



**Alexander Sloan**  
Accountants and Business Advisers

# **Knowes Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31 March 2019**

**Registered Housing Association No. HEP300**

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

**Scottish Charity No. SC027466**

**Registered Property Factor PF000201**

# KNOWES HOUSING ASSOCIATION LIMITED

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# KNOWES HOUSING ASSOCIATION LIMITED

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## MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2019

### MANAGEMENT COMMITTEE

Rhona Polak	Chairperson
Katie Devaney	Vice Chairperson
Sheila Cope	Treasurer
William Stevenson	Secretary
Frank Newey	Resigned March 2019
Yvonne McDonald	
Janet Cassidy	
Ugonna Onyekwere	Resigned April 2019
Osamuyimen Enabulele	Resigned October 2018
Councillor Lawrence O'Neil	
Councillor Jim Finn	

### EXECUTIVE OFFICERS

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

### 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  
G1 3PE

### SOLICITORS

T C Young  
7 West George Street  
Glasgow  
G2 1BA

# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2019.

### 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.

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

### Review of Business and Future Developments

Universal Credit went live in the Faifley area, as planned, in November and Knowes saw the number of our tenants in receipt of Universal Credit start to increase from the start of January onwards. This has resulted in an additional workload for our staff. The staff restructure in the previous year has helped us deal with this, however as the uptake of Universal Credit continues, so will the workload and associated rent arrears.

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 are required to look at the long term as it would be in nobody's interest to keep rents unrealistically low now at the expense of the properties falling into disrepair in the future. Fortunately, the results of the rent review survey of tenants showed that a majority were in agreement with the proposals put forward - which was for a rent increase of 2.6%.

The year 2018/19 saw us complete another programme of maintenance and component replacement, which ensured the Association remained compliant with the Scottish Housing Quality Standard. To this end we carried out maintenance painting to one fifth of our properties, we continued our window replacement programme, door replacement, controlled door entry replacement and renewal of floor coverings in some closes. All properties with gas heating appliances were maintained and serviced in accordance with legislative requirements. All of the planned maintenance and major component replacement work was undertaken at a cost of £1,122,132 with £659,794 being capitalised.

# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

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

We continued working towards achieving the Energy Efficiency Standard for Social Housing (ESSH) and we are pleased to report that at the end of the financial year we are 96.33% compliant with the standard. We will be working to ensure that the remaining 4% of properties achieve the standard over the next 2 years.

Rent arrears at the end of March 2019 again remained low at 3% of the annual debit (with only 1.18% being the non-technical, or actual arrears figure). This again is a very impressive arrears figure which compares well against our peers. This financial year we had 2 evictions and a slight increase in the number of tenants receiving legal notices or being referred to court. Universal Credit is starting to have an impact on the arrears total and has increased the workload for staff due to the time spent managing Universal Credit cases. Taking this into account our figures are impressive and still remain low amongst our peers. In addition there was a small arrear for our garage sites or lock ups and our former tenant arrears were 0.34% at the end of the financial year.

Reported incidences of anti-social behaviour have decreased slightly over the last financial year and remain at a low level. We are using our own anti social behaviour policy and procedure to manage our cases. There was 1 eviction due to ASB that we carried out during the year. We continue to work closely with Police Scotland in managing our cases.

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 2020.

As part of our wider role in the community, we have been working with both Primary Schools with visits to the schools, poster competitions, supporting school fayres and raffles, also involvement in the new garden which has brought both schools together working on some amazing projects.

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 £928,961 (2018 – £1,133,492).

The Association met its financial loan covenant ratios with regard to interest cover (2019 - 2670%; 2018 - 3848%) and average gross debt per property (2019 - £883; 2018 - £56). Net assets now stand at £12,313,637 (2018 - £12,199,673).

# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

### Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.

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

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

### Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Act 2014 requires the Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- 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 - 2019. 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 the Statement of Comprehensive Income and Statement of Financial Position, have regard to the substance of the reported transaction, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

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

# KNOWES HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

### 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 2019. 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 £1,064 (2018 - £650).

### Auditors

A resolution to appoint Auditors will be proposed at the Annual General Meeting.

### By order of the Management Committee

**WILLIAM STEVENSON**  
Secretary  
6 August 2019



# 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 'Regulation of Social Housing in Scotland' 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 within the publication 'Regulation of Social Housing in Scotland' 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 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



**ALEXANDER SLOAN**  
Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
6 August 2019



**Alexander Sloan**  
Accountants and Business Advisers



# KNOWES HOUSING ASSOCIATION LIMITED

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

### Opinion

We have audited the financial statements of Knowes Housing Association Limited (the 'Association') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2019.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

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

We have nothing to report in this regard.

