

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

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KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

ADVISERS AND REGISTERED OFFICE

FOR THE YEAR ENDED 31ST MARCH 2019

Auditors

Armstrongs, Chartered Accountants
142 West Nile Street
Glasgow
G1 2RQ

Bankers

Bank of Scotland
19 Roman Road
Bearsden
Glasgow
G61 2SP

Legal advisors

T C Young
Solicitors
7 West George Street
Glasgow
G2 1BA

Registered Office

KCEDG Commercial Centre
Unit 2/3
Ladyloan Place
Glasgow
G15 8LB

Registration information

Scottish Housing Regulator:	HCB 234
Registered Scottish Charity:	SC038236
Financial Conduct Authority:	2378R(S)

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH 2019

The Committee of Management present their report and the audited financial statements for the year ended 31st March 2019.

Principal activity

The principal activity of the Association as a Registered Landlord is the provision of good quality homes at affordable rents and prices for people in housing need.

Review of business

As the financial statements demonstrate, the Association's financial position indicates net assets of £4,553,131 (2018 - £4,190,354). The surplus for the year was £362,776 (2018 - £425,233).

During the year to 31st March 2019 the Association made good progress in a number of key areas of business activity.

We reviewed our Internal Management Plan and Risk Management Strategy and approved/reviewed a range of policies in Housing Management, Governance and General Data Protection Regulations. We published our Annual Report on the Charter in October 2018.

A comprehensive training programme for our governing body members was delivered in partnership with other Drumchapel RSL's to ensure that our management committee will continue to meet the requirements of the Regulatory Standards of Governance. A number of training sessions were delivered by external training consultants, covering a broad range of topics.

We replaced external doors and windows in 32 properties in our Inchfad Drive phase 2 development in accordance with recommendations made in our stock condition survey report, as components had reached the end of their life cycle. We also carried out domestic electrical installation periodic inspections in 63 houses and flats within our Inchfad phase 2 and Achamore/Lochgoin developments.

We carried out internal audits in General Data Protection Regulations and allocation of housing in order to assess our compliance with legislation, our current policies and best practice.

Our 5 year and 30 year budget projections continue to demonstrate our medium/long term viability under reasonable assumptions. The Association is aware of the need for effective financial performance based on sound management practice. Our financial cost ratios are comparable with or better than peer group and national medians.

Our Welfare Benefits Advice Service continues to be well used and our adviser had another successful year and assisted a number of residents to claim various financial benefits, resulting in financial gains totalling £60,457.

The Association strive for continuous improvement and ongoing review of key business objectives remains an ongoing priority. A comparison of key performance indicators against national averages highlighted that our performance was comparable or better than national medians.

Changes in fixed assets

Details of changes in fixed assets are set out in note 11.

Defined benefit accounting - Scottish Housing Associations' Pension Scheme (the Scheme)

The company participates in 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. In previous years it was not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme and therefore accounted for it as a defined contribution scheme.

With effect from 1st April 2018 information to use the defined benefit method of accounting has become available from TPT Retirement Solutions and has been applied for the year ended 31st March 2019. Under the new accounting treatment the liability at 1st April 2018 has been increased by £50,805 and the change has been accounted for as a change in accounting estimate. These figures have placed reliance on the actuarial assumptions of qualified actuaries which are considered reasonable and appropriate.

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (Continued)

FOR THE YEAR ENDED 31ST MARCH 2019

The Management Committee and Executive Officer

Executive Officer

J. Docherty

Management Committee

J. Barclay	(Chairperson)
K. McLerie	(Vice Chairperson)
J. Atkins	(Secretary)
E. Shaw	(Treasurer)
C. Wards	
R. Wards	
C. McManus	
M. McKenzie	(Resigned 7 August 2018)
R. Wason	(Resigned 7 August 2018)
A. Morton	(Appointed 7 August 2018)
R. McDowall	(Appointed 7 August 2018)
M. McGeachin	(Co-opted 21 August 2018)
D. Strain	(Co-opted 25 September 2018)

At the Annual General Meeting one third of all serving committee members will retire from office and may stand for re-election if eligible. Two new committee members were elected at the AGM in August 2018 and the existing members were re-elected. Two casual vacancies were filled in August and September 2018.

Each member of the management committee holds one fully paid share of £1 in the Association. The Executive Officer of the Association holds no interest in the Association's share capital and, although not having the legal status of a Director, acts as an executive within the authority delegated by the management committee.

