



**Alexander Sloan**  
Accountants and Business Advisers

# **Knowes Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2017**

**Registered Housing Association No. HEP300**

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

**Scottish Charity No. SC027466**

# KNOWES HOUSING ASSOCIATION LIMITED

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# KNOWES HOUSING ASSOCIATION LIMITED

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## MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2017

### MANAGEMENT COMMITTEE

John Lafferty	Chairperson - resigned 01/11/16
Rhona Polak	Vice Chairperson - appointed Chairperson 01/11/16
Sheila Cope	Treasurer
William Stevenson	Secretary
Katie Devaney	Appointed Vice Chairperson 01/11/2016
Frank Newey	
Yvonne McDonald	
Lorraine Easton	Rule 44 removed 07/03/17
Janet Cassidy	
Ugonna Onyekwere	Appointed 06/02/17
Osamuyimen Enabulele	Appointed 02/08/16 resigned 04/04/17
Mary Burrell	
Councillor Lawrence O'Neil	

### EXECUTIVE OFFICERS

Pierre De Fence	Director
Erica Davidson	Head of Finance
Robert Murray	Housing Manager
Peter French	Property Services Manager

### REGISTERED OFFICE

10 Field Road  
Faifley  
Clydebank  
G81 5BX

### AUDITORS

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

### INTERNAL AUDITORS

Wylie & Bisset  
168 Bath Street  
Glasgow  
G2 4TP

### BANKERS

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

### SOLICITORS

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

# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2017.

### **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 PF000201.

### **Principal Activities**

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

### **Review of Business and Future Developments**

During the year the Association recruited two new members of staff as a result of two staff members leaving in the year.

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

The year 2016/17 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 central heating upgrading programme, our window replacement programme, bathroom upgrading programme, gutter renewal and renewal of floor coverings in some closes. All properties with gas heating appliances were maintained and serviced in accordance with legislative requirements. All of the planned maintenance and major component replacement work was undertaken at a cost of £991,651 with £524,824 being capitalised.

We carried out a stock condition survey which confirmed the condition of our properties and allowed us to prioritise investment for following years.

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

We continued working towards achieving the Energy Efficiency Standard for Social Housing (EESH) and we are pleased to report that at the end of the financial year we had only 47 properties that fail the standard. We will be working to ensure that these properties achieve the standard over the next 2 years.

The Association had 96 properties to re-allocate last year which is 2 less than the previous year. Our performance in this area was again very competitive against our peers with our days taken to let being on average 6.1 calendar days and void loss remained exceptionally low at 0.2%. The Association's stock continues to be fairly popular with 210 new applications for housing being received in the last year – and a total of 371 applicants on our waiting lists.

# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

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

Rent Arrears at the end of March 2017 again remained low - 2.1% of the annual debit (with only 0.7% being the non-technical, or actual arrear figure). This again is a very impressive arrears figure which compares well against our peers. This financial year we had only 1 eviction and a slight increase in the number of tenants receiving legal notices or being referred to court. Our figures in this respect still remain low amongst our peers. In addition there were no arrears for our garage sites or lock ups and our former tenant arrears were 0.5% at the end of the Financial year.

Knowes continues to work with a range of agencies to tackle anti social behaviour through diversionary activities and preventative measures. We continue to share information with these agencies. Reported incidences of anti-social behaviour has increased slightly over the last financial year but still remains at a low level. We are continuing to work with a common anti social behaviour policy and procedure among all local housing providers including West Dunbartonshire Council.

### **Wider Action**

Knowes in partnership with the other locally based Housing Associations in West Dunbartonshire, were successful in applying for continuation funding for the People and Communities Fund which supports the project "Supporting change in West Dunbartonshire". This project is progressing well and will continue to provide advice and assistance to people throughout West Dunbartonshire through to March 2018

The members of the Management Committee are of the opinion that the state of affairs of the Association is satisfactory given the surplus in the year of £1,973,334 (includes decrease in pension liability of £857,000) (2016 – Surplus £988,256).

