

**THE CADARN HOUSING GROUP LIMITED**

Annual Report  
and Financial Statements

For the Year Ended 31<sup>st</sup> March 2008



The Cadarn Housing Group Ltd  
Ty Cadarn, 5 Village Way,  
Tongwynlais, Cardiff, CF15 7NE

**THE CADARN HOUSING GROUP LIMITED**

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**The Cadarn Housing Group Limited is:-**

- **Registered under the Industrial & Provident Societies Act 1965 No. 21180R.  
It has not adopted charitable rules.**
- **Registered with The Welsh Assembly Government No. L025.**

**THE CADARN HOUSING GROUP LIMITED  
REPORT OF THE BOARD  
YEAR ENDED 31<sup>st</sup> MARCH 2008**

The Board presents its report and the audited financial statements for The Cadarn Housing Group Limited (the Group) for the year ended 31<sup>st</sup> March 2008.

**Results for the Year**

The results for the Group for the year are set out in the Consolidated Income and Expenditure Account on page 6 and the state of affairs as at 31<sup>st</sup> March 2008 for the Group are set out in the Consolidated Balance Sheet on page 8. The Surplus for the Year on Ordinary Activities is £242,000 before transfers from Restricted & Designated Reserves of £701,000 leaving a Surplus for the Year of £943,000.

The Board considers that these results are satisfactory and look forward to achieving a continuing improvement in performance over the coming twelve months.

The Board consider that the Group's Accumulated Income and Expenditure Account balance of £7,416,000, its Total Reserves of £8,979,000, and the corresponding Short Term Investments and Cash balance of £3,022,000 will be required so that the Group can achieve its Business Plan objectives and ensure its success in the future.

**Principal Objectives and Activities**

The principal activity of the Group is to support people and communities.

**Responsibilities of the Board**

Housing Association legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of its income and expenditure for that year. In preparing these financial statements, the Board is required to:-

- select suitable accounting policies and then ensure that they are applied 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 these financial statements;
- ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue to operate.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable it to ensure that the financial statements comply with the requirements of the Industrial and Provident Societies Acts 1965 to 1978, Section 24 (1) of the Housing Act 1996 and The Accounting Requirements for Social Landlords Registered in Wales General Determination 2000 and the Statement of Recommended Practice for Registered Social Landlords issued in September 2002. The Board is also responsible for ensuring that the assets of the Group are safeguarded and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**THE CADARN HOUSING GROUP LIMITED**  
**REPORT OF THE BOARD**  
**YEAR ENDED 31<sup>st</sup> MARCH 2008**

**Internal Control**

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

- a) the reliability of financial information used within the Group or for publication;
- b) the maintenance of proper accounting records; and
- c) the safeguarding of assets against unauthorised use or disposition.

It is the Board'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 include ensuring that:

- a) formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Group's assets;
- b) experienced and suitably qualified staff take responsibility for important business functions;
- c) forecasts and budgets are prepared which allow the Group and management to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date information and significant variances from budgets are investigated as appropriate;
- d) all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant committees comprising Board members and others;
- e) the Audit Committee reviews reports from management, from the internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Group not otherwise dealt with directly by the Board. The Audit Committee makes regular reports to the Board;
- f) formal procedures have been established for instituting appropriate action to correct material weaknesses identified from the above reports.

On behalf of the Board, the Audit Committee has reviewed the effectiveness of the system of internal financial control in existence in the Group for the year ended 31<sup>st</sup> March 2008. Based on the audit work carried out during the year, no weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

**THE CADARN HOUSING GROUP LIMITED**  
**REPORT OF THE BOARD**  
**YEAR ENDED 31<sup>ST</sup> MARCH 2008**

**Members of the Board**

Persons who served on the Board during the year were:

Mr P. Budd\* (Chair)

Mr M. Cuddy \* (nominee of Newydd)

Mr. W. Griffiths\*

Mr R. Page\*

Mr L. Watkins\* (nominee of Newydd)

Ms S. Basham-Pyke \*

Mr C. Koehli \*

Mr R Mathias\*

Ms G. Lancaster\* (nominee of Newydd)

\* Member of the Board holding one fully paid share of £1 in the Group.

**Employees**

The strength of the Group lies in the quality and commitment of its employees. Our ability to meet our objectives and commitments to tenants in an efficient and effective manner depends on the contribution of employees throughout the Group.

The Group is committed to equal opportunities for all its employees and supports the employment of disabled persons where possible, both in recruitment and in the retention of employees who become disabled whilst in the Employment of the Group.