Statement of Committee's responsibilities

The Co-operative and Community Benefit Societies Act 2014 require the management committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ended on that date. In preparing these financial statements, the management committee is required to:-

- . Select suitable accounting policies and apply them consistently;
- . Make judgements that are reasonable and prudent;
- . State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- . Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business;
- . 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 it to ensure that the financial statements comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. It is also responsible for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (Continued)

FOR THE YEAR ENDED 31ST MARCH 2019

Corporate governance

The Association has complied throughout the accounting period with the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance in 1992.

In accordance with the requirements of the Scottish Housing Regulator, the auditors have confirmed that they consider this statement appropriately reflects the Association's compliance with those paragraphs of the Code of Best Practice required to be reviewed by them. The auditors have also confirmed that, in their opinion, with respect to the Statement on Internal Financial Control, the management committee have provided the disclosures required by Paragraph 4.5 of the Code of Best Practice as supplemented by the related guidance for management committee and such statement is not inconsistent with the information of which they were aware from their audit work on the financial statements.

Statement as to disclosure of information to auditors

So far as the Committee are aware, there is no relevant audit information of which the Association's auditors are unaware, and each management committee member has taken all the steps that he or she ought to have taken as a management committee member in order to make himself or herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Auditor

A resolution to tender for external auditor services will be put to the members at the annual general meeting.

By order of the Management Committee

Management Committee Member

Dated :

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

COMMITTEE STATEMENT ON THE ASSOCIATION'S

SYSTEM OF INTERNAL FINANCIAL CONTROL

FOR THE YEAR ENDED 31ST MARCH 2019

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

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

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

- . formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- . experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- . forecasts and budgets are prepared regularly which allow the management committee and staff to monitor the key business risks, financial objectives and the progress towards financial plans set for the year and the medium term;
- . regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budgets 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 relevant sub-committees comprising management committee members and others;
- . the management committee review reports from management, from staff and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association; and
- . formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The management committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31st March 2019 and until the below date. No weaknesses were found in 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.

By order of the Management Committee

Management Committee Member

Dated :

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED
REPORT BY THE INDEPENDENT AUDITORS TO THE COMMITTEE
ON CORPORATE GOVERNANCE MATTERS
FOR THE YEAR ENDED 31ST MARCH 2019

Corporate governance

In addition to our audit of the financial statements, we have reviewed the management committee's statement on page five concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication Regulation of Social Housing in Scotland - Our Framework February 2019 and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page five has provided the disclosures required by the relevant Regulatory Standards within the publication Regulation of Social Housing in Scotland - Our Framework February 2019 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 management committee members 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 Regulatory Standards contained within the publication Regulation of Social Housing in Scotland - Our Framework February 2019 and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Adam Armstrong, LLB, CA, (Senior Statutory Auditor),
for and on behalf of Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow,
G1 2RQ.

Date :

**REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED**

Opinion

We have audited the financial statements of Kingsridge Cleddans Housing Association Limited for the year ended 31st March 2019 which comprise a statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 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 31st 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 properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of 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 members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the management committee members have 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 in the management committee's report, but does not include the financial statements and our auditor's opinion thereon.

Our opinion on the financial statements does not cover the other information and 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, 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.

**REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the management committee report.

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:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities set out on page three, the management committee is 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 determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management committee are 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 members either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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 it 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 the 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 members.
- conclude on the appropriateness of the management committees' 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.

**REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED**

Auditor's responsibilities for the audit of the financial statements (continued)

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.

Adam Armstrong, LLB, CA, (Senior Statutory Auditor),
for and on behalf of Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow,
G1 2RQ.

Dated :

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	2019	2018
		£	£
Turnover	2	1,525,059	1,503,598
Operating costs	2	1,119,297	1,073,404
Operating surplus	2	<u>405,762</u>	<u>430,194</u>
Interest receivable and other income		8,975	6,354
Interest payable and similar charges	6	(12,156)	(11,155)
Other finance charges	7	(3,000)	(160)
Surplus before tax		<u>399,581</u>	<u>425,233</u>
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	23	(50,805)	-
Actuarial gain/(loss) recognised in the pension liability		14,000	-
Total comprehensive income for the year		<u><u>362,776</u></u>	<u><u>425,233</u></u>

The results for the year relate wholly to continuing activities.

There is no difference between the surplus for the year stated above and the historical cost equivalent.