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

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

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

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

# KNOWES HOUSING ASSOCIATION LIMITED

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

### Responsibilities of the Management Committee

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.
- Conclude on the appropriateness of the Management Committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association's audit. We remain solely responsible for our audit opinion.

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



**ALEXANDER SLOAN**  
Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
6 August 2019



**Alexander Sloan**  
Accountants and Business Advisers

# KNOWES HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019	2018
		£	£
<b>REVENUE</b>	2	4,563,148	4,414,935
Operating Costs	2	(3,597,354)	(3,309,592)
<b>OPERATING SURPLUS</b>		965,794	1,105,343
Gain On Sale Of Housing Stock	7	-	36,332
Interest Receivable and Other Income		26,332	24,109
Interest Payable and Similar Charges	8	(37,165)	(30,292)
Movement in fair value of financial instruments		-	6,000
Other Finance Income / (Charges)	11	(26,000)	(8,000)
		(36,833)	28,149
<b>SURPLUS FOR THE YEAR</b>	9	928,961	1,133,492
<b>Other comprehensive income</b>			
Adjustment relating to Opening Pension Liability	26	(423,000)	
Actuarial Gains/ (Losses) on defined benefit Pension Plan	26	(392,000)	-
<b>TOTAL COMPREHENSIVE INCOME</b>		113,961	1,133,492

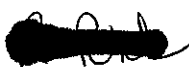
The notes on pages 13 to 31 form part of these financial statements.

# KNOWES HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
<b>NON-CURRENT ASSETS</b>					
Housing Properties - Depreciated Cost	12 (a)		17,839,785		17,550,777
Other Non-current Assets	12 (b)		370,796		418,406
			<u>18,210,581</u>		<u>17,969,183</u>
<b>CURRENT ASSETS</b>					
Receivables	15	240,297		292,040	
Investments	25	2,968,912		1,502,433	
Cash at bank and in hand		746,349		2,018,057	
		<u>3,955,558</u>		<u>3,812,530</u>	
<b>CREDITORS: Amounts falling due within one year</b>	16	<u>(1,122,790)</u>		<u>(1,029,802)</u>	
<b>NET CURRENT ASSETS</b>			<u>2,832,768</u>		<u>2,782,728</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>21,043,349</u>		<u>20,751,911</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	17		<u>(2,370,227)</u>		<u>(3,458,409)</u>
<b>PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Scottish Housing Association Pension Scheme	26	<u>(1,361,000)</u>			
			<u>(1,361,000)</u>		
<b>DEFERRED INCOME</b>					
Social Housing Grants	19	<u>(3,816,534)</u>		<u>(3,926,122)</u>	
Other Grants	19	<u>(1,181,951)</u>		<u>(1,167,707)</u>	
			<u>(4,998,485)</u>		<u>(5,093,829)</u>
<b>NET ASSETS</b>			<u>12,313,637</u>		<u>12,199,673</u>
<b>EQUITY</b>					
Share Capital	20		151		148
Revenue Reserves			13,674,486		12,199,525
Pension Reserves			<u>(1,361,000)</u>		<u>-</u>
			<u>12,313,637</u>		<u>12,199,673</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 6 August 2019.



Rhona Polak  
Chairperson



Sheila Cope  
Treasurer



William Stevenson  
Secretary

The notes on pages 13 to 31 form part of these financial statements.

# KNOWES HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019	2018
		£	£
<b>Net cash Inflow from operating activities</b>	18	1,848,589	1,300,619
<b>Investing Activities</b>			
Acquisition and Construction of Properties	(1,071,288)	(589,964)	
Purchase of Other Fixed Assets	(35,070)	(18,718)	
Other Grants Received	59,726	-	
Changes on short term deposits with banks	(1,466,479)	1,301,513	
Proceeds on Disposal of Properties	-	73,127	
<b>Net cash (outflow) / inflow from Investing activities</b>		<b>(2,513,111)</b>	<b>765,958</b>
<b>Financing Activities</b>			
Interest Received on Cash and Cash Equivalents	26,332	24,109	
Interest Paid on Loans	(37,165)	(30,292)	
Loan Principal Repayments	(596,369)	(596,646)	
Share Capital Issued	16	15	
<b>Net cash outflow from financing activities</b>		<b>(607,186)</b>	<b>(602,814)</b>
<b>(Decrease) / increase in cash</b>		<b>(1,271,708)</b>	<b>1,463,763</b>
<b>Opening Cash &amp; Cash Equivalents</b>		<b>2,018,057</b>	<b>554,294</b>
<b>Closing Cash &amp; Cash Equivalents</b>		<b>746,349</b>	<b>2,018,057</b>
<b>Cash and Cash equivalents as at 31 March</b>			
Cash		746,349	2,018,057
		<b>746,349</b>	<b>2,018,057</b>

