



**Trafalgar Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2010**

**Registered Housing Association No.HAC212**

**FSA Reference No. 2316R(S)**

**Scottish Charity No. SC038597**

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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**TRAFALGAR HOUSING ASSOCIATION LIMITED**

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**MANAGEMENT COMMITTEE , EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2010**

**MANAGEMENT COMMITTEE**

Lily Lyden	Vice Chairperson
Harriet Haire M.B.E	Chairperson
John Munro	Secretary
Peter Sanders	Appointed 30 April 2009, Resigned 26 October 2009
Eleanor Shannon	Appointed 28 May 2009
John O'Donnell	Resigned May 2009
George Norwood	
Margaret Barr	
Agnes Montgomery	Resigned 26 November 2009
Wille Croft	Resigned 27 August 2009
Anne Blane	
Margaret Kenmuir	Appointed 24 February 2010
Mary Campbell	Appointed 24 February 2010
William Campbell	

**EXECUTIVE OFFICERS**

Paul McShane	Director
Margaret Livingstone	Housing Manager
Alison Leabody	Property Services Manager

**REGISTERED OFFICE**

430A Dumbarton Road  
Dalmuir  
Clydebank  
G81 4DX

**AUDITORS**

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

**BANKERS**

Royal Bank of Scotland  
30 Sylvania Way South  
Clydebank  
G81 1TS

**SOLICITORS**

T.C Young  
30 George Square  
Glasgow  
G2 1LH

**FINANCE AGENTS**

Lethame Business Services Ltd  
5 Cloverhill Gardens  
Strathaven  
ML10 6XB

## **TRAFALGAR HOUSING ASSOCIATION LIMITED**

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### **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2010**

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2010.

#### **Legal Status**

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.2316R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC038597.

#### **Principal Activities**

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

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

The last financial year has once again seen the association strengthen its financial position. The surplus of £126,620 now brings our capital and reserves to £2,098,536 at the financial year end.

With the first of our refurbished properties now being 17 years old we face a number of years where repair and replacement expenditure will be significantly higher than in previous years.

We will be reviewing our longer term budgets to ensure that we continue to meet regulatory change and future investment requirements.

## **TRAFALGAR HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2010**

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#### **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 Industrial and Provident Societies Acts 1965 to 2002 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 surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

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

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The 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

## TRAFALGAR HOUSING ASSOCIATION LIMITED

### REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2010

#### 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;
- regular 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
- 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.

#### Donations

During the year the Association made charitable donations amounting to £1,300 (2009 £1,000)

#### Auditors

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

By order of the Management Committee



JOHN MUNRO  
Secretary  
25 August 2010

TRAFALGAR HOUSING ASSOCIATION LIMITED

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REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF  
TRAFALGAR HOUSING ASSOCIATION LIMITED  
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

**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 4 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" 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 section on Internal Financial Control within SFHA's "Raising Standards in Housing".



ALEXANDER SLOAN  
Chartered Accountants

GLASGOW  
25 August 2010

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

We have audited the financial statements of Trafalgar Housing Association Limited for the year ended 31st March 2010 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of Management Committee and Auditors**

As described in the Statement of Management Committee's Responsibilities the Association's Management Committee are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee's Report is consistent with the Financial Statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Management Committee's remuneration and transactions with the Association is not disclosed.

We read the Management Committee's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Management Committee in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

**Opinion**

In our opinion the Financial Statements:

give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Association's affairs as at 31st March 2010 and of its income and expenditure and cash flow for the year then ended; and

have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

In our opinion, the information given in the Management Committee's Report is consistent with the financial statements.



