



Alexander Sloan
Accountants and Business Advisers

Trafalgar Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2019

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

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2019

MANAGEMENT COMMITTEE

John Munro	Chairperson
Eleanor Shannon	Vice-Chairperson
Carol Scholes	Secretary
John Butcher	
Elizabeth Grass	
Nicola Lyden	
Eileen McGhie	
Gill Montgomery	Co-opted 30 May 2018; appointed 18 September 2018
Bernadette Swindon	
Joshua Campbell	Co-opted 25 August 2018; appointed 18 September 2018

EXECUTIVE OFFICERS

Paul McShane	Director
Margaret Livingstone	Housing Manager (Retired 28 June 2019)

REGISTERED OFFICE

430a Dumbarton Road
Dalmuir
Clydebank
G81 4DX

EXTERNAL AUDITORS

Alexander Sloan
Accountants & Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

INTERNAL AUDITORS

Henderson Loggie
90 Mitchell Street
Glasgow
G1 3NQ

FINANCE AGENTS

Lethame Business Services Ltd
5 Cloverhill Gardens
Strathaven
ML10 6XB

BANKERS

Royal Bank of Scotland
30 Sylvania Way
Clydebank
G81 1TS

SOLICITORS

T.C. Young
30 George Street
Glasgow
G2 1LH

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

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

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.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 is pleased to report that once again we have performed strongly across a broad range of performance indicators. We have invested significantly in our housing stock this year and will continue to do so over the next five years. Despite our increased investment we are pleased to report a surplus of £186,787. Our cash position at 31 March 2019 was £985,143, with term deposits of £1,044,570.

Management Committee and Executive Officers

The members of the 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

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

Statement of Management Committee's Responsibilities

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

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to: ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements - 2019. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within 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 31 MARCH 2019

Statement on Internal Financial Control

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

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

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

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

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2019. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Auditors

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

By order of the Management Committee

CAROL SCHOLES
Secretary

TRAFALGAR HOUSING ASSOCIATION LIMITED

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 4 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW



Alexander Sloan
Accountants and Business Advisers

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

Opinion

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

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

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

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

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

Responsibilities of the Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out on Page 3, the Management Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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



ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW



Alexander Sloan
Accountants and Business Advisers

TRAFALGAR HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019	2018
		£	£
REVENUE	2	1,556,500	1,523,203
Operating Costs	2	(1,371,044)	(1,099,202)
OPERATING SURPLUS		185,456	424,001
Interest Receivable and Other Income		10,174	6,946
Interest Payable and Similar Charges	7	(20,227)	(16,672)
Other Finance Income / (Charges)	10	(4,000)	-
		(14,053)	(9,726)
SURPLUS FOR THE YEAR	8	171,403	414,275
Other comprehensive income			
Adjustment relating to Opening Pension Liability	24	172	-
Actuarial Gains/ (Losses) on defined benefit Pension Plan	24	(18,000)	-
TOTAL COMPREHENSIVE INCOME		153,575	414,275

The notes on pages 12 to 29 form part of these financial statements.

TRAFALGAR HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
NON-CURRENT ASSETS					
Housing Properties - Depreciated Cost	11 (a)		13,089,201		13,365,800
Other Non-current Assets	11 (b)		41,346		46,673
			<u>13,130,547</u>		<u>13,412,473</u>
CURRENT ASSETS					
Receivables	13	57,095		44,378	
Investments	23	1,044,570		1,038,881	
Cash at bank and in hand		985,143		1,012,350	
		<u>2,086,808</u>		<u>2,095,609</u>	
CREDITORS: Amounts falling due within one year	14	<u>(598,170)</u>		<u>(494,289)</u>	
NET CURRENT ASSETS			<u>1,488,638</u>		<u>1,601,320</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>14,619,185</u>		<u>15,013,793</u>
CREDITORS: Amounts falling due after more than one year	15		<u>(1,228,214)</u>		<u>(1,487,892)</u>
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES					
Scottish Housing Association Pension Scheme	24	<u>(141,000)</u>		-	
			<u>(141,000)</u>		-
DEFERRED INCOME					
Social Housing Grants	17	<u>(8,625,050)</u>		<u>(9,050,677)</u>	
Other Grants	17	<u>(117,102)</u>		<u>(120,979)</u>	
			<u>(8,742,152)</u>		<u>(9,171,656)</u>
NET ASSETS			<u><u>4,507,819</u></u>		<u><u>4,354,245</u></u>
EQUITY					
Share Capital	18		82		83
Revenue Reserves			4,648,737		4,354,162
Pension Reserves			<u>(141,000)</u>		-
			<u><u>4,507,819</u></u>		<u><u>4,354,245</u></u>

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

Committee Member

Committee Member

Secretary

The notes on pages 12 to 29 form part of these financial statements.