**Health and Safety**

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

**Auditors**

Bevan & Buckland were re-appointed as auditors to The Cadarn Housing Group Limited on 11th September 2007. A resolution to reappoint Bevan & Buckland as auditors to the Group will be proposed at the Annual General Meeting.



Signed: Peter Budd, Chair

Dated: 13<sup>th</sup> August 2008

**REPORT BY THE AUDITORS TO THE CADARN HOUSING GROUP LIMITED**

**GOVERNANCE MATTERS**

In addition to our audit of the financial statements we have reviewed the Board of Management's statement on internal financial control and confirm that the Association complies with the Circular HFW 8/97 "Internal Financial Control and Financial Reporting".

**BASIS OF OPINION**

We carried out our review in accordance with Bulletin 1995/1, "Disclosures Relating to Corporate Governance", issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its housing association governance procedures nor on the ability of the Association to continue in operational existence.

**OPINION**

With respect to the Board of Management's statement on internal financial control on page 2, in our opinion the Board of Management has provided the disclosures required by Housing for Wales Circular HFW 8/97 and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements and the limited additional procedures carried out by us in accordance with the Auditing Practice Board Bulletin 1995/1 "Disclosures Relating to Corporate Governance and the Code of Audit Practice".

Based on enquiry of senior executives of the Association and examination of relevant documents, in our opinion the Board of Management's statements on page 2 appropriately reflects the Association's compliance with Housing for Wales Circular HFW 8/97 "Internal Financial Control and Financial Reporting".

*Bevan & Buckland*

RUSSELL HOUSE  
31 RUSSELL STREET  
SWANSEA

BEVAN & BUCKLAND  
CHARTERED ACCOUNTANTS  
AND REGISTERED AUDITORS

DATE: 13<sup>th</sup> August 2008

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE CADARN HOUSING GROUP LIMITED

We have audited the financial statements of The Cadarn Housing Group Limited for the year ended 31 March 2008 which comprise the Income and Expenditure Account, the Balance Sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the board and auditors:

The board's responsibilities for preparing the financial statements in accordance with applicable law are set out in the Statement of Board's Responsibilities on page 2.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords in Wales General Determination 2000. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if The Cadarn Housing Group has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We also report to you whether in our opinion the other information contained in the Report of the Board is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the board in the preparation of the financial statements, and of whether the accounting policies are appropriate to The Cadarn Housing Group Limited's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of The Cadarn Housing Group Limited's affairs as at 31 March 2008 and of its surplus/deficit for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, Schedule 1 to the Housing Act 1996 and The Accounting Requirements for Registered Social Landlords in Wales General Determination 2000;
- the information given in the Report of the Board is consistent with the financial statements.

*Bevan & Buckland*

Bevan & Buckland  
Chartered Accountants & Registered Auditors  
Russell House, Russell Street, Swansea, SA1 4HR

Date: 13<sup>th</sup> August 2008

**THE CADARN HOUSING GROUP LIMITED**

**CONSOLIDATED INCOME & EXPENDITURE ACCOUNT  
YEAR ENDED 31st MARCH 2008**

	Notes	<b>2008 £'000</b>	2007 £'000
Turnover	2	<b>8,439</b>	8,391
Operating Costs	2	<b>( 6,404)</b>	( 6,418)
Operating Surplus	2	<b>2,035</b>	1,973
Surplus on Sale of Housing Accommodation		<b>134</b>	85
Interest Receivable and Similar Income		<b>46</b>	29
Interest Payable and Similar Charges	6	<b>( 1,972)</b>	( 1,654)
Surplus for the Year on Ordinary Activities		<b>243</b>	433
Taxation		<b>( 1)</b>	-
Surplus for the Year After Taxation		<b>242</b>	433
Transfers from Designated Reserves		<b>701</b>	776
		<b>943</b>	1,209
Revenue Reserves Brought Forward		<b>6,473</b>	5,264
Revenue Reserves Carried Forward		<b>7,416</b>	6,473

There is no difference between the surplus on ordinary activities before taxation and the retained surplus for the year as stated above and their historical cost equivalent.

**Continuing Operations**

None of the Group's activities were acquired or discontinued during the above two financial years.

**Statement of Total Recognised Surpluses and Deficits for the Year to 31st March 2008**

There are no recognised surpluses or deficits other than those included in the Income and Expenditure Account.