The notes on pages 13 to 31 form part of these financial statements.

# KNOWES HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2019

	Share Capital	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£
<b>Balance as at 31 March 2017</b>	141	-	11,066,033	11,066,174
Issue of Shares	15	-	-	15
Cancellation of Shares	(8)	-	-	(8)
Surplus for the year	-	-	1,133,492	1,133,492
<b>Balance as at 31 March 2018</b>	<u>148</u>	<u>-</u>	<u>12,199,525</u>	<u>12,199,673</u>
<b>Balance as at 1 April 2018</b>	148	-	12,199,525	12,199,673
Issue of Shares	16	-	-	16
Cancellation of Shares	(13)	-	-	(13)
Other comprehensive income	-	(1,361,000)	546,000	(815,000)
Surplus for the year	-	-	928,961	928,961
<b>Balance as at 31 March 2019</b>	<u>151</u>	<u>(1,361,000)</u>	<u>13,674,486</u>	<u>12,313,637</u>

The notes on pages 13 to 31 form part of these financial statements.

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 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 2019. 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 they relate.

#### Retirement Benefits

The Association participates in the Scottish Housing Associations Defined Benefit Pension Scheme where 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 closed membership of the Defined Benefit Scheme to new staff members on 31 March 2015 and since 1 April 2015 have operated the Defined Contribution scheme whereby fixed contributions are paid in to the fund. These contributions are recognised when they are due.

#### Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 12. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component	Useful Economic Life
Land	Not depreciated
Structure	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 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 1. PRINCIPAL ACCOUNTING POLICIES

### Depreciation and Impairment of Other Non-Current Assets

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

Asset Category	Depreciation Rate
Office Premises	3%
Furniture & Equipment	25%
Computer Equipment	20%

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

### Social Housing Grant and Other Grants in Advance/Arrears

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



# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 1. PRINCIPAL ACCOUNTING POLICIES

### 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*

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. This year 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.

### 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.

### 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 the Association's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below.

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

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

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

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

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

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

#### *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 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2019			2018		
		Turnover	Operating Costs	Operating Surplus / (Deficit)	Turnover	Operating Costs	Operating Surplus / (Deficit)
		£	£	£	£	£	£
Affordable letting activities	3	4,437,536	3,427,744	1,009,792	4,292,067	3,167,679	1,124,388
Other Activities	4	125,612	169,610	(43,998)	122,868	141,913	(19,045)
<b>Total</b>		<b>4,563,148</b>	<b>3,597,354</b>	<b>965,794</b>	<b>4,414,935</b>	<b>3,309,592</b>	<b>1,105,343</b>

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

	General		2019 Total	2018 Total
	Needs Housing	Supported Housing		
	£	£	£	£
<b>Revenue from Lettings</b>				
Rent receivable net of service charges	4,067,969	111,631	4,179,600	4,055,452
Service charges receivable	85,953	-	85,953	74,151
<b>Gross income from rent and service charges</b>	<b>4,153,922</b>	<b>111,631</b>	<b>4,265,553</b>	<b>4,129,603</b>
Less: Rent losses from voids	16,087	-	16,087	13,198
<b>Net Rents Receivable</b>	<b>4,137,835</b>	<b>111,631</b>	<b>4,249,466</b>	<b>4,116,405</b>
Grants released from deferred income	155,070	-	155,070	154,662
Revenue grants from Scottish Ministers	20,000	-	20,000	21,000
Other revenue grants	13,000	-	13,000	-
<b>Total turnover from affordable letting activities</b>	<b>4,325,905</b>	<b>111,631</b>	<b>4,437,536</b>	<b>4,292,067</b>
<b>Expenditure on affordable letting activities</b>				
Management and maintenance administration costs	1,243,096	5,970	1,249,066	1,206,590
Service Costs	93,370	-	93,370	75,208
Planned and cyclical maintenance, including major repairs	462,338	3,812	466,150	484,946
Reactive maintenance costs	814,105	7,253	821,358	610,761
Bad Debts - rents and service charges	15,520	-	15,520	11,244
Depreciation of affordable let properties	740,952	41,328	782,280	778,930
<b>Operating costs of affordable letting activities</b>	<b>3,369,381</b>	<b>58,383</b>	<b>3,427,744</b>	<b>3,167,679</b>
<b>Operating surplus on affordable letting activities</b>	<b>956,524</b>	<b>53,268</b>	<b>1,009,792</b>	<b>1,124,388</b>
<b>2018</b>	<b>1,105,014</b>	<b>19,374</b>		

