636
			<u>17,765,319</u>		<u>18,442,236</u>
<b>CURRENT ASSETS</b>					
Receivables	12	167,958		178,192	
Investments	13	3,000,582		3,236,833	
Cash and cash equivalents	14	2,279,779		849,445	
		<u>5,448,319</u>		<u>4,264,470</u>	
<b>CREDITORS: Amounts falling due within one year</b>	15	<u>(1,175,485)</u>		<u>(1,345,870)</u>	
<b>NET CURRENT ASSETS</b>			<u>4,272,834</u>		<u>2,918,600</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			22,038,153		21,360,836
<b>CREDITORS: Amounts falling due after more than one year</b>	16		(1,284,575)		(1,953,397)
<b>PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Scottish housing association pension scheme	17	<u>(830,000)</u>		<u>(34,000)</u>	
			(830,000)		(34,000)
<b>DEFERRED INCOME</b>					
Social housing grants	18	(3,597,354)		(3,706,944)	
Other grants	18	<u>(1,124,662)</u>		<u>(1,171,565)</u>	
			<u>(4,722,016)</u>		<u>(4,878,509)</u>
<b>NET ASSETS</b>			<u>15,201,562</u>		<u>14,494,930</u>
<b>EQUITY</b>					
Share capital	19		127		132
Revenue reserves			16,031,435		14,528,798
Pension reserves			(830,000)		(34,000)
			<u>15,201,562</u>		<u>14,494,930</u>

The financial statements were approved by the Management Committee and authorised for issue and signed on their behalf on 3 August 2021.

  
Committee Member

  
Committee Member

  
Secretary

The notes on pages 16 to 34 form an integral part of these financial statements.



# KNOWES HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021		2020
		£	£	£
<b>Surplus for the Year</b>			1,703,637	957,312
<i>Adjustments for non-cash items:</i>				
Depreciation of tangible fixed assets	11	900,399	907,122	
Amortisation of capital grants	18	(156,493)	(156,372)	
Non-cash adjustments to pension provisions		(201,000)	(103,000)	
Share capital written off	19	(10)	(36)	
			<u>542,896</u>	<u>647,714</u>
Interest receivable			(16,844)	(28,819)
Interest payable	7		<u>11,856</u>	<u>34,199</u>
<b>Operating cash flows before movements in working capital</b>			2,241,545	1,610,406
Change in debtors		10,234	62,105	
Change in creditors		(177,380)	<u>168,295</u>	
			(167,146)	<u>230,400</u>
<b>Net cash inflow from operating activities</b>			<u>2,074,399</u>	<u>1,840,806</u>
<b>Investing Activities</b>				
Acquisition and construction of properties		(190,620)	(1,119,948)	
Purchase of Intangible Fixed Assets		-	-	
Purchase of other fixed assets		(32,862)	(18,829)	
Other grants received		-	36,396	
Changes on short term deposits	20	<u>236,251</u>	<u>(267,921)</u>	
<b>Net cash inflow / (outflow) from investing activities</b>			12,769	(1,370,302)
<b>Financing Activities</b>				
Interest received on cash and cash equivalents		16,844	28,819	
Interest paid on loans		(11,856)	(34,199)	
Loan principal repayments		(661,827)	(362,045)	
Share capital issued	19	<u>5</u>	<u>17</u>	
<b>Net cash outflow from financing activities</b>			(656,834)	(367,408)
<b>Increase in cash</b>	20		1,430,334	103,096
<b>Opening cash &amp; cash equivalents</b>			849,445	746,349
<b>Closing cash &amp; cash equivalents</b>			<u>2,279,779</u>	<u>849,445</u>
<b>Cash and cash equivalents as at 31 March</b>				
Cash			2,279,779	849,445
			<u>2,279,779</u>	<u>849,445</u>

The notes on pages 16 to 34 form an integral part of these financial statements.