**THE CADARN HOUSING GROUP LIMITED**

**ASSOCIATION INCOME & EXPENDITURE ACCOUNT  
YEAR ENDED 31st MARCH 2008**

	Notes	<b>2008 £'000</b>	2007 £'000
Turnover	2	<b>1,856</b>	1,414
Operating Costs		<b>( 1,809)</b>	( 1,373)
Operating Surplus	2	<b>47</b>	41
Surplus on Sale of Fixed assets		<b>26</b>	51
Interest Receivable and Similar Income		<b>4</b>	2
Interest Payable and Similar Charges	6	<b>( 2)</b>	( 2)
Surplus for the Year on Ordinary Activities		<b>75</b>	92
Taxation		<b>( 1)</b>	-
Revenue Reserves Brought Forward		<b>647</b>	555
Revenue Reserves Carried Forward		<b>721</b>	647

There is no difference between the surplus / (deficit) on ordinary activities before taxation and the retained surplus for the year as stated above and their historical cost equivalent.

**Statement of Total Recognised Surpluses and Deficits for the Year to 31st March 2008**

There are no recognised surpluses or deficits other than those included in the Income and Expenditure Account.

**THE CADARN HOUSING GROUP LIMITED**

**CONSOLIDATED BALANCE SHEET  
AS AT 31st MARCH 2008**

	Notes	<b>2008 £'000</b>	2007 £'000
<b>Tangible Fixed Assets</b>			
Housing Properties at Cost less Depreciation	10	<b>106,817</b>	104,142
Less: Social Housing and Other Grants	10	<b>( 70,866)</b>	( 69,039)
		<b>35,951</b>	35,103
<b>Fixed Asset Investment</b>			
Gross Cost	11	<b>1,601</b>	1,509
Less: Social Housing Grant	11	<b>( 551)</b>	( 585)
		<b>37,001</b>	36,027
<b>Other Fixed Assets</b>	12	<b>1,654</b>	1,695
<b>Total Fixed Assets</b>		<b>38,655</b>	37,722
<b>Current Assets</b>			
Stock and Work in Progress		<b>19</b>	44
Debtors	15	<b>617</b>	478
Short Term Investments		<b>146</b>	125
Cash at Bank and in Hand		<b>2,876</b>	1,555
		<b>3,658</b>	2,202
Creditors: Amounts Falling Due Within One Year	16	<b>( 3,863)</b>	( 2,615)
<b>Net Current Liabilities</b>		<b>( 205)</b>	( 413)
<b>Total Assets Less Current Liabilities</b>		<b>38,450</b>	37,309
Creditors: Amounts Falling Due After More Than One Year	17	<b>( 29,471)</b>	( 28,572)
		<b>8,979</b>	8,737
<b>Capital and Reserves</b>			
General Reserves		<b>7,416</b>	6,473
Designated Reserves	19	<b>1,563</b>	2,264
		<b>8,979</b>	8,737

These financial statements were approved by the Board on 13th August 2008 and signed on its behalf by:



Peter Budd  
Chair



Walton Griffiths  
Board Member



Paul Roberts  
Secretary

**THE CADARN HOUSING GROUP LIMITED**

**ASSOCIATION BALANCE SHEET  
AS AT 31st MARCH 2008**

	Notes	2008 £'000	2007 £'000
<b>Tangible Fixed Assets</b>			
Other Fixed Assets	12	<b>353</b>	1,480
		<hr/>	<hr/>
<b>Total Fixed Assets</b>		<b>353</b>	1,480
<b>Current Assets</b>			
Stock and Work in Progress		<b>19</b>	44
Debtors	15	<b>172</b>	120
Cash at Bank and in Hand		<b>312</b>	85
		<hr/>	<hr/>
		<b>503</b>	249
Creditors: Amounts Falling Due Within One Year	16	<b>( 135)</b>	( 851)
		<hr/>	<hr/>
<b>Net Current Assets / (Liabilities)</b>		<b>368</b>	( 602)
		<hr/>	<hr/>
<b>Total Assets Less Current Liabilities</b>		<b>721</b>	878
Creditors: Amounts Falling Due After More Than One Year	17	-	( 231)
		<hr/>	<hr/>
		<b>721</b>	647
		<hr/>	<hr/>
<b>Capital and Reserves</b>			
General Reserves		<b>721</b>	647
		<hr/>	<hr/>

These financial statements were approved by the Board on 13th August 2008 and signed on its behalf by:



