

Trafalgar Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2011

Registered Housing Association No.HAC212

FSA Reference No. 2316R(S)

Scottish Charity No. SC038597

TRAFALGAR HOUSING ASSOCIATION LIMITED

CONTENTS

	Page
MEMBERS OF THE MANAGEMENT COMMITTEE EXECUTIVES AND ADVISERS	1
REPORT OF THE MANAGEMENT COMMITTEE	2
REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS	5
REPORT OF THE AUDITORS	6
INCOME AND EXPENDITURE ACCOUNT	8
BALANCE SHEET	9
CASH FLOW STATEMENT	10
NOTES TO THE FINANCIAL STATEMENTS	11

TRAFALGAR HOUSING ASSOCIATION LIMITED

**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2011**

MANAGEMENT COMMITTEE

Lily Lyden
Harriet Haire M.B.E
John Munro
Eleanor Shannon
George Norwood
Margaret Barr
Anne Blane
Margaret Kenmuir
Mary Campbell
William Campbell
Robert MacKay

Vice Chairperson
Chairperson
Secretary

Appointed 27 October 2010

EXECUTIVE OFFICERS

Paul McShane
Margaret Livingstone
Alison Leabody

Director
Senior Housing Officer
Property Services Manager

REGISTERED OFFICE

430A Dumbarton Road
Dalmuir
Clydebank
G81 4DX

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

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

SOLICITORS

T.C Young
30 George Square
Glasgow
G2 1LH

FINANCE AGENTS

Lethame Business Services Ltd
5 Cloverhill Gardens
Strathaven
ML10 6XB

TRAFALGAR HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2011

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2011.

Legal Status

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

Principal Activities

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

Review of Business and Future Developments

The last financial year has seen the Association perform very well across a range of key performance areas and in particular the reduction in rent arrears and a 100% success rate in gas safety audits is most welcome.

Another strong financial year with a surplus of £76,101 brings our total reserves to £2,174,637. These reserves will reduce in the next few years as we face a period of higher expenditure in both cyclical maintenance and major repair in order to maintain our properties for the future.

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2011**

Management Committee and Executive Officers

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

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

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

Statement of Management Committee's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

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

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

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

In so far as the Management Committee are aware:

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

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2011**

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 of Loss. Key elements of the Association's systems include ensuring that:

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

Donations

During the year the Association made charitable donations amounting to £1,400 (2010: £1,300).

Auditors

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

By order of the Management Committee

JOHN MUNRO
Secretary
03 August 2011

TRAFALGAR HOUSING ASSOCIATION LIMITED

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

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

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".

ALEXANDER SLOAN
Chartered Accountants

GLASGOW
03 August 2011

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

We have audited the financial statements of Trafalgar Housing Association Limited for the year ended 31st March 2011 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of Management Committee and Auditors

As 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 Auditing Practices Board's (APB's) 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 of 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 2011 and of its income and expenditure 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 Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order

Matters on which we are required to report by exception

We are required to report to you under the Industrial and Provident Societies Acts 1965 to 2002 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.](#)

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

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

- the Income and Expenditure Account to which our report relates, and the Balance Sheet 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
03 August 2011

TRAFALGAR HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	Notes	£	2011 £	£	2010 £
TURNOVER	2.		917,215		878,869
Operating Costs	2.		<u>(761,125)</u>		<u>(668,244)</u>
OPERATING SURPLUS	9.		156,090		210,625
Gain On Sale Of Housing Stock	7.	1,965		-	
Interest Receivable and Other Income		10,603		10,817	
Interest Payable and Similar Charges	8.	<u>(92,557)</u>		<u>(94,822)</u>	
			<u>(79,989)</u>		<u>(84,005)</u>
SURPLUS FOR YEAR			<u>76,101</u>		<u>126,620</u>

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

TRAFALGAR HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2011

	Notes	£	2011 £	£	2010 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		24,318,281		24,439,147
Less: Social Housing Grant	11.(a)		(21,037,167)		(21,067,934)
: Other Public Grants	11.(a)		(248,008)		(248,008)
			<u>3,033,106</u>		<u>3,123,205</u>
Other fixed assets	11.(b)		91,222		97,308
			<u>3,124,328</u>		<u>3,220,513</u>
CURRENT ASSETS					
Debtors	14.	35,049		34,452	
Investments	22.	-		568,452	
Cash at bank and in hand		1,746,578		1,113,867	
			<u>1,781,627</u>		<u>1,716,771</u>
CREDITORS: Amounts falling due within one year	15.		(253,830)		(248,936)
			<u>1,527,797</u>		<u>1,467,835</u>
NET CURRENT ASSETS					1,467,835
TOTAL ASSETS LESS CURRENT LIABILITIES					4,688,348
CREDITORS: Amounts falling due after more than one year					
	16.		(2,477,488)		(2,589,812)
NET ASSETS					<u>2,098,536</u>
CAPITAL AND RESERVES					
Share Capital	18.		254		254
Designated Reserves	19.(a)		1,608,229		1,551,153
Revenue Reserves	19.(b)		566,154		547,129
			<u>2,174,637</u>		<u>2,098,536</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 03 August 2011.