**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
25 August 2010



# TRAFALGAR HOUSING ASSOCIATION LIMITED

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

	Notes	2010 £	2009 £
<b>TURNOVER</b>	2.	878,869	867,277
Operating Costs	2.	<u>(668,244)</u>	<u>(629,531)</u>
<b>OPERATING SURPLUS</b>	8.	210,625	237,746
Interest Receivable and Other Income		10,817	71,310
Interest Payable and Similar Charges	7.	<u>(94,822)</u>	<u>(148,044)</u>
		<u>(84,005)</u>	<u>(76,734)</u>
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		126,620	161,012
Tax on surplus on ordinary activities	9.	-	1,170
<b>SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u><u>126,620</u></u>	<u><u>162,182</u></u>

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

**TRAFALGAR HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET AS AT 31st MARCH 2010**

	Notes	£	2010 £	£	2009 £
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties - Depreciated Cost	10.(a)		24,439,147		24,405,583
Less: Social Housing Grant	10.(a)		(21,067,934)		(20,998,859)
: Other Public Grants	10.(a)		(248,008)		(248,008)
			<u>3,123,205</u>		<u>3,158,716</u>
Other fixed assets	10.(b)		97,308		99,849
			<u>3,220,513</u>		<u>3,258,565</u>
<b>CURRENT ASSETS</b>					
Debtors	13.	34,452		88,441	
Investments	21.	568,452		1,063,214	
Cash at bank and in hand		1,113,867		519,924	
			<u>1,716,771</u>	<u>1,671,579</u>	
CREDITORS: Amounts falling due within one year	14.	(248,936)		(271,568)	
<b>NET CURRENT ASSETS</b>			<u>1,467,835</u>		<u>1,400,011</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>4,688,348</u>		<u>4,658,576</u>
CREDITORS: Amounts falling due after more than one year	15.		(2,589,812)		(2,686,671)
<b>NET ASSETS</b>			<u><u>2,098,536</u></u>		<u><u>1,971,905</u></u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	17.		254		243
Designated Reserves	18.(a)		1,551,153		1,456,187
Revenue Reserves	18.(b)		547,129		515,475
			<u>2,098,536</u>		<u>1,971,905</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on

25 August 2010

*Habool Hanze*  
Chairperson

*Lily Ryden*  
Vice-Chairperson

*[Signature]*  
Secretary

**TRAFALGAR HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2010**

	Notes	2010	2009
		£	£
<b>Net Cash Inflow from Operating Activities</b>	16.	292,876	301,133
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received	10,817	71,310	
Interest Paid	(94,822)	(148,044)	
<b>Net Cash (Outflow) from Investment and Servicing of Finance</b>		(84,005)	(76,734)
<b>Taxation</b>			
Corporation Tax Paid	-	(16,452)	
Grant Received	-	34,701	
<b>Net Cash (Outflow) from Taxation</b>		-	18,249
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties	(96,296)	(90,579)	
Purchase of Other Fixed Assets	(6,827)	-	
Social Housing Grant Received	109,980	10,441	
<b>Net Cash Inflow / (Outflow) from Capital Expenditure and Financial Investment</b>		6,857	(80,138)
<b>Net Cash Inflow before use of Liquid Resources and Financing</b>		215,728	162,510
<b>Management of Liquid Resources</b>			
Change in short term deposits with banks		494,762	148,220
<b>Financing</b>			
Loan Principal Repayments	(116,576)	(83,444)	
Share Capital Issued	29	25	
<b>Net Cash Outflow from Financing</b>		(116,547)	(83,419)
<b>Increase in Cash</b>	16.	<u>593,943</u>	<u>227,311</u>

# TRAFALGAR HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### **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 2008, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

##### **Turnover**

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

##### **Retirement Benefits**

The Association participates in the S.F.H.A. Defined Benefits Pension Scheme and 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 Associations taken as a whole.

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

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2%. Land is not depreciated. Housing Properties are reviewed for impairment if events or circumstances indicate that the carrying value is higher than the recoverable amount.

##### **Depreciation And Impairment Of Other Fixed Assets**

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

Office Premises	- 4%
Furniture and Fittings	- 10%
Office Equipment	- 25%

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account 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.