Peter Budd  
Chair



Walton Griffiths  
Board Member



Paul Roberts  
Secretary

**THE CADARN HOUSING GROUP LIMITED**

**CONSOLIDATED CASHFLOW STATEMENT  
YEAR ENDED 31st MARCH 2008**

	Notes	<b>2008 £'000</b>	2007 £'000
<b>Net Cash Inflow from Operating Activities</b>	a	<b>2,798</b>	2,368
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received		<b>46</b>	29
Interest Paid		<b>( 2,025)</b>	( 1,656)
		<b>( 1,979)</b>	( 1,627)
<b>Capital Expenditure</b>			
Purchase of Housing Properties		<b>( 3,571)</b>	( 6,174)
Purchase of Other Fixed Assets		<b>( 86)</b>	( 194)
Sale of Fixed assets		<b>641</b>	204
Social Housing and Other Grants Received		<b>2,619</b>	568
		<b>( 397)</b>	( 5,596)
<b>Management of Liquid Resources</b>			
Cash (invested in) / withdrawn from short term deposits		<b>( 21)</b>	736
<b>Financing</b>			
Loans Received		<b>1,629</b>	5,010
Housing Loans Repaid		<b>( 453)</b>	( 219)
Non-Housing Loans Repaid		<b>( 256)</b>	( 30)
		<b>920</b>	4,761
<b>Increase in Cash at Bank and in Hand</b>		<b>1,321</b>	642

**THE CADARN HOUSING GROUP LIMITED**

**NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT  
YEAR ENDED 31st MARCH 2008**

	<b>2008 £'000</b>	2007 £'000		
<b>Reconciliation of Operating Surplus to Net Cash Inflow from</b>				
<b>(a) Operating Activities</b>				
Operating Surplus	<b>2,035</b>	1,973		
Depreciation of Tangible Fixed Assets	<b>424</b>	384		
	<b>2,459</b>	2,357		
<b>Working Capital Movements</b>				
Decrease / (increase) in Stock and Work in Progress	<b>25</b>	( 41)		
(Increase) / Decrease in Debtors	<b>( 169)</b>	7		
Increase / (Decrease) / in Creditors	<b>453</b>	( 15)		
Increase in Provisions	<b>30</b>	60		
	<b>2,798</b>	2,368		
<b>Net Cash Inflow from Operating Activities</b>				
<b>(b) Reconciliation of Net Cash Inflow to Movement in Net Debt</b>				
	<b>2008 £'000</b>	2007 £'000		
Increase in Cash	<b>1,321</b>	642		
Cash invested in / (withdrawn from) short term deposits	<b>21</b>	( 736)		
(Increase) in Loans and Lease Finance	<b>( 920)</b>	( 4,761)		
	<b>422</b>	( 4,855)		
Increase in Net Debt				
Net Debt at 1st April	<b>( 27,305)</b>	( 22,450)		
	<b>( 26,883)</b>	( 27,305)		
<b>(c) Analysis of Net Debt</b>				
	Cash at Bank and In Hand £'000	Loans £'000	Short Term Investments £'000	<b>Changes in Net Debt £'000</b>
At 1st April 2007	1,555	( 28,985)	125	<b>( 27,305)</b>
Net Cash Flows	1,321	( 920)	21	<b>422</b>
	<b>2,876</b>	<b>( 29,905)</b>	<b>146</b>	<b>( 26,883)</b>
As at 31st March 2008				

**THE CADARN HOUSING GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31st MARCH 2008****1. ACCOUNTING POLICIES****(a) Basis of Accounting**

The financial statements have been prepared in accordance with applicable Accounting Standards. A summary of the more important accounting policies, which have been applied consistently are set out in paragraphs (b) to (p). These financial statements are prepared under the historical cost convention and comply with The Accounting Requirement for Social Landlords Registered in Wales General Determination 2000 and the Statement of Recommended Practice for Registered Social Landlords issued in September 2002.

**(b) Basis of Consolidation**

The Group Financial Statements consolidate the accounts of The Cadarn Housing Group Limited and Newydd Housing Association (1974) Limited using acquisition accounting.

**(c) Turnover**

Turnover represents income from Rents and Service Charges less Voids, Grants, sales and fee Income.

**(d) Finance**

The Financial Statements have been prepared on the basis that the capital expenditure commitments referred to in Note 20 will be grant aided, funded by loan or met out of reserves.

**(e) Loans**

Loans are advanced by local authorities, The Welsh Assembly Government, building societies or banks under the terms of individual mortgage deeds in respect of each property or housing scheme.

**(f) Social Housing Grant**

Social Housing Grant (SHG) is paid directly to the Group by The Welsh Assembly Government. The amount of SHG in respect of capital expenditure is utilised to reduce the capital costs of housing properties and is fixed for each property or housing scheme in accordance with instructions issued from time to time. SHG 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.