The notes form part of these financial statements.

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH 2019

	Notes	2019 £	2018 £
Fixed assets			
Tangible assets - social housing	11a	13,338,298	13,617,923
Other tangible assets - plant and equipment	11b	<u>33,175</u>	<u>5,229</u>
		<u>13,371,473</u>	<u>13,623,152</u>
Current assets			
Debtors	12	66,819	73,739
Cash at bank and in hand		<u>1,468,936</u>	<u>1,532,877</u>
		1,535,755	1,606,616
Creditors: amounts falling due within one year	13	(238,643)	(343,191)
Net current assets		<u>1,297,112</u>	<u>1,263,425</u>
Total assets less current liabilities		14,668,585	14,886,577
Creditors : amounts falling due after more than one year	14	(899,066)	(1,190,706)
Deferred income			
Deferred capital grants	15	(9,126,990)	(9,505,517)
Pension Scheme liability	23	(89,398)	-
Net assets		<u>4,553,131</u>	<u>4,190,354</u>
Equity			
Share capital	16	77	76
Revenue reserves		4,553,054	4,190,278
		<u>4,553,131</u>	<u>4,190,354</u>

These financial statements were approved by the Management Committee on

and signed on their behalf by:

Chairperson

Committee Member

Committee Member

The notes form part of these financial statements.

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2019

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1st April 2017	79	3,765,045	3,765,124
Cancellation of shares	(5)	-	(5)
Issue of shares	2	-	2
Total comprehensive income	-	425,233	425,233
Balance as at 31st March 2018	<u>76</u>	<u>4,190,278</u>	<u>4,190,354</u>
Balance as at 1st April 2018	76	4,190,278	4,190,354
Cancellation of shares	(3)	-	(3)
Issue of shares	4	-	4
Total comprehensive income	-	362,776	362,776
Balance as at 31st March 2019	<u>77</u>	<u>4,553,054</u>	<u>4,553,131</u>

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	2019 £	2018 £
Net cash generated from operating activities	1	<u>480,229</u>	<u>452,859</u>
Cash flow from investing activities			
Payments to acquire and develop housing properties		(162,608)	(94,769)
Purchase of other fixed assets		(35,049)	(342)
Grants repaid		(77,321)	(35,959)
Interest received		7,829	7,992
Net cash outflow from investing activities		<u>(267,149)</u>	<u>(123,078)</u>
Cash flow from financing activities			
Interest paid		(15,153)	(10,889)
Repayments of borrowings		(261,872)	(99,954)
Issue of share capital		4	2
Net cash outflow from financing activities		<u>(277,021)</u>	<u>(110,841)</u>
Net change in cash and cash equivalents		(63,941)	218,940
Cash and cash equivalents at 1 st April 2018		1,532,877	1,313,937
Cash and cash equivalents at 31st March 2019		<u><u>1,468,936</u></u>	<u><u>1,532,877</u></u>

Notes

1) Cash flow from operating activities	2019	2018
	£	£
Surplus for the year	362,776	425,233
Adjustments for non cash items		
Depreciation/loss on sale of tangible fixed assets	449,336	440,003
Decrease/(increase) in debtors	8,066	(14,478)
Increase/(decrease) in creditors	(2,803)	(24,424)
Pension costs less contributions payable	38,203	160
Forfeited share capital	(3)	(5)
Release of deferred Government Capital Grant	(378,527)	(378,431)
Adjustments for investing or financing activities		
Interest payable	12,156	11,155
Interest received	(8,975)	(6,354)
Net cash generated from operating activities	<u><u>480,229</u></u>	<u><u>452,859</u></u>

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with FRS 102 as issued by the Financial Reporting Council and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting for social housing providers issued in 2014.

To comply with the amendments to FRS 102 regarding multi-employer defined benefit plans, the accounting treatment for the membership of Scottish Housing Associations' Pension Scheme (SHAPS) has been included as a defined benefit scheme with effect from 1st April 2019. To comply with FRS 102 the impact of the transition from defined contribution accounting to defined benefit accounting has been presented as other comprehensive income and has been accounted for as a change in accounting estimate in accordance with the amendments to FRS 102, the Financial Report Standard applicable in the UK and Republic of Ireland, relating to multi-employer defined benefit plans.

Kingsridge Cleddans Housing Association Limited is a public benefit entity (PBE).