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

##### **Leases/Leased Assets**

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet 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.

##### **Capitalisation Of Development Overheads**

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

##### **Development Interest**

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

##### **Designated Reserves**

The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

# TRAFALGAR HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2010			2009		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	878,449	651,036	227,413	853,844	604,333	249,511
Other Activities	4.	420	17,208	(16,788)	13,433	25,198	(11,765)
<b>Total</b>		<b>878,869</b>	<b>668,244</b>	<b>210,625</b>	<b>867,277</b>	<b>629,531</b>	<b>237,746</b>

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared ownership £	2010 Total £	2009 Total £
<b>Income from Lettings</b>				
Rent Receivable Net of Identifiable Service Charges	822,861	8,028	830,889	819,199
Service Charges Receivable	47,796	-	47,796	35,304
<b>Gross Rents Receivable</b>	<b>870,657</b>	<b>8,028</b>	<b>878,685</b>	<b>854,503</b>
Less: Rent losses from voids	236	-	236	659
<b>Net Rents Receivable</b>	<b>870,421</b>	<b>8,028</b>	<b>878,449</b>	<b>853,844</b>
Revenue Grants from Scottish Ministers	-	-	-	-
Revenue Grants From Local Authorities and Other Agencies	-	-	-	-
<b>Total Income From Social Letting</b>	<b>870,421</b>	<b>8,028</b>	<b>878,449</b>	<b>853,844</b>
<b>Expenditure on Social Letting Activities</b>				
Service Costs	75,443	-	75,443	70,789
Management and maintenance administration costs	302,008	3,254	305,262	305,707
Reactive Maintenance	131,666	-	131,666	126,862
Bad Debts - Rents and Service Charges	2,926	-	2,926	(12,191)
Planned and Cyclical Maintenance, including Major Repairs	73,007	-	73,007	50,906
Depreciation of Social Housing	61,962	770	62,732	62,260
<b>Operating Costs of Social Letting</b>	<b>647,012</b>	<b>4,024</b>	<b>651,036</b>	<b>604,333</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>223,409</b>	<b>4,004</b>	<b>227,413</b>	<b>249,511</b>
<b>2009</b>		<b>246,422</b>	<b>3,089</b>	

**TRAFALGAR HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010**

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

**4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES**

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2010	Operating Surplus / (Deficit) 2009
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	-	-	-	1,279	(1,279)	(515)
Factoring	-	-	-	420	420	-	3,903	(3,483)	(2,943)
Other Activities	-	-	-	-	-	-	12,026	(12,026)	(8,307)
<b>Total From Other Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>420</b>	<b>420</b>	<b>-</b>	<b>17,208</b>	<b>(16,788)</b>	<b>(11,765)</b>
<b>2009</b>	<b>12,893</b>	<b>-</b>	<b>-</b>	<b>540</b>	<b>13,433</b>	<b>-</b>	<b>25,198</b>	<b>(11,765)</b>	

# TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of

2010	2009
£	£

No Officer of the Association received emoluments greater than £60,000.

Pension contributions made on behalf of the Chief Executive

<u>7,286</u>	<u>7,161</u>
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Emoluments payable to Chief Executive (excluding pension contributions)

<u>47,698</u>	<u>46,816</u>
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## 6. EMPLOYEE INFORMATION

2010	2009
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No.	No.
-----	-----

The average monthly number of full time equivalent persons employed during the year was

<u>6</u>	<u>6</u>
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Staff Costs were:

£	£
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Wages and Salaries

188,762	181,728
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Social Security Costs

14,216	14,284
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Other Pension Costs

28,433	24,696
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Temporary, Agency and Seconded Staff

21,713	20,504
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<u>253,124</u>	<u>241,212</u>
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# TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 7. INTEREST PAYABLE

	2010	2009
	£	£
On Bank Loans & Overdrafts	94,822	148,044

## 8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2010	2009
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	72,100	72,540
Auditors' Remuneration - Audit Services	3,945	3,800
Operating Lease Rentals - Other	6,577	6,577