The Association met its financial loan covenant ratios with regard to interest cover (2017 – 3367%; 2016 – 2219%) and average net debt per property (2017 - £960; 2016 - £2,241). Net assets now stand at £11,066,174 (2016 - £9,092,833).

# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

### **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 judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The members of the Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2017

### Statement on Internal Financial Control

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

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

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- the Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2017. 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 £816 (2016: £925).

### Auditors

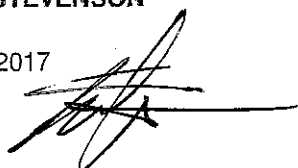
A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

### By order of the Management Committee

**WILLIAM STEVENSON**

Secretary

01 August 2017



# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT BY THE AUDITORS TO THE MEMBERS OF KNOWES HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

### **Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

### **Opinion**

In our opinion the Statement on Internal Financial Control on page 5 has provided the disclosures required by the relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice Notes 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 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**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
01 August 2017



**Alexander Sloan**  
Accountants and Business Advisers





We have audited the financial statements of Knowes Housing Association Limited for the year ended 31st March 2017 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standards of the United Kingdom

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed

#### **Respective Responsibilities of Management Committee and Auditors**

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC) Ethical Standards for Auditors.

#### **Scope of the audit on the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2017 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

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

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.

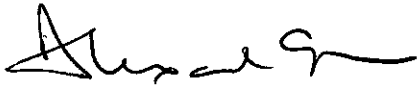
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
KNOWES HOUSING ASSOCIATION LIMITED**

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

- the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
01 August 2017



**Alexander Sloan**  
Accountants and Business Advisers

# KNOWES HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2017

	Notes	£	2017 £	£	2016 £
<b>REVENUE</b>	2.		4,401,537		4,421,322
Operating Costs	2.		<u>(3,245,098)</u>		<u>(3,420,303)</u>
<b>OPERATING SURPLUS</b>	9.		1,156,439		1,001,019
Gain On Sale Of Housing Stock	7.	29,244		41,679	
Interest Receivable and Other Income		28,719		26,744	
Interest Payable and Similar Charges	8.	(36,068)		(48,186)	
Movement in fair value of financial instruments	24.	833,000		7,000	
Other Finance Charges	10.	<u>(38,000)</u>		<u>(40,000)</u>	
			816,895		(12,763)
<b>TOTAL COMPREHENSIVE INCOME</b>			<u><b>1,973,334</b></u>		<u><b>988,256</b></u>

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

# KNOWES HOUSING ASSOCIATION LIMITED

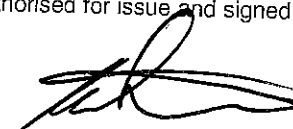
## STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2017

	Notes	2017		2016
		£	£	£
<b>NON-CURRENT ASSETS</b>				
Housing Properties - Depreciated Cost	11.(a)		17,814,988	17,756,058
Other Non Current Assets	11.(c)		478,988	528,225
			<u>18,293,976</u>	<u>18,284,283</u>
<b>CURRENT ASSETS</b>				
Receivables	14.	134,558	368,522	
Investments	23.	2,803,946	1,000,000	
Cash at bank and in hand		554,294	1,871,648	
		<u>3,492,798</u>	<u>3,240,170</u>	
<b>CREDITORS:</b> Amounts falling due within one year	15.	(1,216,009)	(1,314,463)	
<b>NET CURRENT ASSETS</b>			<u>2,276,789</u>	<u>1,925,707</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
			<u>20,570,765</u>	<u>20,209,990</u>
<b>CREDITORS:</b> Amounts falling due after more than one year	16.		(4,217,646)	(5,772,568)
<b>DEFERRED INCOME</b>				
Social Housing Grants	18.	(4,074,259)	(4,184,953)	
Other Grants	18.	(1,212,686)	(1,159,636)	
		<u>(5,286,945)</u>	<u>(5,344,589)</u>	
<b>NET ASSETS</b>			<u><u>11,066,174</u></u>	<u><u>9,092,833</u></u>
<b>EQUITY</b>				
Share Capital	19.		141	134
Revenue Reserves			11,066,033	9,092,699
			<u><u>11,066,174</u></u>	<u><u>9,092,833</u></u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 01 August 2017.