TRAFALGAR HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019	2018
		£	£
Net cash inflow from operating activities	16	373,917	355,568
Investing Activities			
Acquisition and Construction of Properties	(227,101)	(260,718)	
Purchase of Other Fixed Assets	(966)	-	
Changes on short term deposits with banks	(5,689)	(3,876)	
Net cash outflow from investing activities		(233,756)	(264,594)
Financing Activities			
Interest Received on Cash and Cash Equivalents	10,174	6,946	
Interest Paid on Loans	(20,227)	(16,672)	
Loan Principal Repayments	(157,319)	(155,063)	
Share Capital Issued	4	4	
Net cash outflow from financing activities		(167,368)	(164,785)
Decrease in cash		(27,207)	(73,811)
Opening Cash & Cash Equivalents		1,012,350	1,086,161
Closing Cash & Cash Equivalents		<u>985,143</u>	<u>1,012,350</u>
Cash and Cash equivalents as at 31 March			
Cash		985,143	1,012,350
		<u>985,143</u>	<u>1,012,350</u>

The notes on pages 12 to 29 form part of these financial statements.

TRAFALGAR HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2019

	Share Association Capital Pension reserve	Revenue Reserve	Total
	£	£	£
Balance as at 31 March 2017			
Issue of Shares	100	3,939,887	3,939,987
Cancellation of Shares	4	-	4
Surplus for the year	(21)	-	(21)
		414,275	414,275
Balance as at 31 March 2018	83	4,354,162	4,354,245
Balance as at 1 April 2018			
Issue of Shares	83	4,354,162	4,354,245
Cancellation of Shares	4	-	4
Other comprehensive income	(5)	-	(5)
Surplus for the year	-	123,172	(17,828)
		171,403	171,403
Balance as at 31 March 2019	82	4,648,737	4,507,819

The notes on pages 12 to 29 form part of these financial statements.

TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2019. A summary of the more important accounting policies is set out below.

Revenue

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

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

Retirement Benefits

The Association participates in the Scottish Housing Associations Defined Benefit Pension Scheme where retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102. The Association closed membership of the Defined Benefit Scheme to all employees and since then has operated the Defined Contribution Scheme whereby fixed contributions are paid into the fund. These contributions are recognised as they fall due.

Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 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

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

1. PRINCIPAL ACCOUNTING POLICIES

Depreciation and Impairment of Other Non-Current Assets

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

Asset Category	Depreciation Rate
Office Premises	4% Straight Line
Furniture and Fittings	10% Straight Line
Office Equipment	25% Straight Line

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 non-current asset disposals and any gain or loss on disposal accounted for in the Statement of Comprehensive Income.

Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

Leases/Leased Assets

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

Works to Existing Properties

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

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

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

1. PRINCIPAL ACCOUNTING POLICIES

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

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

b) Identification of cash generating units

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

c) Financial instrument break clauses

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

d) Pension Liability

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. This year the Pensions Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

Financial Instruments - Basic

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

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

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting judgements and accounting estimates. It also requires the Clydebank to exercise judgement in applying the Association's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below.

a) Rent Arrears - Bad Debt Provision

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

b) Life Cycle of Components

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

c) Useful life of properties, plant and equipment

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

d) 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.

e) Defined pension liability

In determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

f) Allocation of share of assets and liabilities for multi employer schemes

Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi employer pension schemes and estimations performed by the Pensions Trust.

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

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

Notes	2019			2018		
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities 3	1,556,020	1,360,251	195,769	1,522,723	1,068,708	434,015
Other Activities 4	480	10,793	(10,313)	480	10,494	(10,014)
Total	1,556,500	1,371,044	185,456	1,523,203	1,099,202	424,001

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Shared Ownership £	2019 Total £	2018 Total £
Revenue from Lettings				
Rent receivable net of service charges	1,069,694	4,209	1,073,903	1,031,383
Service charges receivable	60,468	-	60,468	60,468
Gross income from rent and service charges	1,130,162	4,209	1,134,371	1,091,851
Less: Rent losses from voids	312	-	312	857
Net Rents Receivable	1,129,850	4,209	1,134,059	1,090,994
Grants released from deferred income	413,804	1,305	415,109	417,121
Revenue grants from Scottish Ministers	6,852	-	6,852	14,608
Total turnover from affordable letting activities	1,550,506	5,514	1,556,020	1,522,723
Expenditure on affordable letting activities				
Management and maintenance administration costs	516,539	1,344	517,883	434,207
Service Costs	57,646	-	57,646	57,310
Planned and cyclical maintenance, including major repairs	156,356	-	156,356	95,924
Reactive maintenance costs	133,277	-	133,277	115,863
Bad Debts - rents and service charges	5,783	-	5,783	7,055
Depreciation of affordable let properties	487,574	1,732	489,306	378,349
Operating costs of affordable letting activities	1,357,175	3,076	1,360,251	1,088,708
Operating surplus on affordable letting activities	193,331	2,438	195,769	434,015
2018	432,172	1,843		