## 9. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	2010	2009
	£	£
(i) Analysis of Charge in Year		
Current Tax:		
UK Corporation Tax on surplus for the year	-	-
Adjustments in respect of previous years	-	(1,170)
Total Current Tax (Note 10(ii))	-	(1,170)
Tax on surplus on Ordinary Activities	-	(1,170)
(ii) Factors affecting tax charge for period		
The tax assessed for the period is lower than the standard rate of Corporation Tax in the U.K. (30%). The differences are explained below:		
Surplus on ordinary activities before tax	126,620	161,012
Surplus on ordinary activities multiplied by standard rate of Corporation Tax in the U.K. of 21%(2009:21%)	26,590	33,813
Effects of:		
Charitable income not chargeable to tax	(26,590)	(33,813)
Capitalised interest deductible for tax purposes	-	-
Under/ (Over) Provision in previous years	-	(1,170)
Expenses not deductible for tax purposes	-	-
Adjustment due to change in Corporation Tax rate	-	-
Capital Allowances in excess of Depreciation	-	-
Utilisation of tax losses	-	-
Current tax charge for period (Note 10(i))	-	(1,170)

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

# TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 10. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Total £
<b>COST</b>			
As at 1st April 2009	24,730,546	144,302	24,874,848
Additions	96,296	-	96,296
Disposals	-	-	-
Schemes Completed	-	-	-
As at 31st March 2010	<u>24,826,842</u>	<u>144,302</u>	<u>24,971,144</u>
<b>DEPRECIATION</b>			
As at 1st April 2009	459,961	9,304	469,265
Charge for Year	61,962	770	62,732
Disposals	-	-	-
As at 31st March 2010	<u>521,923</u>	<u>10,074</u>	<u>531,997</u>
<b>SOCIAL HOUSING GRANT</b>			
As at 1st April 2009	20,890,076	108,783	20,998,859
Additions	69,075	-	69,075
Disposals	-	-	-
Schemes Completed	-	-	-
As at 31st March 2010	<u>20,959,151</u>	<u>108,783</u>	<u>21,067,934</u>
<b>OTHER CAPITAL GRANTS</b>			
As at 1st April 2009	248,008	-	248,008
Additions	-	-	-
Disposals	-	-	-
Schemes Completed	-	-	-
As at 31st March 2010	<u>248,008</u>	<u>-</u>	<u>248,008</u>
<b>NET BOOK VALUE</b>			
As at 31st March 2010	<u>3,097,760</u>	<u>25,445</u>	<u>3,123,205</u>
As at 31st March 2009	<u>3,132,501</u>	<u>26,215</u>	<u>3,158,716</u>

Additions to housing properties includes capitalised development administration costs of £10,316 (2009 - £10,115) and capitalised major repair costs to existing properties of £Nil (2009 £Nil)

All land and housing properties are freehold.

# TRAFALGAR HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 10. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Office Equipment £	Office Premises £	Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2009	70,309	158,811	24,883	254,003
Additions	3,128	3,699	-	6,827
Eliminated on Disposals	-	-	-	-
As at 31st March 2010	<u>73,437</u>	<u>162,510</u>	<u>24,883</u>	<u>260,830</u>
<b>GRANTS RECEIVED</b>				
As at 1st April 2009	-	-	-	-
Received in year	-	-	-	-
Repaid on Disposal	-	-	-	-
As at 31st March 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2009	68,482	63,929	21,743	154,154
Charge for year	1,967	6,501	900	9,368
Eliminated on disposal	-	-	-	-
As at 31st March 2010	<u>70,449</u>	<u>70,430</u>	<u>22,643</u>	<u>163,522</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2010	<u>2,988</u>	<u>92,080</u>	<u>2,240</u>	<u>97,308</u>
As at 31st March 2009	<u>1,827</u>	<u>94,882</u>	<u>3,140</u>	<u>99,849</u>