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants From Scottish Ministers	Other Revenue Grants	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2019	Operating Surplus / (Deficit) 2018
	£	£	£	£	£	£	£	£
Wider role activities	42,088	-	33,552	75,640	-	94,170	(18,530)	320
Factoring	-	-	26,158	26,158	-	45,665	(19,507)	(17,053)
Agency or management services	-	-	23,814	23,814	-	29,775	(5,961)	-
Other activities	-	-	-	-	-	-	-	(2,312)
<b>Total From Other Activities</b>	<b>42,088</b>	<b>-</b>	<b>83,524</b>	<b>125,612</b>	<b>-</b>	<b>169,610</b>	<b>(43,998)</b>	<b>(19,045)</b>
<b>2018</b>	<b>60,795</b>	<b>992</b>	<b>61,081</b>	<b>122,868</b>	<b>3,818</b>	<b>138,095</b>	<b>(19,045)</b>	

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5. OFFICERS' EMOLUMENTS

	2019	2018
	£	£
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)	<u>139,347</u>	<u>139,387</u>
Compensation payable to Officers for loss of Office	<u>-</u>	<u>3,844</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>20,228</u>	<u>20,257</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>77,009</u>	<u>74,916</u>
Total Emoluments paid to key management personnel	<u>277,937</u>	<u>311,655</u>

The number of Officers, including the highest paid Officer, who received emoluments 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

	2019	2018
	No.	No.
The average monthly number of full time equivalent persons employed during the year was:	<u>20</u>	<u>20</u>
The average total number of Employees employed during the year was:	<u>24</u>	<u>23</u>
Staff Costs were:	£	£
Wages and Salaries	740,599	698,957
Social Security Costs	61,553	56,960
Other Pension Costs	137,154	100,635
Temporary, Agency and Seconded Staff	11,312	32,571
	<u>950,618</u>	<u>889,123</u>

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7. GAIN ON SALE OF HOUSING STOCK

	2019	2018
	£	£
Sales Proceeds	-	73,127
Cost of Sales	-	36,795
Gain On Sale Of Housing Stock	-	36,332

### 8. INTEREST PAYABLE & SIMILAR CHARGES

	2019	2018
	£	£
On Bank Loans & Overdrafts	37,165	30,292

### 9. SURPLUS FOR THE YEAR

	2019	2018
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	835,301	828,139
Auditors' Remuneration - Audit Services	9,000	9,000
Operating Lease Rentals - Other	5,558	7,625
Gain on sale of fixed assets	-	(36,332)

### 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

### 11. OTHER FINANCE CHARGES

	2019	2018
	£	£
Net interest on pension obligations	26,000	-
Unwinding of Discounted Pension Liabilities	-	8,000
	26,000	8,000

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Total £
<b>COST</b>		
As at 1 April 2018	25,309,224	25,309,224
Additions	1,071,288	1,071,288
Disposals	(54,833)	(54,833)
As at 31 March 2019	<u>26,325,679</u>	<u>26,325,679</u>
<b>DEPRECIATION</b>		
As at 1 April 2018	7,758,447	7,758,447
Charge for Year	752,621	752,621
Disposals	(25,174)	(25,174)
As at 31 March 2019	<u>8,485,894</u>	<u>8,485,894</u>
<b>NET BOOK VALUE</b>		
As at 31 March 2019	<u>17,839,785</u>	<u>17,839,785</u>
As at 31 March 2018	<u>17,550,777</u>	<u>17,550,777</u>

Additions to housing properties include capitalised major repair costs to existing properties of £659,794 (2018 - £368,154).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £2,358,796 (2018 - £1,702,880). The amount capitalised is £659,794 (2018 - £368,154) with the balance charged to the statement of comprehensive income. The amounts capitalised comprise component replacement of £659,794 (2018 - £368,154) and property purchases of £411,494 (2018 - £239,019).

