



**Alexander Sloan**  
Accountants and Business Advisers

# **Trafalgar Housing Association Limited**

**Report and Financial Statements**

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

**Registered Housing Association No.HAC212**

**FCA 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 2017

### MANAGEMENT COMMITTEE

John Munro	Chairperson
Eleanor Shannon	Vice-chairperson
Carol Scholes	Secretary (appointed January 2017)
Annemarie Bailey	
Eileen McGhie	
Bernadette Swindon	
Harry Robertson	
Elizabeth Grass	(appointed August 2016)
John Butcher	(appointed January 2017)
Michelle Lyden	(resigned April 2016)
Margaret Barr	(resigned December 2016)
George Norwood	(resigned March 2017)
Harriet Haire M.B.E.	(resigned March 2017)
Lily Lyden	(resigned March 2017)

### EXECUTIVE OFFICERS

Paul McShane	Director
Margaret Livingstone	Housing Manager
Alison Leabody	Property Services Manager - Retired July 2016
Yvonne McDonald	Maintenance Officer

### 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  
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 2017

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

### **Legal Status**

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2316R(S). The Association is governed 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 Association has had a strong financial year with a surplus of £199,548. This changes our cash position to £1,086,161. In the next financial year and beyond, we will continue to invest substantially in the maintenance of our housing stock, while continuing to perform well across a wide range of performance indicators.

### **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.

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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

### Statement of Management Committee's Responsibilities

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

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

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

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

In so far as the Management Committee are aware:

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

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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

### Statement on Internal Financial Control

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

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

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

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

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2017. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

### 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

**CAROL SCHOLES**

Secretary

30 August 2017



# TRAFALGAR HOUSING ASSOCIATION LIMITED

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## REPORT BY THE AUDITORS TO THE MEMBERS 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 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

### **Basis of Opinion**

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

### **Opinion**

In our opinion the Statement on Internal Financial Control on page 5 has provided the disclosures required by the relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator, in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls .



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



**Alexander Sloan**  
Accountants and Business Advisers



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

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

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

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

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

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

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

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

In our opinion the Financial Statements:

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

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

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

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



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

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

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

We have nothing to report in respect of these matters.



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



**Alexander Sloan**  
Accountants and Business Advisers

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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

	Notes	2017	2016
		£	£
<b>REVENUE</b>	2.	1,533,867	1,499,243
Operating Costs	2.	(1,293,699)	(1,166,703)
<b>OPERATING SURPLUS</b>		240,168	332,540
(Loss) / Gain On Sale Of Housing Stock	7.	(23,441)	2,483
Interest Receivable and Other Income		12,764	14,937
Interest Payable and Similar Charges	8.	(19,943)	(23,784)
Other Finance Charges	10.	(10,000)	(16,339)
		(40,620)	(22,703)
<b>SURPLUS FOR YEAR</b>	9.	<b>199,548</b>	<b>309,837</b>
Other Comprehensive Income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>199,548</b>	<b>309,837</b>

The notes on pages 12 to 25 form part of these financial statements.

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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

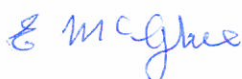
	Notes	2017		2016	
		£	£	£	£
<b>NON-CURRENT ASSETS</b>					
Housing Properties - Depreciated Cost	11.(a)		13,583,187		13,981,490
Other Non Current Assets	11.(b)		55,619		55,145
			<u>13,638,806</u>		<u>14,036,635</u>
<b>CURRENT ASSETS</b>					
Receivables	12.	43,108		42,577	
Investments	22.	1,035,005		1,031,829	
Cash at bank and in hand		1,086,161		1,104,737	
		<u>2,164,274</u>		<u>2,179,143</u>	
<b>CREDITORS:</b> Amounts falling due within one year	13.	(455,870)		(451,215)	
<b>NET CURRENT ASSETS</b>			<u>1,708,404</u>		<u>1,727,928</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>15,347,210</u>		<u>15,764,563</u>
<b>CREDITORS:</b> Amounts falling due after more than one year	14.		(1,676,057)		(1,851,955)
<b>DEFERRED INCOME</b>					
Social Housing Grants	16.	(9,606,310)		(10,043,444)	
Other Grants	16.	(124,856)		(128,732)	
		<u>(9,731,166)</u>		<u>(10,172,176)</u>	
<b>NET ASSETS</b>			<u><u>3,939,987</u></u>		<u><u>3,740,432</u></u>
<b>EQUITY</b>					
Share Capital	17.		100		93
Revenue Reserves			3,939,887		3,740,339
			<u><u>3,939,987</u></u>		<u><u>3,740,432</u></u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 30 August 2017.