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

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

	Other Income	Total Turnover	Operating Costs Other	Operating Surplus / (Deficit) 2019	Operating Surplus / (Deficit) 2018
	£	£	£	£	£
Factoring	480	480	540	(60)	(57)
Other activities	-	-	10,253	(10,253)	(9,957)
Total From Other Activities	<u>480</u>	<u>480</u>	<u>10,793</u>	<u>(10,313)</u>	<u>(10,014)</u>
2018	<u>480</u>	<u>480</u>	<u>10,494</u>	<u>(10,014)</u>	

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

5. OFFICERS' EMOLUMENTS

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

2019	2018
£	£

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

Emoluments payable to Chief Executive (excluding pension contributions)	59,258	56,297
Total Emoluments paid to key management personnel	<u>114,496</u>	<u>111,358</u>

6. EMPLOYEE INFORMATION

	2019	2018
The average total number of Employees employed during the year was:	<u>No.</u> 7	<u>No.</u> 6

Staff Costs were:	£	£
Wages and Salaries	248,253	224,494
Social Security Costs	23,872	21,207
Other Pension Costs	26,885	24,207
	<u>299,010</u>	<u>269,908</u>

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

7. INTEREST PAYABLE & SIMILAR CHARGES

	2019	2018
	£	£
On Bank Loans & Overdrafts	20,227	16,672
	<u>20,227</u>	<u>16,672</u>

8. SURPLUS FOR THE YEAR

	2019	2018
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	490,779	487,051
Auditors' Remuneration - Audit Services	6,800	6,153
Auditors' Remuneration - Other Services	8,844	-
	<u>8,844</u>	<u>-</u>

9. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

10. OTHER FINANCE INCOME / CHARGES

	2019	2018
	£	£
Net interest on pension obligations	4,000	-

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

11. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Shared Ownership Completed £	Total £
COST			
As at 1 April 2018	25,146,967	57,721	25,204,688
Additions	227,101	-	227,101
Disposals	(68,416)	-	(68,416)
As at 31 March 2019	<u>25,305,652</u>	<u>57,721</u>	<u>25,363,373</u>
DEPRECIATION			
As at 1 April 2018	11,802,523	36,365	11,838,888
Charge for Year	482,754	1,732	484,486
Disposals	(49,202)	-	(49,202)
As at 31 March 2019	<u>12,236,075</u>	<u>38,097</u>	<u>12,274,172</u>
NET BOOK VALUE			
As at 31 March 2019	<u>13,069,577</u>	<u>19,624</u>	<u>13,089,201</u>
As at 31 March 2018	<u>13,344,444</u>	<u>21,356</u>	<u>13,365,800</u>

Additions to housing properties include capitalised development administration costs of £Nil (2018 - £Nil) and capitalised major repair costs to existing properties of £227,101 (2018 - £314,337).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £516,734 (2018 - £526,124). The amount capitalised is £227,101 (2018 - £314,337) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £227,101 (2018 - £314,337) and improvement of £Nil (2018 - £Nil).

The Association's Lenders have standard securities over Housing Property with a carrying value of £10,552,440 (2018 - £10,709,877).

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

11. NON CURRENT ASSETS (Continued)

(b) Other Tangible Assets	Office Premises £	Furniture & Fittings £	Office Equipment £	Total £
COST				
As at 1 April 2018	164,764	24,883	92,587	282,234
Additions	-	-	966	966
As at 31 March 2019	164,764	24,883	93,553	283,200
AGGREGATE DEPRECIATION				
As at 1 April 2018	122,801	24,883	87,877	235,561
Charge for year	3,696	-	2,597	6,293
As at 31 March 2019	126,497	24,883	90,474	241,854
NET BOOK VALUE				
As at 31 March 2019	38,267	-	3,079	41,346
As at 31 March 2018	41,963	-	4,710	46,673

12. CAPITAL COMMITMENTS

	2019 £	2018 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	170,568	-

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

13. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Arrears of Rent & Service Charges	38,065	33,004
Less: Provision for Doubtful Debts	(24,443)	(19,595)
Other Receivables	13,622	13,409
	43,473	30,969
	57,095	44,378

14. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Housing Loans	158,317	154,917
Rent Received in Advance	39,583	39,428
Other Taxation and Social Security	4,147	4,738
Other Payables	151,869	144,311
Liability for Past Service Contributions	-	33,213
Accruals and Deferred Income	244,254	117,682
	598,170	494,289

At the balance sheet date there were pension contributions outstanding of £2,270 (2018 - £2,162).