The Association's Lenders have standard securities over Housing Property with a carrying value of £7,782,479 (2018 - £7,675,786).

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. NON CURRENT ASSETS (Continued)

(b) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Computer Equipment £	Total £
<b>COST</b>				
As at 1 April 2018	646,311	68,729	330,229	1,045,269
Additions	-	17,043	18,027	35,070
Eliminated on Disposals	-	(9,908)	(29,390)	(39,298)
As at 31 March 2019	<u>646,311</u>	<u>75,864</u>	<u>318,866</u>	<u>1,041,041</u>
<b>AGGREGATE DEPRECIATION</b>				
As at 1 April 2018	393,034	63,764	170,065	626,863
Charge for year	21,544	4,109	57,027	82,680
Eliminated on Disposals	-	(9,908)	(29,390)	(39,298)
As at 31 March 2019	<u>414,578</u>	<u>57,965</u>	<u>197,702</u>	<u>670,245</u>
<b>NET BOOK VALUE</b>				
As at 31 March 2019	<u>231,733</u>	<u>17,899</u>	<u>121,164</u>	<u>370,796</u>
As at 31 March 2018	<u>253,277</u>	<u>4,965</u>	<u>160,164</u>	<u>418,406</u>

## 13. CAPITAL COMMITMENTS

	2019 £	2018 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>9,205</u>	<u>-</u>

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

## 14. COMMITMENTS UNDER OPERATING LEASES

	2019 £	2018 £
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	576	9,533
Later than one year and not later than five years	<u>1,619</u>	<u>9,333</u>

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2019	2018
	£	£
Arrears of Rent & Service Charges	139,738	127,077
Less: Provision for Doubtful Debts	(22,933)	(19,644)
	<u>116,805</u>	<u>107,433</u>
Other Receivables	123,492	184,607
	<u>240,297</u>	<u>292,040</u>

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

	2019	2018
	£	£
Housing Loans	601,409	598,596
Trade Payables	242,594	42,316
Rent Received in Advance	123,611	118,761
Other Taxation and Social Security	1,223	1,447
Other Payables	37,350	31,703
Liability for Past Service Contributions	-	164,000
Accruals and Deferred Income	116,603	72,979
	<u>1,122,790</u>	<u>1,029,802</u>

At the balance sheet date there were pension contributions outstanding of £30,974 (2018 - £29,851).



# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2019	2018
	£	£
Liability for Past Service Contributions	-	489,000
Housing Loans	2,370,227	2,969,409
	<u>2,370,227</u>	<u>3,458,409</u>
<b>Housing Loans</b>		
Amounts due within one year	601,409	598,596
Amounts due in one year or more but less than two years	608,326	603,983
Amounts due in two years or more but less than five years	1,761,901	1,844,762
Amounts due in more than five years	-	520,664
	<u>2,971,636</u>	<u>3,568,005</u>
Less: Amount shown in Current Liabilities	601,409	598,596
	<u>2,370,227</u>	<u>2,969,409</u>
Amounts due within one year	-	164,000
Amounts due in one year or more but less than two years	-	169,000
Amounts due in two years or more but less than five years	-	320,000
	<u>-</u>	<u>653,000</u>
Less: Amount shown in Current Liabilities	-	164,000
	<u>-</u>	<u>489,000</u>

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

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable / Fixed
Nationwide Building Society	Standard security over 842 properties	1.2%	2024	Variable

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

In the prior periods, the liability for the past service contributions were accounted for in accordance with FRS 102 para 28.13A and represented the present value of the contributions payable. The cash out flows in the prior period were discounted at a rate of 1.51%.