Turnover

Turnover represents rental and service charge income receivable, fees receivable, other income, revenue grants receivable from the Scottish Government, local authorities and other agencies.

Housing properties

Housing Properties are stated at cost less accumulated depreciation. Properties other than heritable land are depreciated at rates calculated to reduce the net book value of each component of the property to its residual value on a straight line basis, over the expected remaining life of the component. The estimated remaining lives are reviewed on a regular basis.

Component (Useful economic life)

Structure (50 years)
Windows (17 to 28 years)
Central heating boilers (17 to 34 years)
Radiators and pipework (17 to 36 years)
Kitchens (15 to 22 years)
Bathrooms (17 to 28 years)
Rewiring (17 to 28 years)

Reviews for impairment of housing properties are carried out regularly and any impairment in an income-generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units. Impairment of assets would be recognised in the Statement of Comprehensive Income.

Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged by equal instalments commencing with the year of acquisition at rates estimated to write off costs less any residual value over the expected economic useful lives at annual rates :-

Furniture and Fittings	- 10% per annum
Office Equipment	- 25% per annum

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2019

1. **Principal accounting policies** (Continued)

Social housing grants and other grants

Social housing grants and other capital grants are accounted for using the accrual method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which 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.

Capitalisation of interest

Interest incurred on financing a development is capitalised up to the date of completion of the scheme.

Development administration costs

Development costs incremental to the other costs of the Association have been capitalised.

Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

The surplus or deficit is shown on the face of the Statement of Comprehensive Income.

Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income in the period to which they relate.

Cyclical and planned maintenance

The costs of cyclical and planned maintenance are charged to the Statement of Comprehensive Income in the year in which they are incurred.

Pension costs

As explained above, this is a change in the accounting treatment from the previous year when the defined contribution method of accounting was used. The transitional adjustment has been included in other comprehensive income.

The Scottish Housing Associations' Pension Scheme is accounted for as a defined benefit scheme. In accordance with FRS 102, the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2019

1. **Principal accounting policies** (Continued)

Judgements in applying policies and key sources of 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 Kingsridge Cleddans Housing Association Limited'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:

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.

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.

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.

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.

Obligations under SHAPS pension scheme

The accounting for the pension scheme and the transition from defined contribution disclosure to defined benefit has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.

Financial instruments - basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard.

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

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2019

2. Particulars of turnover, cost of sales, operating costs and operating surpluses / (deficits)

Income and expenditure from lettings	Turnover	2019 Operating costs	Operating surplus / (deficit)
	£	£	£
Social lettings	1,503,625	1,099,782	403,843
Other activities	21,434	19,515	1,919
Total	<u>1,525,059</u>	<u>1,119,297</u>	<u>405,762</u>
	Turnover	2018 Operating costs	Operating surplus / (deficit)
	£	£	£
Social lettings	1,482,458	1,054,025	428,433
Other activities	21,140	19,379	1,761
Total	<u>1,503,598</u>	<u>1,073,404</u>	<u>430,194</u>

3. Particulars of income and expenditure from social letting activities

	General needs	Supported accommod	Shared ownership	2019 Total	2018 Total
	£	£	£	£	£
Income from letting					
Rent receivable net of identifiable service charges	1,053,554	13,771	20,175	1,087,500	1,060,941
Service charges	12,341	28,808	-	41,149	45,210
Gross income from rents and service charges	<u>1,065,895</u>	<u>42,579</u>	<u>20,175</u>	<u>1,128,649</u>	<u>1,106,151</u>
Less : voids	(3,551)	-	-	(3,551)	(2,124)
	<u>1,062,344</u>	<u>42,579</u>	<u>20,175</u>	<u>1,125,098</u>	<u>1,104,027</u>
Release of deferred capital grant	364,805	2,615	11,107	378,527	378,431
Total turnover from social letting activities	<u>1,427,149</u>	<u>45,194</u>	<u>31,282</u>	<u>1,503,625</u>	<u>1,482,458</u>
Expenditure on lettings					
Management and maintenance admin costs	401,681	15,332	7,265	424,278	374,682
Reactive maintenance	107,201	-	-	107,201	90,957
Planned maintenance	87,249	-	-	87,249	99,888
Bad debts - rents and service charges	(2,328)	-	-	(2,328)	5,175
Depreciation of social housing	422,147	3,026	17,060	442,233	438,113
Service charges	12,341	28,808	-	41,149	45,210
Total expenditure on lettings	<u>1,028,291</u>	<u>47,166</u>	<u>24,325</u>	<u>1,099,782</u>	<u>1,054,025</u>
Operating surplus for social lettings for 2019	<u>398,858</u>	<u>(1,972)</u>	<u>6,957</u>	<u>403,843</u>	<u>428,433</u>
Operating surplus for social lettings for 2018	<u>423,405</u>	<u>(2,035)</u>	<u>7,063</u>	<u>428,433</u>	