SHG is repayable under certain circumstances, usually following the sale of a property, but will normally be restricted to net proceeds of sale.

**(g) Development Administration Costs**

Development administration costs are capitalised only to the extent that they are directly attributable to bringing the property into working condition for its intended use. Directly attributable costs are the labour costs of own employees arising directly from the construction or acquisition of the property and the incremental cost to the landlord that would have been avoided only if the property had not been constructed or acquired. Any other development costs which are not directly attributable have been written off to the Income and Expenditure Account.

## THE CADARN HOUSING GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31st MARCH 2008

#### (h) Fixed Assets - Housing Properties

Housing Properties are stated at cost and include the following:

- I. Cost of acquiring land and buildings
- II. Development expenditure including improvement expenditure. Costs are classified as improvement expenditure where it adds value to the Property or lengthens substantially its useful life.
- III. Interest charged on loans raised to finance the development.
- IV. Development Administration Costs

All invoices and architects' certificates relating to capital expenditure incurred in the year at net value are included in the financial statements for the year, provided that the dates of issue or valuation are prior to the year end. All costs relating to the Glyntaff Estate Tenant's Choice transfer redevelopment have been capitalised.

Interest on Loans raised to finance the development are capitalised up to two months after the last day of the month in which practical completion occurs.

The sale proceeds arising from the first tranche sale of low cost home ownership properties are treated as a contribution towards the cost of the asset and no revenue surplus or deficit is taken unless the net realisable value is below net cost. Subsequent sales are accounted for as disposals of fixed assets.

#### (i) Depreciation

##### (i) Housing Properties

Depreciation is provided on the net cost (cost less Social Housing and other Grants) of Housing Properties on the following straight line basis:-

New Build Houses & Flats - written down to residual value over 150 years.

Rehab. Houses & Flats - written down to residual value over 100 years.

Freehold land (cost less attributable Social Housing Grants) and Housing Properties under construction are not depreciated.

##### (ii) Other Fixed Assets

Depreciation is provided on the following straight line basis:-

Office Premises	2% per annum on cost
Office improvements	10% per annum on cost
Computer Equipment	25% per annum on cost
Furniture and Equipment	10% per annum on cost
Motor vehicles	20% per annum on cost
Computer Software	25% - 33% per annum on cost
Service Assets	15% per annum on cost.

Freehold land is not depreciated.

#### (j) Impairment

Where it is recognised that there is an impairment diminution of value of any asset, the full reduction in value is written off to the Income & Expenditure Account in the year. An Impairment Review of the Group's property was undertaken by the Board in August 2007. The Board concluded that there was no impairment to value.

**THE CADARN HOUSING GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31st MARCH 2008****(k) Fixed Asset Investments**

Where the Group received an allowance from the Welsh Assembly Government to administer the sale of property under the "Home Buy Option" initiative and in turn has made an interest free loan to the purchaser secured by a charge on the property, the whole of the loan together with allowances has been transferred to investments and matched with Housing Association Grant retained.

**(l) Major Repairs Designated Reserves**

The Major Repairs Designated Reserves has been established to fund major repairs for those schemes for which Social Housing Grant will not be available and is based upon 1% or 0.6% of the value of rehabilitation and new build schemes respectively.

**(m) Grants and disposal proceeds recycling**

Some of the Group's Social Housing Grant properties are available for discounted sale to tenants. The net proceeds of sale are available for reinvestment in Social Housing. Amounts not yet reinvested are held in a Recycling Capital Grant & Disposal Proceeds Fund within creditors.

**(n) Apportionment of Employee Administration Costs**

Direct employee, administration and operating costs have been apportioned to the relevant sections of the Income and Expenditure Account on the basis of the actual expenditure. Management, finance and administration costs are further apportioned on the basis of staff salaries except those specific costs relating to the Care & Repair Scheme.

**(o) Pension Costs**

The Group participates in the centralised Social Housing Pension Scheme (SHPS). This is a final salary pension scheme providing retirement benefits to employees of the Group and is funded by contributions from all employers and employees participating in the scheme. Payments are made to a fund operated by the Pensions Trust, an independent trust providing superannuation benefits for employees of voluntary organisations. These 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.

The provisions of FRS17 - Retirement Benefits - have been adopted. The expected cost to the Group of pensions is charged to the income and expenditure account so as to spread the cost of pensions over the service lives of employees.