Committee  
Member



Committee  
Member



Secretary



# TRAFALGAR HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017	2016
		£	£
<b>Net Cash Inflow from Operating Activities</b>	15.	245,798	399,838
<b>Investing Activities</b>			
Acquisition and Construction of Properties	(91,288)	(109,529)	
Purchase of Other Fixed Assets	(9,420)	-	
Social Housing Grant Repaid	-	(72,554)	
Changes on short term deposits with banks	(3,176)	(509,327)	
Proceeds on Disposal of Properties	-	42,669	
<b>Net Cash Outflow from Investing Activities</b>		<b>(103,884)</b>	<b>(648,741)</b>
<b>Financing Activities</b>			
Interest Received on Cash and Cash Equivalents	12,764	14,937	
Interest Paid on Loans	(19,943)	(23,784)	
Loan Principal Repayments	(153,321)	(152,284)	
Share Capital Issued	10	8	
<b>Net Cash Outflow from Financing</b>		<b>(160,490)</b>	<b>(161,123)</b>
<b>Decrease in Cash</b>		<b>(18,576)</b>	<b>(410,026)</b>
<b>Opening Cash &amp; Cash Equivalents</b>		<b>1,104,737</b>	<b>1,514,763</b>
<b>Closing Cash &amp; Cash Equivalents</b>		<b>1,086,161</b>	<b>1,104,737</b>
<b>Cash and Cash equivalents as at 31 March 2017</b>			
Cash		1,086,161	1,104,737
		<b>1,086,161</b>	<b>1,104,737</b>

The notes on pages 12 to 25 form part of these financial statements.

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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

	Share Capital	Revenue Reserve	Total
	£	£	£
<b>Balance as at 1st April 2015</b>	139	3,430,502	3,430,641
Issue of Shares	8	-	8
Cancellation of Shares	(54)	-	(54)
Surplus for Year	-	309,837	309,837
<b>Balance as at 31 March 2016</b>	<b>93</b>	<b>3,740,339</b>	<b>3,740,432</b>
<b>Balance as at 1st April 2016</b>	93	3,740,339	3,740,432
Issue of Shares	10	-	10
Cancellation of Shares	(3)	-	(3)
Surplus for Year	-	199,548	199,548
<b>Balance as at 31 March 2017</b>	<b>100</b>	<b>3,939,887</b>	<b>3,939,987</b>

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

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### Statement of Compliance

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

##### Basis Of Accounting

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

##### Revenue

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

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

##### Retirement Benefits

The Association participated in the Scottish Housing Association Defined Benefits Pension Scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme.

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

##### Valuation Of Housing Properties

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

Component	Useful Economic Life
Land	N/A
Structure	50 years
Bathrooms	30 years
Central Heating	30 years
Draining	40 years
External Doors	25 years
Floor Coverings	20 years
Gutters & Downpipes	30 years
Internal Doors	30 years
Kitchens	20 years
Plumbing	30 years
Render	40 years
Rewiring	30 years
Roof	40 years
Windows	35 years

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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

### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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

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

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

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

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

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

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

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

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

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

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 non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

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

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

#### **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 Trafalgar Housing Association Limited Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

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

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

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

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

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

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

##### **d) Costs of shared ownership**

The Association allocates costs to shared ownership properties on an percentage basis split across the number of properties the Association owns.