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2019

4. Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Scottish Ministers' Grants £	Other Income £	Total Turnover £	Operating Costs £	Operating Surplus /(Deficit) 2019 £	Operating Surplus /(Deficit) 2018 £
Factoring services	-	330	330	330	-	-
Medical Adaptations	21,104	-	21,104	19,185	1,919	1,761
Total for other activities for 2019	<u>21,104</u>	<u>330</u>	<u>21,434</u>	<u>19,515</u>	<u>1,919</u>	<u>1,761</u>
Total for other activities for 2018	<u>20,810</u>	<u>330</u>	<u>21,140</u>	<u>19,379</u>	<u>1,761</u>	

5. Surplus for year

Surplus is stated after charging (crediting):-

	2019 £	2018 £
Operating lease	18,061	12,786
Amortisation of capital grants	(378,527)	(378,431)
Depreciation/loss on sale - tangible other fixed assets	7,103	1,890
Depreciation - tangible land & buildings fixed assets	442,233	438,113
Auditors' remuneration (excl. VAT)	4,500	4,400
Bad debts	<u>(2,328)</u>	<u>5,175</u>

6. Interest payable and similar charges

	2019 £	2018 £
On property loans payable by instalments	<u>12,156</u>	<u>11,155</u>

7. Other finance income / charges

	2019 £	2018 £
Defined benefit pension scheme net interest	3,000	-
Unwinding of discounted liabilities and remeasurement	-	160
	<u>3,000</u>	<u>160</u>

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2019

8. Directors' Emoluments

The remuneration paid to the directors (defined as the Committee of Management and Chief Executive of Kingsridge Cleddans Housing Association Limited) was:-

	2019	2018
	£	£
Total emoluments payable to the Chief Executive (including pension contributions and benefits in kind)	<u>62,852</u>	<u>60,874</u>
Total emoluments payable to the Chief Executive (excluding pension contributions) amounted to	<u>55,883</u>	<u>54,085</u>
Total expenses reimbursed to the Committee in so far as not chargeable to United Kingdom income tax	<u>15</u>	<u>48</u>

Contributions totalling £6,969 (2018 - £6,789) were made to the pension scheme of the Chief Executive. The Chief Executive's pension arrangements are on the same basis as certain other members of staff, with no enhanced or special terms.

	2019	2018
Total number of key management personnel with emoluments between £60,000 - £70,000	<u>1</u>	<u>1</u>

None of the Committee members received any remuneration during the year.

9. Employee information

	2019	2018
The average full time equivalent of persons employed during the year was:-	<u>5</u>	<u>5</u>
	£	£
Staff costs (including Executive Emoluments)		
Wages and salaries	205,000	197,826
Social security costs	18,954	18,160
Pension contributions	<u>22,748</u>	<u>21,769</u>
	<u>246,702</u>	<u>237,755</u>

10. Tax on surplus on ordinary activities

The Association is a registered charity with effect from 15th May 2007 and as such is no longer subject to taxation.

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2019

11. Non-current assets

a) Housing Properties

	Housing property held for letting £	Shared ownership held for letting £	Total £
Cost			
As at 1 st April 2018	19,724,039	853,003	20,577,042
Additions	162,608	-	162,608
Disposals	<u>(56,966)</u>	<u>-</u>	<u>(56,966)</u>
As at 31 st March 2019	<u>19,829,681</u>	<u>853,003</u>	<u>20,682,684</u>
Depreciation			
As at 1 st April 2018	6,805,578	153,541	6,959,119
Provided during year	425,173	17,060	442,233
Eliminated on disposal	<u>(56,966)</u>	<u>-</u>	<u>(56,966)</u>
As at 31 st March 2019	<u>7,173,785</u>	<u>170,601</u>	<u>7,344,386</u>
Net book value at 31.03.19	<u>12,655,896</u>	<u>682,402</u>	<u>13,338,298</u>
Net book value at 31.03.18	<u>12,918,461</u>	<u>699,462</u>	<u>13,617,923</u>

No administration costs were capitalised during the year (2018 - £Nil).