## KNOWES HOUSING ASSOCIATION LIMITED

### STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2021

	Share Capital	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£
<b>Balance as at 1 April 2019</b>	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
<b>Balance as at 31 March 2020</b>	<u>132</u>	<u>(34,000)</u>	<u>14,528,798</u>	<u>14,494,930</u>
<b>Balance as at 1 April 2020</b>	132	(34,000)	14,528,798	14,494,930
Issue of Shares	5	-	-	5
Cancellation of Shares	(10)	-	-	(10)
Other comprehensive income	-	(997,000)	-	(997,000)
Other movements	-	201,000	(201,000)	-
Surplus for the year	-	-	1,703,637	1,703,637
<b>Balance as at 31 March 2021</b>	<u>127</u>	<u>(830,000)</u>	<u>16,031,435</u>	<u>15,201,562</u>

The notes on pages 16 to 34 form an integral part of these financial statements.

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 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 2021

### 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 2021 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 2021 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 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

		2021			2020		
	Notes	Turnover	Operating costs	Operating surplus / (deficit)	Turnover	Operating costs	Operating surplus / (deficit)
		£	£	£	£	£	£
Affordable letting activities	3	4,664,906	2,979,927	1,684,979	4,582,202	3,563,086	1,019,116
Other Activities	4	176,300	163,630	12,670	85,544	111,968	(26,424)
<b>Total</b>		<b>4,841,206</b>	<b>3,143,557</b>	<b>1,697,649</b>	<b>4,667,746</b>	<b>3,675,054</b>	<b>992,692</b>

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

	General Needs Housing	Supported Housing	2021 Total	2020 Total
	£	£	£	£
<b>Revenue from Lettings</b>				
Rent receivable net of service charges	4,298,733	121,822	4,420,555	4,327,587
Service charges receivable	92,369	-	92,369	88,427
<b>Gross income from rent and service charges</b>	<b>4,391,102</b>	<b>121,822</b>	<b>4,512,924</b>	<b>4,416,014</b>
Less: Rent losses from voids	11,764	-	11,764	10,575
<b>Income from rents and service charges</b>	<b>4,379,338</b>	<b>121,822</b>	<b>4,501,160</b>	<b>4,405,439</b>
Grants released from deferred income	156,493	-	156,493	156,371
Revenue grants from Scottish Ministers	7,253	-	7,253	20,392
<b>Total turnover from affordable letting activities</b>	<b>4,543,084</b>	<b>121,822</b>	<b>4,664,906</b>	<b>4,582,202</b>
Management and maintenance administration costs	1,149,930	7,664	1,157,594	1,217,828
Service costs	116,273	-	116,273	107,959
Planned and cyclical maintenance, including major	361,840	19,757	381,597	572,406
Reactive maintenance costs	492,540	1,415	493,955	781,065
Bad Debts - rents and service charges	15,220	-	15,220	61,694
Depreciation of affordable let properties	773,960	41,328	815,288	822,134
<b>Operating costs of affordable letting activities</b>	<b>2,909,763</b>	<b>70,164</b>	<b>2,979,927</b>	<b>3,563,086</b>
<b>Operating surplus on affordable letting activities</b>	<b>1,633,321</b>	<b>51,658</b>	<b>1,684,979</b>	<b>1,019,116</b>
2020		<u>968,012</u>	<u>51,104</u>	



## KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021  
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	Other operating costs	Operating surplus / (deficit) 2021	Operating surplus / (deficit) 2020
	£	£	£	£	£	£	£	£
Wider role activities	59,899	-	25,492	85,391	-	62,379	23,012	(9,389)
Factoring	-	-	28,595	28,595	-	36,334	(7,739)	(18,103)
Other activities	-	35,011	-	35,011	-	35,011	-	-
Agency or management services	-	-	27,303	27,303	-	29,906	(2,603)	1,068
<b>Total From Other Activities</b>	<b>59,899</b>	<b>35,011</b>	<b>81,390</b>	<b>176,300</b>	<b>-</b>	<b>163,630</b>	<b>12,670</b>	<b>(26,424)</b>
2020	21,144	-	64,400	85,544	2,792	109,176	(26,424)	