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 18. STATEMENT OF CASH FLOWS

<i>Reconciliation of surplus for the year to net cash inflow from operating activities</i>	2019 £	2018 £
Surplus for the year	928,961	1,133,492
Depreciation	864,960	856,322
Gain on disposal	-	(36,332)
Amortisation of Capital Grants	(155,070)	(154,660)
Change in debtors	51,743	(157,482)
Change in creditors	254,175	(346,896)
Unwinding of Discount on Pension Liability	(107,000)	-
Transfer of interest to financial activities	10,833	6,183
Share Capital Written Off	(13)	(8)
Net cash inflow from operating activities	<u>1,848,589</u>	<u>1,300,619</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2019 £	2018 £
(Decrease) / increase in cash	(1,271,708)	1,463,763
Cashflow from change in net debt	<u>2,062,848</u>	<u>602,799</u>
Movement in net debt during the year	791,140	2,066,562
Net debt at 1st April 2018	(47,515)	(2,114,077)
Net Funds/(debt) at 31 March 2019	<u>743,625</u>	<u>(47,515)</u>

<i>Analysis of changes in net debt</i>	At 1 April 2018	Cashflows	Other Changes	At 31 March 2019
Cash at bank and in hand	2,018,057	(1,271,708)	-	746,349
Liquid resources	1,502,433	1,466,479	-	2,968,912
Debt: Due within one year	(598,596)	596,369	(599,182)	(601,409)
Due after more than one year	(2,969,409)	-	599,182	(2,370,227)
Net Funds/(Debt)	<u>(47,515)</u>	<u>791,140</u>	<u>-</u>	<u>743,625</u>

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 19. DEFERRED INCOME

	Housing Properties Held for Letting £	Total £
<b>Social Housing Grants</b>		
As at 1 April 2018	5,479,475	5,479,475
As at 31 March 2019	5,479,475	5,479,475
<b>Amortisation</b>		
As at 1 April 2018	1,553,353	1,553,353
Amortisation in year	109,588	109,588
As at 31 March 2019	1,662,941	1,662,941
<b>Net book value</b>		
As at 31 March 2019	3,816,534	3,816,534
As at 31 March 2018	3,926,122	3,926,122
<b>Other Grants</b>		
As at 1 April 2018	1,566,154	1,566,154
Additions in the year	59,726	59,726
As at 31 March 2019	1,625,880	1,625,880
<b>Amortisation</b>		
As at 1 April 2018	398,447	398,447
Amortisation in year	45,482	45,482
As at 31 March 2019	443,929	443,929
<b>Net book value</b>		
As at 31 March 2019	1,181,951	1,181,951
As at 31 March 2018	1,167,707	1,167,707
<b>Total grants net book value as at 31 March 2019</b>	<b>4,998,485</b>	<b>4,998,485</b>
<b>Total grants net book value as at 31 March 2018</b>	<b>5,093,829</b>	<b>5,093,829</b>
This is expected to be released to the Statement of Comprehensive Income in the following years:		
	2019	2018
	£	£
Amounts due within one year	155,070	154,660
Amounts due in one year or more	4,843,415	4,939,169
	4,998,485	5,093,829

## 20. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	2019	2018
	£	£
As at 1 April 2018	148	141
Issued in year	16	15
Cancelled in year	(13)	(8)
As at 31 March 2019	151	148

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 2019  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2019 No.	2018 No.
General Needs - Built by Association	114	114
General Needs - Purchased by Association	922	914
Supported Housing	1	1
	<u>1,037</u>	<u>1,029</u>

## 22. RELATED PARTY TRANSACTIONS

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

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

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

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

	2019 £	2018 £
Rent received from tenants on the Management Committee and their close family members	<u>21,833</u>	<u>17,384</u>
Factoring charges received from factored owners on the Management Committee and their close family members	<u>809</u>	<u>809</u>

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £363 (2018 - £344).

At the year end total factoring arrears owed by the factored owners on the Management Committee (and their close family) were £135 (2018 - £nil).

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

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 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.

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

## 24. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £527 (2018 - £541) in the year by way of reimbursement of expenses. No remuneration is paid to Management Committee members in respect of their duties to the Association.

## 25. INVESTMENTS

### Short term deposits

	2019	2018
	£	£
Short term deposits	2,968,912	1,502,433

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 26. RETIREMENT BENEFIT OBLIGATIONS

#### **Scottish Housing Association Pension Scheme**

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

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded. The Association is an admitted body under The Scottish Association Pension Fund, the assets of which are held in a separate Trustee administered by Fund.

The last valuation of the Scheme was performed as at 30 September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2016. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341m and indicated an increase in the shortfall of assets compared to liabilities to approximately £207m, equivalent to a past service funding level of 62.2%.

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 re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

The administering authority has responsibility for the management of the Fund. As most of the Fund's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the fund's assets. In order to mitigate this risk, the Fund holds a diverse investment portfolio with a range of investment managers.