  
Chairperson

  
Treasurer

  
Secretary

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

# KNOWES HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31st MARCH 2017

	Notes	2017	2016
		£	£
<b>Net Cash Inflow from Operating Activities</b>	17.	1,828,626	1,597,929
<b>Investing Activities</b>			
Acquisition and Construction of Properties	(873,244)	(831,716)	
Purchase of Other Fixed Assets	(28,514)	(218,168)	
Social Housing Grant Received	96,900	14,997	
Changes on short term deposits with banks	(1,803,946)	(192,213)	
Proceeds on Disposal of Properties	61,910	80,658	
<b>Net Cash Outflow from Investing Activities</b>		(2,546,894)	(1,146,442)
<b>Financing Activities</b>			
Interest Received on Cash and Cash Equivalents	28,719	26,744	
Interest Paid on Loans	(36,068)	(48,186)	
Loan Principal Repayments	(591,745)	(597,055)	
Share Capital Issued	8	18	
<b>Net Cash Outflow from Financing</b>		(599,086)	(618,479)
<b>Decrease in Cash</b>		(1,317,354)	(166,992)
<b>Opening Cash &amp; Cash Equivalents</b>		1,871,648	2,038,640
<b>Closing Cash &amp; Cash Equivalents</b>		<u>554,294</u>	<u>1,871,648</u>
<b>Cash and Cash equivalents as at 31 March 2017.</b>			
Cash		<u>554,294</u>	<u>1,871,648</u>

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

# KNOWES HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31st MARCH 2017

	Share Capital	Revenue Reserve	Total
	£	£	£
<b>Balance as at 1st April 2015</b>	129	8,104,443	8,104,572
Issue of Shares	18		18
Cancellation of Shares	(13)		(13)
Surplus for Year		988,256	988,256
<b>Balance as at 31 March 2016</b>	<b>134</b>	<b>9,092,699</b>	<b>9,092,833</b>
<b>Balance as at 1st April 2016</b>	134	9,092,699	9,092,833
Issue of Shares	8		8
Cancellation of Shares	(1)		(1)
Surplus for Year		1,973,334	1,973,334
<b>Balance as at 31 March 2017</b>	<b>141</b>	<b>11,066,033</b>	<b>11,066,174</b>

The reserves opening balance at 1st January 2015 has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

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

# KNOWES HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### **Statement of Compliance**

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

##### **Basis Of Accounting**

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. A summary of the more important accounting policies is set out below.

##### **Revenue**

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

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

##### **Retirement Benefits**

The Association participated in the Scottish Housing Association Defined Benefits Pension Scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. The Association has moved from the Defined Benefit scheme to the Scottish Housing Association Defined Contribution Scheme. This is a defined benefit scheme and payments to this scheme are made in accordance with periodic calculations by consulting Actuaries.

The Association still has a liability for past service costs contributions to the Scottish Housing Association Defined Benefit Pension Scheme. The Association provides for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for a high quality corporate bond.

##### **Valuation Of Housing Properties**

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<b>Component</b>	<b>Useful Economic Life</b>
Structure	50 years
Roofs	50 years
Windows	35 years
Doors	25 years
Door entry systems	20 years
Kitchens	20 years
Bathrooms	20 years
Electrics	30 years
CH Systems	20 years

# KNOWES HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2017 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

#### **Depreciation And Impairment Of Other Non-Current Assets**

Non-Current Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	-3.3%
Furniture and Fittings	-25%
Computer & Equipment	-20%
Office Equipment	-25%

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

#### **Social Housing Grant And Other Grants In Advance/Arrears**

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

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

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

#### **Sales Of Housing Properties**

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

#### **Estimation Uncertainty**

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

##### **a) Rent Arrears - Bad Debt Provision**

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

##### **b) Life Cycle of Components**

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

##### **c) Useful life of properties, plant and equipment**

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



# KNOWES HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

### **Leases/Leased Assets**

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

### **Works to Existing Properties**

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

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

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

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

#### ***c) Financial instrument break clauses***

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

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

In March 2017 the Association received details from the Pension Trust of the final valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Committee feels this is the best available estimate of the past service liability.