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

15. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019	2018
	£	£
Liability for Past Service Contributions	-	98,959
Housing Loans	1,228,214	1,388,933
	<u>1,228,214</u>	<u>1,487,892</u>
Housing Loans		
Amounts due within one year	158,317	154,917
Amounts due in one year or more but less than two years	110,749	155,925
Amounts due in two years or more but less than five years	326,218	319,924
Amounts due in more than five years	791,247	913,084
	<u>1,386,531</u>	<u>1,543,850</u>
Less: Amount shown in Current Liabilities	158,317	154,917
	<u>1,228,214</u>	<u>1,388,933</u>
Liability for Past Service Contributions		
Amounts due within one year	-	33,213
Amounts due in one year or more but less than two years	-	34,209
Amounts due in two years or more but less than five years	-	64,750
Amounts due in more than five years	-	-
	<u>-</u>	<u>132,172</u>
Less: Amount shown in Current Liabilities	-	33,213
	<u>-</u>	<u>98,959</u>

In 2018, the liability for the past service deficit was accounted for in accordance with FRS 102 par 28.13A and represented the present value of the contributions payable. The cash flows in the prior year were discounted at a rate of 1.5%.

In 2019, the defined benefit obligation is shown under Pension and Other Provisions for Liabilities and Charges in the Balance Sheet. Further details are provided in note 24.

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

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable / Fixed
The Royal Bank of Scotland	Standard security over 47 properties	1.1%	2024	Variable
Nationwide Building Society	Standard security over 35 properties	0.8%	2027	Variable
The Royal Bank of Scotland	Standard security over 39 properties	1.1%	2030	Variable
Co-Operative Bank	Standard security over 26 properties	1.5%	2019	Variable
Bank of Scotland	Standard security over 38 properties	1.0%	2025	Variable
The Royal Bank of Scotland	Standard security over 99 properties	0.9%	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.

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

16. STATEMENT OF CASH FLOWS

<i>Reconciliation of surplus for the year to net cash inflow from operating activities</i>	2019	2018
	£	£
Surplus for the year	171,403	414,275
Depreciation	495,598	487,051
Amortisation of Capital Grants	(415,109)	(559,510)
Change in debtors	(12,717)	(1,270)
Change in creditors	133,694	5,317
Adjustments in relation to defined benefit pension scheme	(9,000)	-
Transfer of interest to financial activities	10,053	9,726
Share Capital Written Off	(5)	(21)
Net cash inflow from operating activities	<u>373,917</u>	<u>355,568</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2019	2018
	£	£
Decrease in cash	(27,207)	(73,811)
Cashflow from change in net debt	<u>163,008</u>	<u>164,781</u>
Movement in net debt during the year	135,801	90,970
Net debt at 1st April 2018	<u>507,381</u>	<u>416,411</u>
Net debt at 31 March 2019	<u>643,182</u>	<u>507,381</u>

<i>Analysis of changes in net debt</i>	At		Other	At
	01 April 2018	Cashflows	Changes	31 March 2019
Cash at bank and in hand	1,012,350	(27,207)	-	985,143
Liquid resources	1,012,350	(27,207)	-	985,143
Debt: Due within one year	1,038,881	5,669	-	1,044,570
Due after more than one year	(1,388,933)	-	160,719	(1,228,214)
Net Debt	<u>507,381</u>	<u>135,801</u>	<u>-</u>	<u>643,182</u>

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

17. DEFERRED INCOME

	Housing Properties Held for Letting £	Shared Ownership Completed £	Total £
Social Housing Grants			
As at 1 April 2018	20,233,006	43,513	20,276,519
Eliminated on disposal of components	(51,907)	-	(51,907)
As at 31 March 2019	20,181,099	43,513	20,224,612
Amortisation			
As at 1 April 2018	11,198,437	27,405	11,225,842
Amortisation in year	409,927	1,305	411,232
Eliminated on disposal	(37,512)	-	(37,512)
As at 31 March 2019	11,570,852	28,710	11,599,562
Net book value			
As at 31 March 2019	8,610,247	14,803	8,625,050
As at 31 March 2018	9,034,569	16,108	9,050,677
Other Grants			
As at 1 April 2018	243,097	-	243,097
As at 31 March 2019	243,097	-	243,097
Amortisation			
As at 1 April 2018	122,118	-	122,118
Amortisation in year	3,877	-	3,877
As at 31 March 2019	125,995	-	125,995
Net book value			
As at 31 March 2019	117,102	-	117,102
As at 31 March 2018	120,979	-	120,979
Total grants net book value as at 31 March 2019	8,727,349	14,803	8,742,152
Total grants net book value as at 31 March 2018	9,155,548	16,108	9,171,656