**(p) Lease Obligations**

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

**THE CADARN HOUSING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31st MARCH 2008**

**2 Turnover, Operating Costs and Operating Surplus**

Group	Year Ended 31st March 2008			Year Ended 31st March 2007		
	Turnover £'000	Operating Costs £'000	Operating Surplus £'000	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
<b>Income and Expenditure From Lettings</b>						
General Needs Housing	<b>7,749</b>	<b>( 5,540)</b>	<b>2,209</b>	7,155	( 5,703)	1,452
Supported Housing	<b>78</b>	<b>( 44)</b>	<b>34</b>	64	( 33)	31
	<b>7,827</b>	<b>( 5,584)</b>	<b>2,243</b>	7,219	( 5,736)	1,483
Shared Ownership Accommodation	<b>53</b>	<b>( 8)</b>	<b>45</b>	50	( 8)	42
	<b>7,880</b>	<b>( 5,592)</b>	<b>2,288</b>	7,269	( 5,744)	1,525
<b>Other Income and Expenditure</b>						
Revenue Grants	-	-	-	619	-	619
Development Administration	-	<b>( 163)</b>	<b>( 163)</b>	-	( 77)	( 77)
Care and Repair	<b>329</b>	<b>( 331)</b>	<b>( 2)</b>	344	( 318)	26
Contribution to Care and Repair	-	<b>( 56)</b>	<b>( 56)</b>	-	( 71)	( 71)
External Services	<b>230</b>	<b>( 262)</b>	<b>( 32)</b>	159	( 208)	( 49)
	<b>8,439</b>	<b>( 6,404)</b>	<b>2,035</b>	8,391	( 6,418)	1,973

**THE CADARN HOUSING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31st MARCH 2008**

**2 Turnover, Operating Costs and Operating Surplus**

Association	Year Ended 31st March 2008			Year Ended 31st March 2007		
	Turnover	Operating Costs	Operating Surplus / (Deficit)	Turnover	Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Other Income and Expenditure</b>						
External Services	194	( 196)	( 2)	194	( 192)	2
Management Services to Newydd Housing Association (1974) Ltd	1,662	( 1,613)	49	1,220	( 1,181)	39
	<u>1,856</u>	<u>( 1,809)</u>	<u>47</u>	<u>1,414</u>	<u>( 1,373)</u>	<u>41</u>

**THE CADARN HOUSING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31st MARCH 2008**

**3 Turnover From Lettings**

	<b>Group</b>	
	<b>2008</b>	2007
	<b>£'000</b>	£'000
Rents	<b>7,163</b>	6,645
Service Charges	<b>767</b>	660
Less: Rent Losses from Voids	<b>( 50)</b>	( 36)
	<b>7,880</b>	7,269

**4 Operating Costs from Lettings**

	<b>Group</b>	
	<b>2008</b>	2007
	<b>£'000</b>	£'000
Fully Rented Housing Accommodation		
Services	<b>839</b>	779
Management	<b>1,258</b>	1,180
Day to Day Maintenance	<b>1,585</b>	1,460
Major Repairs	<b>1,447</b>	1,839
Depreciation	<b>195</b>	173
Low Cost Home Ownership Accommodation		
Management	<b>7</b>	7
Major repairs	<b>-</b>	-
Depreciation	<b>1</b>	1
	<b>5,332</b>	5,439
Rent Loss from Bad Debts	<b>66</b>	90
Other Costs	<b>194</b>	215
	<b>5,592</b>	5,744

**5 Operating Surplus for the Year**

	<b>Group</b>		<b>Association</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
The Operating Surplus is Stated After Charging:				
Operating Lease rentals	<b>24</b>	24	<b>4</b>	3
Depreciation	<b>424</b>	384	<b>147</b>	158
Surplus on the sale of fixed assets	<b>134</b>	85	<b>26</b>	51
Auditor's Remuneration including VAT of £2,000 (2006 £2,000)				
- In Their Capacity as Auditors	<b>15</b>	15	<b>4</b>	4

**THE CADARN HOUSING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31st MARCH 2008**

**6 Interest Payable and Similar Charges**

	<b>Group</b>		<b>Association</b>	
	<b>2008 £'000</b>	2007 £'000	<b>2008 £'000</b>	2007 £'000
On Loans Repayable in Instalments Wholly or Partly in More Than 5 Years	<b>1,972</b>	1,654	-	2
	<b>1,972</b>	1,654	-	2

**7 Board Members and Senior Executives Emoluments**

	<b>2008 £'000</b>	2007 £'000
The remuneration paid to Senior Executives was:		
Emoluments (including pension contributions and benefits in kind)	<b>213</b>	200

Emoluments (excluding pension contributions) paid to the Highest Paid Senior Executive	<b>75</b>	71
--	-----------	----

The number of Board Members and Senior Executives who received emoluments (excluding pension contributions) were in the following ranges:

	<b>2008 No.</b>	2007 No.
£0	<b>9</b>	8
£50,001 - £55,000	<b>1</b>	1
£55,001 - £60,000	-	1
£60,000 - £65,000	<b>1</b>	-
£70,001 - £75,000	<b>1</b>	1

The senior executives emoluments relate to the Association only.