### **Financial Instruments - Basic**

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

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

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

### AFFORDABLE LETTING ACTIVITIES

	Notes	2017			2016		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3.	4,245,161	3,089,768	1,155,393	4,183,387	3,254,670	928,717
Other Activities	4.	156,376	155,330	1,046	237,935	165,633	72,302
<b>Total</b>		<b>4,401,537</b>	<b>3,245,098</b>	<b>1,156,439</b>	<b>4,421,322</b>	<b>3,420,303</b>	<b>1,001,019</b>

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

	General		2017 Total £	2016 Total £
	Needs Housing £	Supported Housing £		
<b>Revenue from Lettings</b>				
Rent Receivable Net of Service Charges	3,877,265	105,594	3,982,859	3,899,307
Service Charges	92,849	-	92,849	86,708
<b>Gross income from rent and service charges</b>	<b>3,970,114</b>	<b>105,594</b>	<b>4,075,708</b>	<b>3,986,015</b>
Less: Rent losses from voids	8,124	-	8,124	8,662
<b>Net Rents Receivable</b>	<b>3,961,990</b>	<b>105,594</b>	<b>4,067,584</b>	<b>3,977,353</b>
Grants released from deferred income	154,543	-	154,543	156,539
Revenue grants from Scottish Ministers	20,784	-	20,784	30,370
Other revenue grants	2,250	-	2,250	19,125
<b>Total turnover from affordable letting activities</b>	<b>4,139,567</b>	<b>105,594</b>	<b>4,245,161</b>	<b>4,183,387</b>
<b>Expenditure on affordable letting activities</b>				
Management and maintenance administration costs	1,126,249	5,367	1,131,616	1,043,687
Service Costs	48,679	-	48,679	75,704
Planned and cyclical maintenance, including major repairs	465,798	1,029	466,827	475,000
Reactive maintenance costs	636,023	8,871	644,894	745,398
Bad Debts - rents and service charges	16,103	-	16,103	14,342
Depreciation of affordable let properties	740,320	41,329	781,649	900,539
<b>Operating costs of affordable letting activities</b>	<b>3,033,172</b>	<b>56,596</b>	<b>3,089,768</b>	<b>3,254,670</b>
<b>Operating surplus on affordable letting activities</b>	<b>1,106,395</b>	<b>48,998</b>	<b>1,155,393</b>	<b>928,717</b>
2016	897,798	30,919		

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

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 Debt	Operating Costs Other	Operating Surplus / (Deficit) 2017	Operating Surplus / (Deficit) 2016
	£	£	£	£	£	£	£	£
Wider Role Activities	87,218	12,751	7,000	106,969	-	92,174	14,795	48,647
Factoring	-	-	30,392	30,392	6,385	49,479	(25,472)	(190)
Other activities	-	-	19,015	19,015	-	7,292	11,723	23,845
<b>Total From Other Activities</b>	<b>87,218</b>	<b>12,751</b>	<b>56,407</b>	<b>156,376</b>	<b>6,385</b>	<b>148,945</b>	<b>1,046</b>	<b>72,302</b>
2016	109,248	101,075	27,612	237,935	-	165,633	72,302	

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

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

	2017	2016
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>138,137</u>	<u>140,052</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>16,908</u>	<u>16,741</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>73,633</u>	<u>75,246</u>
Total Emoluments paid to key management personnel	<u>165,950</u>	<u>165,769</u>

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

	Number	Number
£60,001 to £70,000	<u>1</u>	<u>1</u>
£70,001 to £80,000	<u>1</u>	<u>1</u>

#### 6. EMPLOYEE INFORMATION

	2017	2016
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>20</u>	<u>19</u>
The average total number of Employees employed during the year was	<u>23</u>	<u>21</u>
Staff Costs were:	£	£
Wages and Salaries	679,793	647,076
Social Security Costs	48,804	45,729
Other Pension Costs	83,262	80,531
Temporary, Agency and Seconded Staff	32,497	35,050
	<u>844,356</u>	<u>808,386</u>