Chairperson

Vice-Chairperson

Secretary

TRAFALGAR HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2011

	Notes	2011 £	2010 £
Net Cash Inflow from Operating Activities	17.	221,549	292,876
Returns on Investment and Servicing of Finance			
Interest Received		10,603	10,817
Interest Paid		(92,557)	(94,822)
Net Cash Outflow from Investment and Servicing of Finance		(81,954)	(84,005)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		10,401	(96,296)
Purchase of Other Fixed Assets		(3,208)	(6,827)
Social Housing Grant Received		9,107	109,980
Social Housing Grant Repaid		7,994	-
Other Grants Received		500	-
Proceeds on Disposal of Properties		10,382	-
Net Cash Inflow from Capital Expenditure and Financial Investment		35,176	6,857
Net Cash Inflow before use of Liquid Resources and Financing		174,771	215,728
Management of Liquid Resources			
Change in short term deposits with banks		568,452	494,762
Financing			
Loan Principal Repayments		(110,526)	(116,576)
Share Capital Issued		14	29
Net Cash Outflow from Financing		(110,512)	(116,547)
Increase in Cash	17.	632,711	593,943

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2008, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

Turnover

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

Retirement Benefits

The Association participates in the Scottish Housing Associations' Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

Valuation Of Housing Properties

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

Depreciation And Impairment Of Other Fixed Assets

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

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

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

Social Housing Grant And Other Grants In Advance/Arrears

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

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

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

TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Sales Of Housing Properties

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

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

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

Leases/Leased Assets

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

Works to Existing Properties

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

Capitalisation Of Development Overheads

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

Development Interest

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

Designated Reserves

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

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

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

TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2011			2010		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	909,270	746,972	162,298	878,449	651,036	227,413
Other Activities	4.	7,945	14,153	(6,208)	420	17,208	(16,788)
Total		<u>917,215</u>	<u>761,125</u>	<u>156,090</u>	<u>878,869</u>	<u>668,244</u>	<u>210,625</u>

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared ownership £	2011 Total £	2010 Total £
Income from Lettings				
Rent Receivable Net of Identifiable Service Charges	848,244	8,280	856,524	830,889
Service Charges Receivable	52,848	-	52,848	47,796
Gross Rents Receivable	901,092	8,280	909,372	878,685
Less: Rent losses from voids	102	-	102	236
Net Rents Receivable	900,990	8,280	909,270	878,449
Revenue Grants from Scottish Ministers	-	-	-	-
Revenue Grants From Local Authorities and Other Agencies	-	-	-	-
Total Income From Social Letting	900,990	8,280	909,270	878,449
Expenditure on Social Letting Activities				
Service Costs	55,340	-	55,340	75,443
Management and maintenance administration costs	394,885	2,709	397,594	305,262
Reactive Maintenance	99,136	-	99,136	131,666
Bad Debts - Rents and Service Charges	4,125	-	4,125	2,926
Planned and Cyclical Maintenance, including Major Repairs	128,603	-	128,603	73,007
Depreciation of Social Housing	61,404	770	62,174	62,732
Operating Costs of Social Letting	743,493	3,479	746,972	651,036
Operating Surplus on Social Letting Activities	157,497	4,801	162,298	227,413
2010	223,409	4,004		

TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants From Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Operating Surplus / (Deficit) 2011 £	Operating Surplus / (Deficit) 2010 £
Wider Role Activities	7,500	-	-	-	7,500	-	7,792	(292)	(1,279)
Factoring	-	-	-	445	445	-	3,493	(3,048)	(3,483)
Other Activities	-	-	-	-	-	-	2,868	(2,868)	(12,026)
Total From Other Activities	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>445</u>	<u>7,945</u>	<u>-</u>	<u>14,153</u>	<u>(6,208)</u>	<u>(16,788)</u>
2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>420</u>	<u>420</u>	<u>-</u>	<u>17,208</u>	<u>(16,788)</u>	

TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

	2011	2010
The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.	£	£

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

Pension contributions made on behalf of the Chief Executive	<u>7,450</u>	<u>7,286</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>49,939</u>	<u>47,698</u>

6. EMPLOYEE INFORMATION

	2011	2010
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>6</u>	<u>6</u>

Staff Costs were:

	£	£
Wages and Salaries	195,827	188,762
Social Security Costs	14,812	14,216
Other Pension Costs	29,497	28,433
Temporary, Agency and Seconded Staff	19,347	21,713
	<u>259,483</u>	<u>253,124</u>

TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK		
	2011	2010
	£	£
Sales Proceeds	10,382	-
Cost of Sales	<u>8,417</u>	<u>-</u>
Gain On Sale Of Housing Stock	<u>1,965</u>	<u>-</u>

8. INTEREST PAYABLE		
	2011	2010
	£	£
On Bank Loans & Overdrafts	<u>92,557</u>	<u>94,822</u>

9. SURPLUS FOR YEAR		
	2011	2010
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	71,468	72,100
Auditors' Remuneration - Audit Services	<u>4,150</u>	<u>3,945</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES		
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The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Total £
COST			
As at 1st April 2010	24,826,842	144,302	24,971,144
Additions	(10,401)	-	(10,401)
Disposals	(50,256)	-	(50,256)
Schemes Completed	-	-	-
As at 31st March 2011	<u>24,766,185</u>	<u>144,302</u>	<u>24,910,487</u>
DEPRECIATION			
As at 1st April 2010	521,923	10,074	531,997
Charge for Year	61,404	770	62,174
Disposals	(1,965)	-	(1,965)
As at 31st March 2011	<u>581,362</u>	<u>10,844</u>	<u>592,206</u>
SOCIAL HOUSING GRANT			
As at 1st April 2010	20,959,151	108,783	21,067,934
Additions	9,107	-	9,107
Disposals	(39,874)	-	(39,874)
Schemes Completed	-	-	-
As at 31st March 2011	<u>20,928,384</u>	<u>108,783</u>	<u>21,037,167</u>
OTHER CAPITAL GRANTS			
As at 1st April 2010	248,008	-	248,008
Additions	-	-	-
Disposals	-	-	-
Schemes Completed	-	-	-
As at 31st March 2011	<u>248,008</u>	<u>-</u>	<u>248,008</u>
NET BOOK VALUE			
As at 31st March 2011	<u>3,008,431</u>	<u>24,675</u>	<u>3,033,106</u>
As at 31st March 2010	<u>3,097,760</u>	<u>25,445</u>	<u>3,123,205</u>

Additions to housing properties includes capitalised development administration costs of £2,417 (2010 - £10,316) and capitalised major repair costs to existing properties of £Nil (2010 £Nil)

All land and housing properties are freehold.

TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Office Equipment £	Office Premises £	Furniture & Equipment £	Total £
COST				
As at 1st April 2010	73,437	162,510	24,883	260,830
Additions	3,172	36	-	3,208
Eliminated on Disposals	-	-	-	-
As at 31st March 2011	<u>76,609</u>	<u>162,546</u>	<u>24,883</u>	<u>264,038</u>
GRANTS RECEIVED				
As at 1st April 2010	-	-	-	-
Received in year	-	-	-	-
Repaid on Disposal	-	-	-	-
As at 31st March 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
AGGREGATE DEPRECIATION				
As at 1st April 2010	70,449	70,430	22,643	163,522
Charge for year	2,217	6,502	575	9,294
Eliminated on disposal	-	-	-	-
As at 31st March 2011	<u>72,666</u>	<u>76,932</u>	<u>23,218</u>	<u>172,816</u>
NET BOOK VALUE				
As at 31st March 2011	<u>3,943</u>	<u>85,614</u>	<u>1,665</u>	<u>91,222</u>
As at 31st March 2010	<u>2,988</u>	<u>92,080</u>	<u>2,240</u>	<u>97,308</u>

12. FINANCIAL COMMITMENTS

	2011 £	2010 £
Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>93,638</u>	<u>64,499</u>

13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2011 £	2010 £
Expiring between two and five years	<u>6,577</u>	<u>6,577</u>

TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2011	2010
	£	£
Arrears of Rent & Service Charges	15,609	20,514
Less: Provision for Doubtful Debts	<u>(11,572)</u>	<u>(14,552)</u>
	4,037	5,962
Other Debtors	<u>31,012</u>	<u>28,490</u>
	<u>35,049</u>	<u>34,452</u>

15. CREDITORS: Amounts falling due within one year

	2011	2010
	£	£
Housing Loans	112,559	110,761
Trade Creditors	-	20,057
Rent in Advance	31,313	34,853
Other Creditors	54,860	42,995
Accruals and Deferred Income	<u>55,098</u>	<u>40,270</u>
	<u>253,830</u>	<u>248,936</u>

At the balance sheet date there were pension contributions outstanding of £Nil (2010 £2,394)