Net book value of properties under security at 31st March 2019 was £2,018,140 (2018 - £2,034,623).

All properties are freehold.

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2019

11. **Non-current assets**

b) **Other tangible assets**

	Furniture & fittings £	Office equipment £	Total £
Cost			
As at 1 st April 2018	43,441	22,768	66,209
Additions during year	21,635	13,414	35,049
Disposals in year	(6,439)	(6,348)	(12,787)
As at 31 st March 2019	<u>58,637</u>	<u>29,834</u>	<u>88,471</u>
Aggregate depreciation			
As at 1 st April 2018	39,080	21,900	60,980
Provided in year	3,117	3,825	6,942
Disposals in year	(6,282)	(6,344)	(12,626)
As at 31 st March 2019	<u>35,915</u>	<u>19,381</u>	<u>55,296</u>
Net book value at 31.03.19	<u>22,722</u>	<u>10,453</u>	<u>33,175</u>
Net book value at 31.03.18	<u>4,361</u>	<u>868</u>	<u>5,229</u>

12. **Trade and other receivables**

	2019 £	2018 £
Rental arrears	64,166	75,155
Less: provision for doubtful debts	<u>19,393</u>	<u>24,693</u>
	44,773	50,462
Other receivables	<u>22,046</u>	<u>23,277</u>
	<u>66,819</u>	<u>73,739</u>

Housing benefit in the sum of £17,944 (2018 - £21,453) is included within rent arrears.

13. **Creditors - Amounts falling due within one year**

	2019 £	2018 £
Current instalments of loans	81,310	89,859
Trade payables	19,392	8,990
Other creditors	12,329	14,305
Pension due within one year	-	12,879
Rent in advance	14,549	17,961
HAG repayable	-	77,321
Accruals and deferred income	<u>111,063</u>	<u>121,876</u>
	<u>238,643</u>	<u>343,191</u>

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2019

14. Creditors - Amounts falling due after more than one year

	2019	2018
	£	£
Loans	899,066	1,152,390
Liability for past service contributions	<u>-</u>	<u>38,316</u>
	<u><u>899,066</u></u>	<u><u>1,190,706</u></u>

The Association has three loan agreements in place with Nationwide at 31st March 2019. These facilities shall be fully repaid between 2028 and 2032 and are secured over 143 units with an existing use value of £3.8m.

Interest rates charged on these facilities is currently 1.28 % (2018 - 1.2%).

The above creditors are due as follows:

	2019	2018
	£	£
Due within one year	<u>81,310</u>	<u>89,859</u>
Between one and two years	82,408	90,904
Between two and five years	253,958	279,103
In five years or more	<u>562,700</u>	<u>782,382</u>
	<u><u>899,066</u></u>	<u><u>1,152,389</u></u>

In 2018 the liability for 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 in that year have been discounted at a rate of 1.51%.

The above creditors are due as follows:

	2019	2018
	£	£
Due within one year	<u>-</u>	<u>12,879</u>
Between one and two years	-	13,068
Between two and five years	<u>-</u>	<u>25,248</u>
	<u><u>-</u></u>	<u><u>38,316</u></u>

15. Deferred capital grants

	2019	2018
	£	£
Social Housing Grants		
Balance as at 1 st April 2018	9,505,517	9,883,948
Amortisation in year	<u>(378,527)</u>	<u>(378,431)</u>
Balance as at 31 st March 2019	<u><u>9,126,990</u></u>	<u><u>9,505,517</u></u>
Due within 1 year	369,426	371,246
Due after more than 1 year	<u>8,757,564</u>	<u>9,134,271</u>
	<u><u>9,126,990</u></u>	<u><u>9,505,517</u></u>

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2019

16. Share capital

	2019	2018
Shares of £1 each issued and fully paid		
As at 1 st April 2018	76	79
Shares issued at par during the year	<u>4</u>	<u>2</u>
	80	81
Shares forfeited	<u>(3)</u>	<u>(5)</u>
At 31 st March 2019	<u><u>77</u></u>	<u><u>76</u></u>

Each shareholder of the Association holds only one share and is entitled to vote at general meetings of the Association. Shares carry no right to dividend or distribution 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 member meetings.