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 7. GAIN ON SALE OF HOUSING STOCK

	2017	2016
	£	£
Sales Proceeds	61,910	80,658
Cost of Sales	<u>32,666</u>	<u>38,979</u>
Gain On Sale Of Housing Stock	<u>29,244</u>	<u>41,679</u>

## 8. INTEREST PAYABLE & SIMILAR CHARGES

	2017	2016
	£	£
On Bank Loans & Overdrafts	<u>36,068</u>	<u>48,186</u>

## 9. SURPLUS FOR YEAR

	2017	2016
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	793,267	939,802
Auditors' Remuneration - Audit Services	8,840	9,294
Operating Lease Rentals - Other	7,834	7,463
Gain on sale of fixed assets	<u>(29,244)</u>	<u>(41,679)</u>

## 10. OTHER FINANCE INCOME / CHARGES

	2017	2016
	£	£
Unwinding of Discounted Liabilities	<u>38,000</u>	<u>40,000</u>

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Total £
<b>COST</b>		
As at 1st April 2016	24,181,731	24,181,731
Additions	873,244	873,244
Disposals	(163,290)	(163,290)
As at 31st March 2017	<u>24,891,685</u>	<u>24,891,685</u>
<b>DEPRECIATION</b>		
As at 1st April 2016	6,425,673	6,425,673
Charge for Year	715,516	715,516
Disposals	(64,492)	(64,492)
As at 31st March 2017	<u>7,076,697</u>	<u>7,076,697</u>
<b>NET BOOK VALUE</b>		
As at 31st March 2017	<u>17,814,988</u>	<u>17,814,988</u>
As at 31st March 2016	<u>17,756,058</u>	<u>17,756,058</u>

Additions to housing properties include capitalised development administration costs of £nil (2016 - £nil) and capitalised major repair costs to existing properties of £524,824 (2016 - £794,716)

All land and housing properties are feudal tenure.

Total expenditure on existing properties in the year amounted to £991,651. The amount capitalised is £524,824, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £524,824 and improvement of £Nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £9,233,840 (2016 - £9,060,961).

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Computer Equipment £	Office Premises £	Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2016	289,909	646,311	64,131	1,000,351
Additions	23,478	-	5,036	28,514
Eliminated on Disposals	-	-	(100)	(100)
As at 31st March 2017	<u>313,387</u>	<u>646,311</u>	<u>69,067</u>	<u>1,028,765</u>
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2016	60,258	349,946	61,922	472,126
Charge for year	54,409	21,544	1,798	77,751
Eliminated on disposal	-	-	(100)	(100)
As at 31st March 2017	<u>114,667</u>	<u>371,490</u>	<u>63,620</u>	<u>549,777</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2017	<u>198,720</u>	<u>274,821</u>	<u>5,447</u>	<u>478,988</u>
As at 31st March 2016	<u>229,651</u>	<u>296,365</u>	<u>2,209</u>	<u>528,225</u>

## 12. CAPITAL COMMITMENTS

	2017 £	2016 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>-</u>	<u>34,359</u>

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

## 13. COMMITMENTS UNDER OPERATING LEASES

	2017 £	2016 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
<b>Other</b>		
Not later than one year	7,164	4,745
Later than one year and not later than five years	<u>3,900</u>	<u>2,268</u>

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

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 14. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Arrears of Rent & Service Charges	91,939	94,658
<b>Less:</b> Provision for Doubtful Debts	<b>(12,877)</b>	<b>(15,724)</b>
	<u>79,062</u>	<u>78,934</u>
Other Receivables	55,496	289,588
	<u>134,558</u>	<u>368,522</u>

## 15. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Housing Loans	598,005	588,828
Trade Payables	108,045	74,836
Rent in Advance	133,179	121,782
Other Taxation and Social Security	141	18,200
Other Payables	1,813	215,346
Liability for Past Service Contributions	159,000	148,000
Accruals and Deferred Income	215,826	147,471
	<u>1,216,009</u>	<u>1,314,463</u>

At the balance sheet date there were pension contributions outstanding of £0 (2016 £26,610).