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

##### **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.

##### **Property Development Cost**

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Statement of Comprehensive Income in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

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

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

In the judgement of the Management Committee the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

###### ***b) Identification of cash generating units***

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

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

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

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

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

##### **Financial Instruments - Basic**

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

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



# TRAFALGAR HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2017			2016		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3.	1,533,387	1,281,962	251,425	1,498,768	1,154,858	343,910
Other Activities	4.	480	11,737	(11,257)	475	11,845	(11,370)
<b>Total</b>		<b>1,533,867</b>	<b>1,293,699</b>	<b>240,168</b>	<b>1,499,243</b>	<b>1,166,703</b>	<b>332,540</b>

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

	General Needs Housing £	Shared ownership £	2017 Total £	2016 Total £
<b>Revenue from Lettings</b>				
Rent Receivable Net of Service Charges	1,020,453	3,504	1,023,957	1,011,482
Service Charges	59,076	-	59,076	60,468
<b>Gross income from rent and service charges</b>	<b>1,079,529</b>	<b>3,504</b>	<b>1,083,033</b>	<b>1,071,950</b>
Less: Rent losses from voids	556	-	556	1,013
<b>Net Rents Receivable</b>	<b>1,078,973</b>	<b>3,504</b>	<b>1,082,477</b>	<b>1,070,937</b>
Grants released from deferred income	439,705	1,305	441,010	423,353
Revenue grants from Scottish Ministers	9,900	-	9,900	4,478
<b>Total turnover from affordable letting activities</b>	<b>1,528,578</b>	<b>4,809</b>	<b>1,533,387</b>	<b>1,498,768</b>
<b>Expenditure on affordable letting activities</b>				
Management and maintenance administration costs	436,109	1,291	437,400	428,334
Service Costs	63,681	-	63,681	45,648
Planned and cyclical maintenance, including major repairs	186,724	-	186,724	67,300
Reactive maintenance costs	128,233	-	128,233	131,551
Bad Debts - rents and service charges	(6,418)	-	(6,418)	10,683
Depreciation of affordable let properties	470,610	1,732	472,342	471,342
<b>Operating costs of affordable letting activities</b>	<b>1,278,939</b>	<b>3,023</b>	<b>1,281,962</b>	<b>1,154,858</b>
<b>Operating surplus on affordable letting activities</b>	<b>249,639</b>	<b>1,786</b>	<b>251,425</b>	<b>343,910</b>
<b>2016</b>	<b>343,468</b>	<b>442</b>		

# TRAFALGAR HOUSING ASSOCIATION

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Other Income	Total Turnover	Operating Costs Other	Operating Surplus / (Deficit) 2017	Operating Surplus / (Deficit) 2016
	£	£	£	£	£
Factoring	480	480	698	(218)	(258)
Other activities	-	-	11,039	(11,039)	(11,112)
<b>Total From Other Activities</b>	<b>480</b>	<b>480</b>	<b>11,737</b>	<b>(11,257)</b>	<b>(11,370)</b>
<b>2016</b>	<b>475</b>	<b>475</b>	<b>11,845</b>	<b>(11,370)</b>	

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

	<b>2017</b>	<b>2016</b>
	£	£
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.		
No Officer of the Association received emoluments greater than £60,000.		
Emoluments payable to Chief Executive (excluding pension contributions)	<u>55,502</u>	<u>55,565</u>
Total Emoluments paid to key management personnel	<u>149,219</u>	<u>153,277</u>

#### 6. EMPLOYEE INFORMATION

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
The average total number of Employees employed during the year was	<u>7</u>	<u>6</u>
Staff Costs were:	£	£
Wages and Salaries	211,345	228,602
Social Security Costs	22,045	19,039
Other Pension Costs	22,214	25,471
Temporary, Agency and Seconded Staff	37,622	25,114
	<u>293,226</u>	<u>298,226</u>

#### 7. (LOSS) / GAIN ON SALE OF HOUSING STOCK

	<b>2017</b>	<b>2016</b>
	£	£
Sales Proceeds	-	42,669
Cost of Sales	<u>23,441</u>	<u>40,186</u>
(Loss) / Gain On Sale Of Housing Stock	<u>(23,441)</u>	<u>2,483</u>

# TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 8. INTEREST PAYABLE & SIMILAR CHARGES

	2017	2016
	£	£
On Bank Loans & Overdrafts	<u>19,943</u>	<u>23,784</u>

## 9. SURPLUS FOR YEAR

	2017	2016
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	504,730	478,238
Auditors' Remuneration - Audit Services	6,252	6,206
Auditors' Remuneration - Other Services	-	1,194
Loss on sale of fixed assets	<u>(23,441)</u>	<u>2,483</u>