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5. OFFICERS' EMOLUMENTS

	2021	2020
	£	£

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)	136,367	135,146
Pension contributions made on behalf on Officers with emoluments greater than £60,000	22,823	19,420
Emoluments payable to Director (excluding pension contributions)	68,974	71,030
Pension contributions paid on behalf of the Director	11,098	10,211
Total emoluments payable to the Director	80,072	81,241
Total emoluments paid to key management personnel	264,508	248,142

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
£70,001 to £80,000	1	1
£80,001 to £90,001	1	-

### 6. EMPLOYEE INFORMATION

	2021	2020
	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	25	23
Staff costs were:	£	£
Wages and salaries	714,633	715,725
National insurance costs	57,004	57,368
Pension costs	114,780	139,568
Temporary, agency and seconded staff	21,498	25,901
	907,915	938,562



# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	2021	2020
	£	£
On bank loans and overdrafts	11,856	34,199
	<u>11,856</u>	<u>34,199</u>

### 8. SURPLUS FOR THE YEAR

	2021	2020
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	894,621	874,551
Auditors' remuneration - audit services	9,960	9,360
Operating lease rentals - other	<u>4,362</u>	<u>4,906</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)

	2021	2020
	£	£
Net interest on pension obligations	<u>1,000</u>	<u>(30,000)</u>

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Total £
<b>COST</b>		
At 1 April 2020	27,403,023	27,403,023
Additions	190,620	190,620
Disposals	(7,709)	(7,709)
At 31 March 2021	<u>27,585,934</u>	<u>27,585,934</u>
<b>DEPRECIATION</b>		
At 1 April 2020	9,265,423	9,265,423
Charge for Year	809,509	809,509
Disposals	(1,931)	(1,931)
At 31 March 2021	<u>10,073,001</u>	<u>10,073,001</u>
<b>NET BOOK VALUE</b>		
At 31 March 2021	<u>17,512,933</u>	<u>17,512,933</u>
At 31 March 2020	<u>18,137,600</u>	<u>18,137,600</u>

	2021		2020	
	<i>Component replacement</i>	<i>Improvement</i>	<i>Component replacement</i>	<i>Improvement</i>
Expenditure on Existing Properties	£	£	£	£
Amounts capitalised	42,729	-	1,119,948	-
Amounts charged to the statement of comprehensive income	<u>875,552</u>	<u>-</u>	<u>1,353,471</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 £7,507,125 (2020 - £7,913,380).

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11. NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Furniture & Equipment £	Computer Equipment £	Total £
<b>COST</b>				
At 1 April 2020	646,311	78,586	334,971	1,059,868
Additions	-	4,641	28,221	32,862
At 31 March 2021	<u>646,311</u>	<u>83,227</u>	<u>363,192</u>	<u>1,092,730</u>
<b>DEPRECIATION</b>				
At 1 April 2020	436,121	63,722	255,389	755,232
Charge for year	21,544	7,489	56,079	85,112
At 31 March 2021	<u>457,665</u>	<u>71,211</u>	<u>311,468</u>	<u>840,344</u>
<b>NET BOOK VALUE</b>				
At 31 March 2021	<u>188,646</u>	<u>12,016</u>	<u>51,724</u>	<u>252,386</u>
At 31 March 2020	<u>210,190</u>	<u>14,864</u>	<u>79,582</u>	<u>304,636</u>



# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12. RECEIVABLES

	2021	2020
	£	£
Gross arrears of rent and service charges	118,913	158,464
Less: Provision for doubtful debts	(62,639)	(62,639)
<i>Net arrears of rent and service charges</i>	56,274	95,825
Other receivables	111,684	82,367
	<u>167,958</u>	<u>178,192</u>

### 13. CURRENT ASSET INVESTMENTS

	2021	2020
	£	£
Short term deposits	3,000,582	3,236,833
	<u>3,000,582</u>	<u>3,236,833</u>

### 14. CASH AND CASH EQUIVALENTS

	2021	2020
	£	£
Cash at bank and in hand	2,279,779	849,445
	<u>2,279,779</u>	<u>849,445</u>

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

15. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR		
	2021	2020
	£	£
Bank loans	663,189	656,194
Trade payables	145,674	235,836
Rent received in advance	201,161	183,497
Other taxation and social security	20,550	609
Other payables	37,123	37,397
Accruals and deferred income	107,788	232,337
	<u>1,175,485</u>	<u>1,345,870</u>

At the balance sheet date there were pension contributions outstanding of £32,686 (£2020 - £31,416).

16. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
	2021	2020
	£	£
Bank loans	<u>1,284,575</u>	<u>1,953,397</u>
	<u>1,284,575</u>	<u>1,953,397</u>
<b>Housing Loans</b>		
Amounts due within one year	664,902	656,194
Amounts due in one year or more but less than two years	667,987	663,189
Amounts due in two years or more but less than five years	614,875	1,242,340
Amounts due in more than five years	-	47,868
	<u>1,947,764</u>	<u>2,609,591</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	0.7%	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 2021 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)

	2021	2020
	£	£
Fair value of plan assets	7,673,000	6,952,000
Present value of defined benefit obligation	8,503,000	6,986,000
Surplus / (deficit) in plan	(830,000)	(34,000)
Unrecognised surplus	-	-
Defined benefit asset / (liability) to be recognised	(830,000)	(34,000)



# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 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

	2021	2020
	£	£
Defined benefit obligation at the start of period	6,986,000	7,559,000
Current service cost	128,000	149,000
Expenses	7,000	5,000
Interest expense	166,000	177,000
Contributions by plan participants	6,000	3,000
Actuarial losses (gains) due to scheme experience	(228,000)	144,000
Actuarial losses (gains) due to changes in demographic assumptions	-	(43,000)
Actuarial losses (gains) due to changes in financial assumptions	1,557,000	(879,000)
Benefits paid and expenses	(119,000)	(129,000)
Defined benefit obligation at the end of period	<u>8,503,000</u>	<u>6,986,000</u>

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

	2021	2020
	£	£
Fair value of plan assets at start of period	6,952,000	6,198,000
Interest income	167,000	147,000
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	332,000	446,000
Contributions by the employer	335,000	287,000
Contributions by plan participants	6,000	3,000
Benefits paid and expenses	(119,000)	(129,000)
Fair value of plan assets at the end of period	<u>7,673,000</u>	<u>6,952,000</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £499,000 (2020 - £593,000).

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 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

	2021	2020
	£	£
Current service cost	128,000	149,000
Expenses	7,000	5,000
Net interest expense	(1,000)	30,000
	<u>134,000</u>	<u>184,000</u>

#### Defined benefit costs recognised in statement of comprehensive income

#### income

	2021	2020
	£	£
Experience on plan assets (excluding amounts included in interest income) - gain /(loss)	332,000	446,000
Experience gains and losses arising on plan liabilities - gain /(loss)	228,000	(144,000)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain /(loss)	-	43,000
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	(1,557,000)	879,000
	<u>(997,000)</u>	<u>1,224,000</u>

#### Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain / (loss)

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. RETIREMENT BENEFIT OBLIGATIONS (continued)