## 16. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2017	2016
	£	£
Liability for Past Service Contributions	651,000	1,605,000
Housing Loans	3,566,646	4,167,568
	<u>4,217,646</u>	<u>5,772,568</u>
<b>Housing Loans</b>		
Amounts due within one year	598,005	588,828
Amounts due in one year or more but less than two years	601,892	594,130
Amounts due in two years or more but less than five years	1,829,250	1,814,613
Amounts due in more than five years	1,135,504	1,758,825
	<u>4,164,651</u>	<u>4,756,396</u>
Less: Amount shown in Current Liabilities	598,005	588,828
	<u>3,566,646</u>	<u>4,167,568</u>
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	159,000	148,000
Amounts due in one year or more but less than two years	164,000	153,000
Amounts due in two years or more but less than five years	343,000	486,000
Amounts due in more than five years	144,000	966,000
	<u>810,000</u>	<u>1,753,000</u>
Less: Amount shown in Current Liabilities	159,000	148,000
	<u>651,000</u>	<u>1,605,000</u>

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

Lender	Security	Effective Interest Rate	Variable / Maturity Fixed
Nationwide			
Building Society	Standard Security over properties	0.65%	2024 variable

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

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 1.06% (2015 - 2.29%)



# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17. STATEMENT OF CASH FLOWS

	2017 £	2016 £
<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>		
Operating Surplus	1,156,439	1,001,019
Depreciation	859,399	939,802
Change in Provisions for liabilities and charges	833,000	7,000
Amortisation of Capital Grants	(154,544)	(156,539)
Change in debtors	233,964	(272,431)
Change in creditors	(1,061,631)	119,091
Unwinding of Discount on Pension Liability	(38,000)	(40,000)
Share Capital Written Off	(1)	(13)
	<u>1,828,626</u>	<u>1,597,929</u>

## 18. DEFERRED INCOME

	Housing Properties Held for Letting £	Total £
<b>Social Housing Grants</b>		
Balance as at 1st April 2016	5,534,673	5,534,673
Additions in the year	-	-
Balance as at 31st March 2017	<u>5,534,673</u>	<u>5,534,673</u>
<b>Amortisation</b>		
Balance as at 1st April 2016	1,349,720	1,349,720
Amortisation in year	110,694	110,694
Balance as at 31st March 2017	<u>1,460,414</u>	<u>1,460,414</u>
<b>Net book value</b>		
Balance as at 31st March 2017	<u>4,074,259</u>	<u>4,074,259</u>
Balance as at 31st March 2016	<u>4,184,953</u>	<u>4,184,953</u>
<b>Other Grants</b>		
Balance as at 1st April 2016	1,469,254	1,469,254
Additions in the year	96,900	96,900
Balance as at 31st March 2017	<u>1,566,154</u>	<u>1,566,154</u>
<b>Amortisation</b>		
Balance as at 1st April 2016	309,618	309,618
Amortisation in year	43,850	43,850
Balance as at 31st March 2017	<u>353,468</u>	<u>353,468</u>
<b>Net book value</b>		
Balance as at 31st March 2017	<u>1,212,686</u>	<u>1,212,686</u>
Balance as at 31st March 2016	<u>1,159,636</u>	<u>1,159,636</u>
<b>Total grants net book value as at 31 March 2017</b>	<u>5,286,945</u>	<u>5,286,945</u>

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

	2017 £	2016 £
Amounts due within one year	154,544	156,539
Amounts due after more than one year	5,132,401	5,188,050
	<u>5,286,945</u>	<u>5,344,589</u>

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2016	134
Issued in year	8
Cancelled in year	(1)
At 31st March 2017	<u>141</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

## 20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2017 No.	2016 No.
General Needs - Built by Association	115	115
General Needs - Purchased by Association	912	910
Supported Housing	1	1
	<u>1,028</u>	<u>1,026</u>

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 21. RELATED PARTY TRANSACTIONS

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

Those members who are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their position to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection is made at arm's length is under normal commercial terms.