## 10. OTHER FINANCE INCOME / CHARGES

	2017	2016
	£	£
Unwinding of Discounted Liabilities	<u>10,000</u>	<u>16,339</u>

# TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Total £
<b>COST</b>			
As at 1st April 2016	24,960,723	57,721	25,018,444
Additions	97,481	-	97,481
Disposals	(72,199)	-	(72,199)
As at 31st March 2017	<u>24,986,005</u>	<u>57,721</u>	<u>25,043,726</u>
<b>DEPRECIATION</b>			
As at 1st April 2016	11,004,053	32,901	11,036,954
Charge for Year	494,052	1,732	495,784
Disposals	(72,199)	-	(72,199)
As at 31st March 2017	<u>11,425,906</u>	<u>34,633</u>	<u>11,460,539</u>
<b>NET BOOK VALUE</b>			
As at 31st March 2017	<u>13,560,099</u>	<u>23,088</u>	<u>13,583,187</u>
As at 31st March 2016	<u>13,956,670</u>	<u>24,820</u>	<u>13,981,490</u>

Additions to housing properties include capitalised development administration costs of £nil (2016 - £nil) and capitalised major repair costs to existing properties of £97,481 (2016 - £109,529)

All land and housing properties are held under feudal tenure.

Total expenditure on existing properties in the year amounted to £412,438. The amount capitalised is £97,481, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £97,481 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £10,687,852 (2016 - £11,015,237).

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Office Equipment £	Office Premises £	Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2016	83,167	164,764	24,883	272,814
Additions	9,420	-	-	9,420
As at 31st March 2017	92,587	164,764	24,883	282,234
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2016	83,167	109,619	24,883	217,669
Charge for year	2,355	6,591	-	8,946
As at 31st March 2017	85,522	116,210	24,883	226,615
<b>NET BOOK VALUE</b>				
As at 31st March 2017	7,065	48,554	-	55,619
As at 31st March 2016	-	55,145	-	55,145

#### 12. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Arrears of Rent & Service Charges	26,670	26,706
<b>Less:</b> Provision for Doubtful Debts	(16,170)	(22,588)
Other Receivables	10,500	4,118
	32,608	38,459
	43,108	42,577

#### 13. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Housing Loans	155,274	154,062
Rent in Advance	41,617	36,725
Other Taxation and Social Security	1,472	5,505
Other Payables	140,327	145,018
Liability for Past Service Contributions	32,000	28,045
Accruals and Deferred Income	85,180	81,860
	455,870	451,215

At the balance sheet date there were pension contributions outstanding of £1,982 (2016 - £1,987).

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 14 PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2017 £	2016 £
Liability for Past Service Contributions	132,418	153,783
Housing Loans	1,543,639	1,698,172
	<u>1,676,057</u>	<u>1,851,955</u>
<b>Housing Loans</b>		
Amounts due within one year	155,274	154,062
Amounts due in one year or more but less than two years	158,704	157,679
Amounts due in two years or more but less than five years	383,010	421,584
Amounts due in more than five years	1,001,925	1,118,909
	<u>1,698,913</u>	<u>1,852,234</u>
Less: Amount shown in Current Liabilities	155,274	154,062
	<u>1,543,639</u>	<u>1,698,172</u>
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	32,000	28,045
Amounts due in one year or more but less than two years	33,000	31,046
Amounts due in two years or more but less than five years	99,418	93,801
Amounts due in more than five years	-	28,936
	<u>164,418</u>	<u>181,828</u>
Less: Amount shown in Current Liabilities	32,000	28,045
	<u>132,418</u>	<u>153,783</u>

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

Lender	Security	Effective Interest Rate	Maturity	Variable / Fixed
The Royal Bank of Scotland	Standard Security over 47 properties	1.05%	2024	Variable
Nationwide Building Society	Standard Security over 35 properties	0.78%	2027	Variable
The Royal Bank of Scotland	Standard Security over 39 properties	1.05%	2030	Variable
Co-operative Bank	Standard Security over 26 properties	1.50%	2019	Variable
Bank of Scotland	Standard Security over 38 properties	0.95%	2025	Variable
The Royal Bank of Scotland	Standard Security over 99 properties	0.90%	2033	Variable

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

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 1.06% (2016 - 2.64%)

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 15. STATEMENT OF CASH FLOWS