16. CREDITORS: Amounts falling due after more than one year

	2011	2010
	£	£
Housing Loans	<u>2,477,488</u>	<u>2,589,812</u>
<p>Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-</p>		
Within one year	112,559	110,761
Between one and two years	115,244	113,339
Between two and five years	362,941	356,535
In five years or more	<u>1,999,303</u>	<u>2,119,938</u>
	2,590,047	2,700,573
Less: Amount shown in Current Liabilities	<u>112,559</u>	<u>110,761</u>
	<u>2,477,488</u>	<u>2,589,812</u>

TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2011 £	2010 £
Operating Surplus	156,090	210,625
Depreciation	71,468	72,100
Change in Debtors	(597)	13,084
Change in Creditors	(5,398)	(2,915)
Share Capital Written Off	(14)	(18)
Net Cash Inflow from Operating Activities	<u>221,549</u>	<u>292,876</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2011 £	£	2010 £	£
Increase in Cash	632,711		593,943	
Cash flow from management of liquid resources	(568,452)		(494,762)	
Cash flow from change in debt	<u>110,526</u>		<u>116,576</u>	
Movement in net debt during year		174,785		215,757
Net debt at 1st April 2010		(1,018,254)		(1,234,011)
Net debt at 31st March 2011		<u>(843,469)</u>		<u>(1,018,254)</u>

<i>Analysis of changes in net debt</i>	At 01.04.10 £	Cash Flows £	Other Changes £	At 31.03.11 £
Cash at bank and in hand	<u>1,113,867</u>	<u>632,711</u>		<u>1,746,578</u>
Liquid Resources	1,113,867	632,711		1,746,578
Debt: Due within one year	568,452	568,452		-
Due after more than one year	(110,761)	(1,798)		(112,559)
	<u>(2,589,812)</u>	<u>112,324</u>		<u>(2,477,488)</u>
Net Debt	<u>(1,018,254)</u>	<u>1,311,689</u>	-	<u>(843,469)</u>

TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2010	254
Issued in year	14
Cancelled in year	(14)
At 31st March 2011	<u>254</u>

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

19. RESERVES

(a) Designated Reserves	Cyclical Maintenance	Major Repairs	Total
	£	£	£
At 1st April 2010	340,498	1,210,655	1,551,153
Transfer to / (from) Revenue Reserves	14,269	42,807	57,076
At 31st March 2011	<u>354,767</u>	<u>1,253,462</u>	<u>1,608,229</u>
 (b) Revenue Reserves			Total
			£
At 1st April 2010			547,129
Surplus for the year			76,101
Transfer (to) / from Designated Reserves			(57,076)
At 31st March 2011			<u>566,154</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2011	2010
	No.	No.
General Needs - New Build	185	186
- Rehabilitation	115	115
Shared Ownership	5	5
	<u>305</u>	<u>306</u>

TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY TRANSACTIONS

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

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

11 members are tenants of the Association

1 member of the committee was the chairperson of Scottish Enterprise Clydebank Limited

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

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

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

Harriet Haire, a member of the management committee was a member of the board of directors of Social Enterprise Clydebank Ltd (SEC) until February 2011. During this time SEC provided cleaning and caretaking services in the year amounting to £21,308 (2010: £10,970). All transaction with Social Enterprise Clydebank Ltd are at arm's length and on commercial terms.

22. CURRENT ASSET INVESTMENTS

	2011	2010
	£	£
Short Term Deposits	-	568,452
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TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

RETIREMENT BENEFIT OBLIGATIONS

General

Trafalgar Housing Association Limited participates 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.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in

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

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

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

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

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

[Housing Association Limited. The annual pensionable payroll in respect of these members was £192,700. Trafalgar Housing Association Limited continues to offer membership of the Scheme to its employees.](#)

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers 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 FRS17 represents the employer contribution payable.

TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (equivalent to a past service funding level of 64.8%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2009 were as follows:

	% p.a.
- Investment return pre-retirement	7.4
- Investment return post-retirement - non pensioners	4.6
- Investment return post-retirement - pensioners	4.8
- Rate of Salary increases	4.5
- Rate of pension increases:	
pension accrued pre 6 April 2005 in excess of GMP	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	<i>Males</i>	<i>Females</i>
	<i>Assumed life expectancy in years at age 65</i>	<i>Assumed life expectancy in years at age 65</i>
Non-pensioners	18.1	20.6
Pensioners	18.1	20.6

TRAFALGAR HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

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

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable)</i>
Final salary - 60ths	19.2
Career average 60ths	17.1
Career average 70ths	14.9
Career average 80ths	13.2
Career average 120ths	9.4

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

Following consideration of the results of the valuation it was agreed that the shortfall of £160m would be dealt with by the payment of additional contributions of 10.4% of pensionable salaries per annum with effect from 1st April 2011, increasing each 1 April in line with the rate of salary increases assumption.

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

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

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