#### 11. CAPITAL COMMITMENTS

	2010 £	2009 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>64,499</u>	<u>-</u>

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

#### 12. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows	2010 £	2009 £
Other		
Expiring between two and five years	<u>6,577</u>	<u>6,577</u>

# TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 13. DEBTORS

	2010	2009
	£	£
Arrears of Rent & Service Charges	20,514	21,571
Less: Provision for Doubtful Debts	<u>(14,552)</u>	<u>(11,555)</u>
	5,962	10,016
Social Housing Grant Receivable	-	40,905
Other Debtors	<u>28,490</u>	<u>37,520</u>
	<u><u>34,452</u></u>	<u><u>88,441</u></u>

## 14. CREDITORS: Amounts falling due within one year

	2010	2009
	£	£
Housing Loans	110,761	130,478
Trade Creditors	20,057	20,057
Rent in Advance	34,853	31,923
Other Taxation and Social Security	-	4,656
Other Creditors	42,995	43,412
Accruals and Deferred Income	<u>40,270</u>	<u>41,042</u>
	<u><u>248,936</u></u>	<u><u>271,568</u></u>

At the balance sheet date there were pension contributions outstanding of £2,394 (2009 £2,058)

## 15. CREDITORS: Amounts falling due after more than one year

	2010	2009
	£	£
Housing Loans	<u>2,589,812</u>	<u>2,686,671</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	110,761	130,478
Between one and two years	113,339	133,450
Between two and five years	356,535	418,509
In five years or more	<u>2,119,938</u>	<u>2,134,712</u>
	2,700,573	2,817,149
Less: Amount shown in Current Liabilities	<u>110,761</u>	<u>130,478</u>
	<u><u>2,589,812</u></u>	<u><u>2,686,671</u></u>

# TRAFALGAR HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2010 £	2009 £
Operating Surplus	210,625	237,746
Depreciation	72,100	72,540
Change in Debtors	13,084	4,733
Change in Creditors	(2,915)	(13,871)
Share Capital Written Off	(18)	(15)
Net Cash Inflow from Operating Activities	<u>292,876</u>	<u>301,133</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2010 £	£	2009 £	£
Increase in Cash	593,943		227,311	
Cash flow from management of liquid resources	(494,762)		(148,220)	
Cash flow from change in debt	<u>116,576</u>		<u>83,444</u>	
Movement in net debt during year		215,757		162,535
Net debt at 1st April 2009		<u>(1,234,011)</u>		<u>(1,396,546)</u>
Net debt at 31st March 2010		<u>(1,018,254)</u>		<u>(1,234,011)</u>

<i>Analysis of changes in net debt</i>	At 01.04.09 £	Cash Flows £	Other Changes £	At 31.03.10 £
Cash at bank and in hand	<u>519,924</u>	<u>593,943</u>		<u>1,113,867</u>
Liquid Resources	519,924	593,943		1,113,867
Debt: Due within one year	1,063,214	(494,762)		568,452
Due after more than one year	(130,478)	116,576	(96,859)	(110,761)
	<u>(2,686,671)</u>	<u>-</u>	<u>96,859</u>	<u>(2,589,812)</u>
Net Debt	<u>(1,234,011)</u>	<u>215,757</u>	<u>-</u>	<u>(1,018,254)</u>

# TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2009	243
Issued in year	29
Cancelled in year	<u>(18)</u>
At 31st March 2010	<u>254</u>

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

## 18. RESERVES

(a) Designated Reserves	Cyclical Maintenance £	Major Repairs £	Total £
At 1st April 2009	316,756	1,139,431	1,456,187
Transfer to / (from) Revenue Res	<u>23,742</u>	<u>71,224</u>	<u>94,966</u>
At 31st March 2010	<u>340,498</u>	<u>1,210,655</u>	<u>1,551,153</u>