At the balance sheet date, there were 13 active members of the scheme employed by the Association. Total pension contributions made by the Association for the year were £294,487. Gross pensionable salaries for the year were £464,000.

#### **Change in Accounting Estimate**

The pension fund is administered by the Pensions Trust. Previously only the past service deficit was included as a liability in the financial statements as the Association's share of the pension assets and liabilities could not be determined. This year the Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The figures are available at 1 April 2018 and 31 March 2019. 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.

In January 2019, the FRS issued FRED 71 (Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, Multiemployer defined benefit plans) which provides proposed changes to FRS 102 on how to treat the transition from defined contribution to defined benefit accounting. This method has been adopted by the Housing Association as the most appropriate treatment. As a result the change has been accounted for as a change in accounting estimate.

Due to the change in accounting estimate the past service deficit liability has been removed as the liability is included in the pension liability now calculated by the actuary and shown under Pension and Other Provisions for Liabilities and Charges in the Statement of Financial Position. The change has been reflected in Other Comprehensive Income as follows:

# KNOWES HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 26. RETIREMENT BENEFIT OBLIGATIONS

Opening defined benefit obligation as at 1 April 2018 (per actuary)	1,076,000
Opening past service deficit liability under previous recognition basis	(653,000)
Movement to other comprehensive income	<u>423,000</u>

As a result the unwinding of the past service deficit is no longer shown within finance charges. Instead the expenses, interest and other comprehensive income as detailed within this note are incorporated within the financial statements.

The following figures are prepared by the Actuaries in accordance with their understanding of FRS 102 and Guidance Note 36: Accounting for Retirement Benefits under FRS 102 issued by the Institute and Faculty of Actuaries.

#### Principal Actuarial Assumptions

Assumptions as at	2019 %p.a.	2018 %p.a.
Salary increases	3.3%	3.2%
Inflation RPI	3.3%	3.2%
Inflation CPI	2.3%	2.2%
Discount rate	2.3%	2.6%

Allowance for commutation of pension for cash at retirement is 75% of maximum allowance for both years

The defined benefit obligation is estimated to comprise of the following:

	2019 £000
Employee members	13
Deferred pensioners	2
Pensioners	7
	<u>22</u>

#### Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males (Years)	Females (Years)
Current Pensioners	21.7	23.4
Future Pensioners	23.1	24.7

# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 26. RETIREMENT BENEFIT OBLIGATIONS

### Fair value of scheme assets by category

	2019	2018
	£000	£000
Growth Assets	2,478	2,363
Matching Plus	3,256	3,018
Liability Driven Investment	458	330
Net Current Assets	6	11
	<u>6,198</u>	<u>5,722</u>

None of the above assets include any direct involvement in the Association's assets.

### Net Pension Liability

	2019
	£000
Fair value of employer's assets	6,198
Present value of scheme liabilities	(7,559)
	<u>(1,361)</u>

### Reconciliation of fair value of employer assets

	2019
	£000
Opening fair value of employer assets	5,722
Expected Return on Assets	151
Contributions by Members	-
Contributions by the Employer	294
Actuarial Gains / (Losses)	91
Estimated Benefits Paid	(60)
<b>Closing fair value of assets</b>	<u>6,198</u>

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

### Reconciliation of defined benefit obligations

	2019
	£000
Opening defined benefit obligation	6,798
Current Service Cost	163
Interest Cost	177
Actuarial (Gains) / Losses	481
Estimated Benefits Paid	(60)
<b>Closing defined benefit obligation</b>	<u>7,559</u>



# KNOWES HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 26. RETIREMENT BENEFIT OBLIGATIONS

### Analysis of amount charged to the Statement of Comprehensive Income

	2019 £000
Charged to operating costs:	
Service cost	(163)
Charged to Other Finance Costs / (Income)	
Expected Return on employer assets	151
Interest on pension scheme liabilities	(177)
<b>Net interest on pension obligations</b>	<b>(26)</b>
<b>Net Charge to the Statement of Comprehensive Income</b>	<b>(189)</b>

### Actuarial Gain / (Loss) recognised in Other Comprehensive Income

	2019 £000
Experience on plan assets	91
Experience gains and losses arising on the plan liabilities - gain (loss)	66
Effects of changes in the demographic	(20)
Effects of changes in the financial assumptions	(527)
<b>Total actuarial gains and losses recognised in Other Comprehensive Income</b>	<b>(390)</b>