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

	£
Rent and factoring received from Tenants on the Committee and their close family members	29,352
Factoring Charges received from owners on the Committee	65

At the year end total rent arrears and factoring owed by the tenant members of the Committee (and their close family ) were £nil

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

## 22. DETAILS OF ASSOCIATION

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

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

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

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 23. INVESTMENTS

	2017	2016
	£	£
Short term deposits	2,803,946	1,000,000

## 24. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

	2017	2016
	£	£
Opening pensions deficit liability	1,753,000	810,000
Unwinding of discount factor	62,000	33,000
Deficit contribution paid in year	(148,000)	(148,000)
Re-measurement in year	(857,000)	-
Closing pensions deficit liability	810,000	1,753,000

### *Movement in fair value of financial instruments*

Re-measurement in year	857,000	-
Change in fair value in year	(24,000)	7,000
	833,000	7,000

### *Other finance charges*

Unwinding of discount factor	62,000	33,000
Change in fair value in year	(24,000)	7,000
	38,000	40,000

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 25. RETIREMENT BENEFIT OBLIGATIONS

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

#### General

Knowes Housing Association Limited participates in Scottish Housing Pension Scheme 'the scheme', a multi-employer scheme which provides benefits to over 150 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

#### Deficit contributions

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

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

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

	31-Mar-17	31-Mar-16	31-Mar-15
	(£000s)	(£000s)	(£000s)
Present Value of Provision	810	1,753	1,864

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 25. RETIREMENT BENEFIT OBLIGATIONS

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

### RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31-Mar-17 (£000s)	Period Ending 31-Mar-16 (£000s)
Provision at start of period	1,753	1,864
Unwinding of the discount factor (interest expense)	38	40
Deficit contribution paid	(148)	(144)
Remeasurements - impact of any change in assumptions	24	(7)
Remeasurements - amendments to the contribution schedule	(857)	-
Provision at end of period	810	1,753

### INCOME AND EXPENDITURE IMPACT

	Period Ending 31-Mar-17 (£000s)	Period Ending 31-Mar-16 (£000s)
Interest expense	38	40
Remeasurements - impact of any change in assumptions	24	(7)
Remeasurements - amendments to the contribution schedule	(857)	-
Contributions paid in respect of future service*	83	88
Costs recognised in income and expenditure account	145	121

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

### ASSUMPTIONS

	31-Mar-17 % per annum	31-Mar-16 % per annum	31-Mar-15 % per annum
Rate of discount	1.06	2.29	2.22

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

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 25. RETIREMENT BENEFIT OBLIGATIONS

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

Knowes Housing Association Limited has elected to operate the final salary with 1/60th accrual rate benefit structure for active members as at 31st March 2014 and the Career average revalued earnings with a 1/120th accrual rate, or the Direct Contribution Scheme with an employer contribution of 10.45% for new entrants from 1st April 2014.

During the accounting period Knowes Housing Association Limited paid contributions at the rate of 13.3% of pensionable salaries for the final salary 1/60 scheme (includes 1% surcharge for closing the scheme to new members) and 10.45% of pensionable salary for the direct contribution scheme. Member contributions were 12.3% and 5.5% respectively.

As at the balance sheet date there were 23 active members of the Scheme employed by Knowes Housing Association Limited. The annual pensionable payroll in respect of these members was £667,270. Knowes Housing Association Limited continues to offer membership of the Scheme to its employees.

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

##### DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	31-Mar-17 (£000s)	31-Mar-16 (£000s)	31-Mar-15 (£000s)
Year 1	159	148	144
Year 2	164	153	148
Year 3	169	157	153
Year 4	174	162	157
Year 5	165	167	162
Year 6	-	172	167
Year 7	-	177	172
Year 8	-	183	177
Year 9	-	188	183
Year 10	-	194	188
Year 11	-	199	194
Year 12	-	103	199
Year 13	-	-	103
Year 14	-	-	-

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises. It is these contributions that have been used to derive the company's balance sheet liability.

**25. RETIREMENT BENEFIT OBLIGATIONS**

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

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time. Knowes Housing Association Ltd's estimated debt on withdrawal has been calculated as £7,622,203.14 at 30 September 2016.

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