(b) Revenue Reserves	Total £
At 1st April 2009	515,475
Surplus for the Year	126,620
Transfer (to) / from Designated Reserves	<u>(94,966)</u>
At 31st March 2010	<u>547,129</u>

## 19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2010 No.	2009 No.
General Needs - New Build	186	185
- Rehabilitation	115	115
Shared Ownership	<u>5</u>	<u>5</u>
	<u>306</u>	<u>305</u>

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Committee is summarised as follows:

10 members are tenants of the Association

1 member of the committee is the chairperson of Scottish Enterprise Clydebank Limited.

Those members that 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.

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

The following transactions took place during the year between the Association and its related parties:

Harriet Haire, a member of the management committee is also a member of the board of directors of Social Enterprise Clydebank Ltd who provide cleaning and caretaking services in the year amounting to £10,970 (2009: £24,796). At the year end there were no amounts payable to Social Enterprise Clydebank Ltd. All transaction with Social Enterprise Clydebank Ltd are at arm's length and on commercial terms.

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 21. CURRENT ASSET INVESTMENTS

	2010	2009
	£	£
Short Term Deposits	568,452	1,063,214
	<u>          </u>	<u>          </u>



# TRAFALGAR HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 22. RETIREMENT BENEFIT OBLIGATIONS

##### General

Trafalgar Housing Association Limited participates in the SFHA Pension Scheme.

The SFHA Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme

The Scheme offers three benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Trafalgar Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2008 and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1 April 2008.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Trafalgar Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 6 active members of the Scheme employed by Trafalgar Housing Association Limited. The annual pensionable payroll in respect of these members was £186579. Trafalgar Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. SFHA is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268m. The valuation revealed a shortfall of assets compared with the value of liabilities of £54m (equivalent to a past service funding level of 83.4%).

# TRAFALGAR HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 22. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

#### Financial Assumptions

The financial assumptions underlying the valuation as at 30 September 2006 were as follows:

	% p.a.
- Investment return pre-retirement	7.2
- Investment return post-retirement	4.9
- Rate of Salary increases	4.6
- Rate of pension increases:	
pension accrued pre 6 April 2005	2.6
pension accrued from 6 April 2005	2.25
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	<i>Males</i>	<i>Females</i>
	<i>Assumed life expectancy in years at age 65</i>	<i>Assumed life expectancy in years at age 65</i>
Non-pensioners	21.6	24.4
Pensioners	20.7	23.6

# TRAFALGAR HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 22. RETIREMENT BENEFIT OBLIGATIONS (Continued)

##### Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable)</i>
Final salary - 60ths	17.8
Career average 60ths	14.6
Career average 70ths	12.6

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the valuation it was agreed that the shortfall of £54m would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries per annum with effect from 1 April 2008. It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly the joint contribution rates from 1 April 2008 for each of the benefit structures will be:

<i>Benefit Structure</i>	<i>Joint contribution rate (% of pensionable salaries)</i>
Final salary 60ths	23.1% comprising employer contributions of 15.4% and member contributions of 7.7%
Career average 60ths	19.9% comprising employer contributions of 13.3% and member contributions of 6.6%
Career average 70ths	17.9% comprising employer contributions of 11.9% and member contributions of 6.0%

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 22. RETIREMENT BENEFIT OBLIGATIONS (Continued)

A small number of employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice, this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 31 March 2020.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SFHA Pension Scheme and confirmed that, in respect of the September 2006 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The current triennial valuation, as at 30 September 2009, is being undertaken by a professionally qualified actuary. The provisional result of this valuation were issued by the SFHA Pension Scheme in May 2010. These figures show that the deficit on the scheme has increased from £53.6million to £160million. The funding level of liabilities, based on these figures, would be 64.8% (2006 - 83.4%).

As a result of this valuation the total contribution rate must increase on average by 7% of pensionable earnings for all existing benefit options structure from April 2011.

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.