No fees were paid to Board Members during the year. Expenses paid to Board Members during the year amounted to £1,000 (2007 - £1,000). The Chief Executive is an ordinary member of the SHPS pension scheme. Three Senior Executives have benefits accruing under the SHPS pension scheme.

**THE CADARN HOUSING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31st MARCH 2008**

**8 Employee Information**

	<b>Group</b>		<b>Association</b>	
	<b>2008 No.</b>	2007 No.	<b>2008 No.</b>	2007 No.
The average weekly number of persons employed during the year was:				
Office Staff	<b>69</b>	64	<b>33</b>	25
Wardens, Caretakers and Cleaners	<b>6</b>	6	-	-
	<b>75</b>	70	<b>33</b>	25

	<b>Group</b>		<b>Association</b>	
	<b>2008 £'000</b>	2007 £'000	<b>2008 £'000</b>	2007 £'000
Staff Costs for the above persons:				
Wages and Salaries	<b>1,665</b>	1,536	<b>923</b>	742
Redundancy Costs	-	-	-	-
National Insurance Contributions	<b>134</b>	120	<b>79</b>	63
Other Pension Costs	<b>163</b>	137	<b>99</b>	71
	<b>1,962</b>	1,793	<b>1,101</b>	876

**9 Housing Stock**

The number of units of housing accommodation and other units in management as at 31st March was:

	<b>Group</b>	
	<b>2008 No.</b>	2007 No.
Housing Accommodation for Letting:		
General Needs	<b>1,994</b>	1,996
Homeless leasing	<b>38</b>	35
Sheltered Accommodation for the Elderly	<b>192</b>	192
Supported Housing (Bedspaces)	<b>51</b>	51
	<b>2,275</b>	2,274
Low Cost Home Ownership:		
Shared Ownership (Leased)	<b>32</b>	32
Homebuy	<b>91</b>	95
	<b>123</b>	127
Other Units:		
Right to Buy (Leasehold)	<b>120</b>	120
Community Office	<b>3</b>	1
Garages	<b>44</b>	44
Other		
	<b>167</b>	165
<b>Total Number of Units</b>	<b>2,565</b>	2,566

**THE CADARN HOUSING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31st MARCH 2008**

**10 Tangible Fixed Assets - Housing Properties**

	Housing Properties Held for Letting Completed £'000	Under Construction £'000	Low Cost Home Ownership Properties Completed £'000	<b>Total £'000</b>
<b>Cost</b>				
At Beginning of Year	102,971	2,178	278	<b>105,427</b>
Schemes completed in the year	301	( 301)	-	-
Disposals	( 289)	-	-	<b>( 289)</b>
Additions	568	2,587	-	<b>3,155</b>
At End of Year	<u>103,551</u>	<u>4,464</u>	<u>278</u>	<u><b>108,293</b></u>
<b>Depreciation</b>				
At Beginning of Year	1,272	-	13	<b>1,285</b>
Disposals	( 3)	-	-	<b>( 3)</b>
Charge for Year	193	-	1	<b>194</b>
At End of Year	<u>1,462</u>	<u>-</u>	<u>14</u>	<u><b>1,476</b></u>
<b>Net Book Value At End of Year</b>	<u><b>102,089</b></u>	<u><b>4,464</b></u>	<u><b>264</b></u>	<u><b>106,817</b></u>
At Beginning of Year	<u>101,699</u>	<u>2178</u>	<u>265</u>	<u>104,142</u>
			<b>2008 £'000</b>	2007 £'000
Housing Properties Comprise:				
Freeholds			<b>100,152</b>	97,477
Long Leaseholds			<b>6,665</b>	6,665
			<u><b>106,817</b></u>	<u>104,142</u>

The cost of Housing Property additions during the year includes £274,000 (2007 - £156,000) in respect of the Group's capitalisation of Development and Administration costs.