17. Housing stock

	2019	2018
The number of units of accommodation in management at the year end was :-		
General needs - new build	254	254
- rehabilitation	27	27
Shared ownership	<u>11</u>	<u>11</u>
	<u><u>292</u></u>	<u><u>292</u></u>

18. Capital commitments

The Association had no capital commitments at 31st March 2019 (2018 - £Nil).

19. Leasing commitments

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

	2019	2018
	£	£
Within one year	378	9,030
Between one and five years	<u>1,512</u>	<u>-</u>
	<u><u>1,890</u></u>	<u><u>9,030</u></u>

20. Contingent liabilities

The Association has no known contingent liabilities at 31st March 2019 (2018 - £Nil).

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2019

21. Related party transactions

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

Some key management personnel and their close family are tenants and shared owners of the Association. The tenancies are on the Association's normal tenancy terms and shared ownerships rent charges are also at normal arms-length contractual terms. The rent charge in the year in respect of these tenancies and shared ownership accounts were £51,459 (2018 - £35,587) with rent arrears at the year end of £85 (2018 - £610) and rent prepayments of £1,240 (2018 - £1,061). Other recharges were £213 (2018 - £209) with £Nil balance at the year end (2018 - £Nil).

Mr John Docherty, Mr John Barclay and Ms Christine Wards are on the Board of Kingsridge Cleddans Economic Development Group (KCEDG). During the year the Association paid rent totalling £18,061 (2018 - £12,021) to that organisation.

22. Legislation

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

23. Retirement Benefit Obligations

Scottish Housing Associations' Pension Scheme

Kingsridge Cleddans Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme which is a statutory multi-employer defined benefit scheme providing benefits to over 150 non-associated employers. At 31st March 2019 there were 3 (2018 - 3) active members of the scheme employed by the Association.

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

	2019	2018
	(£000s)	(£000)
Fair value of plan assets	417	507
Present value of defined benefit obligation	506	609
Surplus (deficit) in plan	(89)	(102)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(89)	(102)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	(89)	(102)

Reconciliation of the impact of the asset ceiling

	2019
	(£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2019

23. **Retirement Benefit Obligations** (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	2019
	(£000s)
Defined benefit obligation at start of period	609
Current service cost	28
Expenses	-
Interest expense	14
Contributions by plan participants	16
Actuarial losses (gains) due to scheme experience	(8)
Actuarial losses (gains) due to changes in demographic assumptions	1
Actuarial losses (gains) due to changes in financial assumptions	28
Benefits paid and expenses	(182)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	506

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

	2019
	(£000s)
Fair value of plan assets at start of period	507
Interest income	11
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	35
Contributions by the employer	30
Contributions by plan participants	16
Benefits paid and expenses	(182)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	417

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £46,000.

Defined benefit costs recognised in Statement of Comprehensive Income (SOCl)

	2019
	(£000s)
Current service cost	28
Expenses	-
Net interest expense	3
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit charges	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	31

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2019

23. **Retirement Benefit Obligations** (continued)

Defined benefit costs recognised in Other Comprehensive Income

	2019
	(£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	35
Experience gains and losses arising on the plan liabilities - gain (loss)	8
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(1)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(28)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	14
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	14

Assets

	2019	2018
	(£000s)	(£000s)
Global Equity	67	91
Absolute Return	36	60
Distressed Opportunities	7	2
Credit Relative Value	7	-
Alternative Risk Premia	23	19
Fund of Hedge Funds	1	15
Emerging Markets Debt	13	17
Risk Sharing	12	5
Insurance-Linked Securities	11	14
Property	8	20
Infrastructure	18	9
Private Debt	5	5
Corporate Bond Fund	29	35
Long Lease Property	5	-
Secured Income	15	19
Over 15 Year Gilts	11	16
Index Linked All Stock Gilts	-	-
Liability Driven Investment	149	179
Net Current Assets	-	1
Total assets	<u>417</u>	<u>507</u>

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

KINGSRIDGE CLEDDANS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31ST MARCH 2019

23. Retirement Benefit Obligations (continued)

Key assumptions

	2019	2018
	% per annum	% per annum
Discount Rate	2.29	2.55
Inflation (RPI)	3.30	3.20
Inflation (CPI)	2.30	2.20
Salary Growth	3.30	3.20
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

In previous years the scheme was accounted for on a defined contribution basis. The liability included at 1st April 2018 has increased from £51,195 to £102,000.

The Association also makes contributions to the personal pension scheme of two employees which are defined contribution schemes operated by third party entities.