	2017	2016
	£	£
<b>Reconciliation of operating surplus to balance as at 31 March 2017</b>		
Operating Surplus	240,168	332,540
Depreciation	481,289	478,238
Amortisation of Capital Grants	(441,010)	(423,353)
Change in debtors	(531)	(874)
Change in creditors	(24,115)	29,680
Unwinding of Discount on Pension Liability	(10,000)	(16,339)
Share Capital Written Off	(3)	(54)
Net Cash Inflow from Operating Activities	<u>245,798</u>	<u>399,838</u>

#### 16. DEFERRED INCOME

	Housing Properties Held for Letting	Shared Ownership Properties	Total
	£	£	£
<b>Social Housing Grants</b>			
Balance as at 1st April 2016	20,527,877	43,513	20,571,390
Eliminated on disposal	(59,533)	-	(59,533)
Balance as at 31st March 2017	<u>20,468,344</u>	<u>43,513</u>	<u>20,511,857</u>
<b>Amortisation</b>			
Balance as at 1st April 2016	10,504,456	23,490	10,527,946
Amortisation in year	416,235	1,305	417,540
Eliminated on disposal	(39,939)	-	(39,939)
Balance as at 31st March 2017	<u>10,880,752</u>	<u>24,795</u>	<u>10,905,547</u>
<b>Net book value</b>			
Balance as at 31st March 2017	<u>9,587,592</u>	<u>18,718</u>	<u>9,606,310</u>
Balance as at 31st March 2016	<u>10,023,421</u>	<u>20,023</u>	<u>10,043,444</u>
<b>Other Grants</b>			
Balance as at 1st April 2016	243,097	-	243,097
Balance as at 31st March 2017	<u>243,097</u>	<u>-</u>	<u>243,097</u>
<b>Amortisation</b>			
Balance as at 1st April 2016	114,365	-	114,365
Amortisation in year	3,876	-	3,876
Balance as at 31st March 2017	<u>118,241</u>	<u>-</u>	<u>118,241</u>
<b>Net book value</b>			
Balance as at 31st March 2017	<u>124,856</u>	<u>-</u>	<u>124,856</u>
Balance as at 31st March 2016	<u>128,732</u>	<u>-</u>	<u>128,732</u>
<b>Total grants net book value as at 31 March 2017</b>	<u>9,712,448</u>	<u>18,718</u>	<u>9,731,166</u>

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

	2017	2016
	£	£
Amounts due within one year	421,416	423,353
Amounts due in one year or more	9,309,750	9,748,823
	<u>9,731,166</u>	<u>10,172,176</u>



# TRAFALGAR HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 17. SHARE CAPITAL

<b>Shares of £1 each Issued and Fully Paid</b>	<b>£</b>
At 1st April 2016	93
Issued in year	10
Cancelled in year	(3)
At 31st March 2017	<u>100</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. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
General Needs - Built by Association	185	185
General Needs - Purchased by Association	115	115
Shared Ownership	2	2
	<u>302</u>	<u>302</u>

# TRAFALGAR HOUSING ASSOCIATION LIMITED

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

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 19. RELATED PARTY TRANSACTIONS

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

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

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

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

	£
Rent and factoring received from Tenants on the Committee and their close family members	<u>39,147</u>

At the year end total rent arrears and factoring owed by the tenant members of the Committee (and their close family ) were £438.

Members of the Committee who are tenants 13

#### 20. DETAILS OF ASSOCIATION

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

The Association's principal place of business is 430a Dumbarton Road, Dalmuir, Clydebank.

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

#### 21. GOVERNING BODY MEMBER EMOLUMENTS

Management Committee members received £nil in the year by way of reimbursement of expenses. (2016 - £nil). No remuneration is paid to Management Committee members in respect of their duties in the Association.

#### 22. INVESTMENTS

	2017	2016
	£	£
Short term deposits	<u>1,035,005</u>	<u>1,031,829</u>

# TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 23. RETIREMENT BENEFIT OBLIGATIONS

### General

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

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

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the 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 Scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

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

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

All employers in the scheme have entered into an agreement to make additional contributions to fund the scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the statement of financial position date the present value of this obligation was £164,418 (2016 - £181,828). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 1.06%.

The Association made payments totalling £28,045 (2016: £27,554) to the pension scheme during the year.