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

	2019 £	2018 £
Amounts due within one year	415,109	417,121
Amounts due in one year or more	8,327,043	8,754,535
	8,742,152	9,171,656

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	2019 £	2018 £
As at 1 April 2018	63	100
Issued in year	4	4
Cancelled in year	(5)	(21)
As at 31 March 2019	62	83

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.

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2019 No.	2018 No.
General Needs - Built by Association	185	185
General Needs - Purchased by Association	115	115
Shared Ownership	2	2
	<u>302</u>	<u>302</u>

20. RELATED PARTY TRANSACTIONS

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

Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

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

	2019 £	2018 £
Rent received from tenants on the Management Committee and their close family members	31,307	31,684
At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £1,017 (2018 - £35).		
Members of the Management Committee who are tenants	8	8

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

21. 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 Dalmuir.

22. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

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

23. INVESTMENTS

Short term deposits

	2019	2018
	£	£
Short term deposits	1,044,570	1,038,881

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

24. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

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 contracted out of the state scheme. The Association is an admitted body under the Scottish Housing Association Pension Fund, the assets of which are held in a separate Trustee administered fund.

The last 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.

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

At the balance sheet date there were no active members of the scheme employed by the Association. Total pension contributions made by the Association for the year were £61,000. Gross pensionable salaries were £229,000.

Change in Accounting Estimate

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

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

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

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

24. RETIREMENT BENEFIT OBLIGATIONS

Opening defined benefit obligation as at 1 April 2018 (per actuary)	£ 132,000
Opening past service deficit liability under previous recognition basis	£ 132,172
Movement to other comprehensive income	<u>£ (172)</u>

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

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

Principal Actuarial Assumptions

Assumptions as at

	2019 %p.a.	2018 %p.a.
Salary increases	3.3%	3.2%
Inflation PRI	3.3%	3.2%
Inflation CPI	2.3%	2.2%
Discount rate	2.3%	2.6%

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

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

	2019 £000
Employee members	6
Deferred pensioners	1
Pensioners	7
	<hr/>
	14
	<hr/>

Mortality Rates

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

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

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

24. RETIREMENT BENEFIT OBLIGATIONS

Fair value of scheme assets by category

	2019	2018
	£000	£000
Growth Assets	499	463
Matching Plus	655	592
Liability Driven Investment	92	64
Net Current Assets	1	2
	<u>1,247</u>	<u>1,121</u>

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

Net Pension Liability

	2019
	£000
Fair value of employer's assets	1,247
Present value of scheme liabilities	(1,388)
	<u>(141)</u>

Reconciliation of fair value of employer assets

	2019
	£000
Opening fair value of employer assets	1,121
Expected Return on Assets	29
Contributions by Members	26
Contributions by the Employer	61
Actuarial (Gains) / Losses	27
Estimated Benefits Paid	(17)
Closing fair value of assets	<u>1,247</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £56,000.

Reconciliation of defined benefit obligations

	2019
	£000
Opening defined benefit obligation	1,253
Current Service Cost	48
Interest Cost	33
Contributions by members	26
Actuarial (Gains)/ Losses	45
Estimated Benefits Paid	(17)
Closing defined benefit obligation	<u>1,388</u>

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

24. RETIREMENT BENEFIT OBLIGATIONS

Analysis of amount charged to the Statement of Comprehensive Income

	2019
	£000
Charged to operating costs:	
Service cost	48
	<hr/>
Charged to Other Finance Costs / (Income)	
Expected Return on employer assets	(29)
Interest on pension scheme liabilities	33
	<hr/>
Net interest on pension obligations	4
	<hr/>
Net Charge to the Statement of Comprehensive Income	52
Actuarial Gain / (Loss) recognised in Other Comprehensive Income	

	2019
	£000
Experience on plan assets	27
Experience gains and losses arising on the plan liabilities - gain (loss)	31
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(3)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(73)
	<hr/>
Total actuarial gains and losses recognised in Other Comprehensive Income	(18)