#### Scottish Housing Association Pension Scheme (continued.)

Assets	2021	2020	2019
	£	£	£
Absolute Return	378,000	427,000	525,000
Alternative Risk Premia	308,000	557,000	346,000
Corporate Bond Fund	579,000	508,000	435,000
Credit Relative Value	221,000	167,000	108,000
Distressed Opportunities	262,000	127,000	106,000
Emerging Markets Debt	309,000	247,000	199,000
Fund of Hedge Funds	-	-	17,000
Global Equity	1,187,000	956,000	997,000
Infrastructure	428,000	410,000	260,000
Insurance-Linked Securities	160,000	186,000	161,000
Liability Driven Investment	1,845,000	1,831,000	2,205,000
Long Lease Property	178,000	170,000	75,000
Net Current Assets	57,000	53,000	6,000
Over 15 Year Gilts	4,000	88,000	159,000
Private Debt	181,000	138,000	80,000
Property	138,000	130,000	123,000
Risk Sharing	274,000	220,000	180,000
Secured Income	422,000	386,000	216,000
Opportunistic Illiquid credit	196,000	169,000	-
Liquid credit	132,000	182,000	-
<b>Total Assets</b>	<b>7,259,000</b>	<b>6,952,000</b>	<b>6,198,000</b>
<b>Key Assumptions</b>			
Discount Rate	2.2%	2.4%	2.3%
Inflation (RPI)	3.3%	2.6%	3.3%
Inflation (CPI)	2.9%	1.6%	2.3%
Salary Growth	3.9%	2.6%	3.3%
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 2021 imply the following life expectancies:

	Life expectancy at age 65 years (years)
Male retiring in 2021	21.5
Female retiring in 2021	23.4
Male retiring in 2041	22.8
Female retiring in 2041	25



# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 18. DEFERRED INCOME

	Social Housing Grants £	Other Housing Grants £	Total £
<b>Capital grants received</b>			
At 1 April 2020	5,479,475	1,662,276	7,141,751
At 31 March 2021	5,479,475	1,662,276	7,141,751
<b>Amortisation</b>			
At 1 April 2020	1,772,531	490,711	2,263,242
Amortisation in year	109,590	46,903	156,493
At 31 March 2021	1,882,121	537,614	2,419,735
<b>Net book value</b>			
At 31 March 2021	3,597,354	1,124,662	4,722,016
At 31 March 2020	3,706,944	1,171,565	4,878,509

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

	2021 £	2020 £
Amounts due within one year	156,493	157,716
Amounts due in more than one year	4,565,524	4,720,793
	4,722,017	4,878,509

### 19. SHARE CAPITAL

Shares of £1 each, issued and fully paid	2021 £	2020 £
At 1 April	132	151
Issued in year	5	17
Cancelled in year	(10)	(36)
At 31 March	127	132

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 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 20. CASH FLOWS

#### Reconciliation of net cash flow to movement in net funds

	2021		2020	
	£	£	£	£
Increase in cash	1,430,334		103,096	
Change in liquid resources	(236,251)		267,921	
Cashflow from change in net debt	661,827		362,045	
Movement in net funds in the year		1,855,910		733,062
Net funds at 1 April		1,476,687		743,625
Net funds at 31 March		<u>3,332,597</u>		<u>1,476,687</u>

	At 01/April/20	Cashflows	Other Changes	At 31/March/21
	£	£	£	£
Cash and cash equivalents	849,445	1,430,334	-	2,279,779
Liquid resources	849,445	1,430,334	-	2,279,779
Debt: Due within one year	3,236,833	(236,251)	-	3,000,582
Due after more than one year	(656,194)	661,827	(668,822)	(663,189)
	(1,953,397)	-	668,822	(1,284,575)
Net funds	<u>1,476,687</u>	<u>1,855,910</u>	-	<u>3,332,597</u>

### 21. CAPITAL COMMITMENTS

	2021	2020
	£	£
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	436,035	-

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:-

	2021	2020
	£	£
Other		
Expiring in the next year	1,615	-
Expiring later than one year and not later than five years	-	6,136

### 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 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 24. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £0 (2020 - £458) 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:-	2021 No.	2020 No.
General needs - Built by Association	114	114
General Needs - Purchased by Association	932	929
Supported housing	1	1
	<u>1,047</u>	<u>1,044</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:

	2021 £	2020 £
Rent received from tenants on the Management Committee and their close family members	<u>15,891</u>	<u>18,632</u>
Factoring charges received from factored owners on the Management Committee and their close family members	<u>65</u>	<u>65</u>
Members of the Management Committee who are tenants	2	3
Members of the Management Committee who are owner occupiers	1	1
Members of the Management Committee who are local councillors	1	1