	Housing Properties Held for Letting Completed £'000	Under construction £'000	Low Cost Home Ownership Properties Completed £'000	<b>Total £'000</b>
<b>Social Housing and Other Grants</b>				
At Beginning of Year	68,332	632	75	<b>69,039</b>
Schemes completed in the year	262	( 262)	-	-
Disposals	( 110)	-	-	<b>( 110)</b>
Additions	89	1,848	-	<b>1,937</b>
At End of Year	<u><b>68,573</b></u>	<u><b>2,218</b></u>	<u><b>75</b></u>	<u><b>70,866</b></u>
			<b>2008 £'000</b>	2007 £'000
The total accumulated Social Housing Grant at 31st March was:				
Capital Grants			<b>49,979</b>	48,086
Revenue Grants			<b>2,221</b>	2,176
			<u><b>52,200</b></u>	<u>50,262</u>



**THE CADARN HOUSING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31st MARCH 2008**

**13 Tangible Fixed Assets - Other**

<b>Association</b>	Freehold Office Premises £'000	Leasehold Office Premises £'000	Furniture Equipment & Motor Vehicles £'000	Computer Equipment £'000	Computer Software Development £'000	<b>Total</b> £'000
<b>Cost</b>						
At Beginning of Year	1,273	135	349	249	356	<b>2,362</b>
Disposals	( 1,273)	-	( 262)	-	-	<b>( 1,535)</b>
Additions	-	-	5	22	77	<b>104</b>
At End of Year	-	135	92	271	433	<b>931</b>
<b>Depreciation</b>						
At Beginning of Year	250	36	217	167	212	<b>882</b>
Disposals	( 250)	-	( 201)	-	-	<b>( 451)</b>
Charge for the Year	-	13	16	37	81	<b>147</b>
At End of Year	-	49	32	204	293	<b>578</b>
<b>Net Book Value</b>						
<b>At End of Year</b>	<b>-</b>	<b>86</b>	<b>60</b>	<b>67</b>	<b>140</b>	<b>353</b>
At Beginning of Year	1,023	99	132	82	144	1,480

**14 Tangible Fixed Asset - Investments**

This represents a holding of a £1 ordinary share in Salisbury Court Owners Association, a £1 share in Care & Repair Cymru, a company registered under the Industrial and Provident Societies Act 1965, and a £1 share in Newydd Housing Association (1974) Limited, a Registered Social Landlord and a company registered under the Industrial and Provident Societies Act 1965.

**THE CADARN HOUSING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31st MARCH 2008**

**15 Debtors**

	<b>Group</b>		<b>Association</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Arrears of Rent and Service Charge	<b>802</b>	695	-	-
Less: Provision for bad and doubtful debts	<b>( 413)</b>	( 383)	-	-
	<b>389</b>	312	-	-
Due from Newydd Housing Association (1974) Limited	-	-	<b>36</b>	-
Other Debtors	<b>228</b>	166	<b>136</b>	120
	<b>617</b>	478	<b>172</b>	120

**16 Creditors: Amounts Falling Due Within One Year**

	<b>Group</b>		<b>Association</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Prepayment of Rent and Service Charge	<b>273</b>	204	-	-
Loan Principal	<b>434</b>	413	-	25
Loan Interest	-	53	-	-
Social Housing Grants and Other Grants Received in Advance	<b>1,153</b>	345	-	-
Recycling of Capital Grant and Disposals Proceeds Fund	<b>568</b>	520	-	-
Other Capital Creditors	<b>60</b>	90	-	2
Amount Due to Newydd Housing Association (1974) Ltd	-	-	-	702
Corporation Tax	<b>1</b>	-	<b>1</b>	-
Other Creditors	<b>1,374</b>	990	<b>134</b>	122
	<b>3,863</b>	2,615	<b>135</b>	851

**THE CADARN HOUSING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31st MARCH 2008**

**17 Creditors: Amounts Falling Due After More Than One Year**

	<b>Group</b>		<b>Association</b>	
	<b>2008</b> <b>£'000</b>	2007 £'000	<b>2008</b> <b>£'000</b>	2007 £'000
Housing Loans	<b>29,471</b>	28,341	-	-
Non-Housing Loans	-	231	-	231
	<b>29,471</b>	28,572	-	231

**Housing Loans**

Housing loans are secured by fixed charges on the Group's housing properties. The interest rates are fixed at between 5.55% and 15.875% or vary with the market rate. The loans are repayable in the years 2015 to 2049.

Loans repayable by instalments fall due as follows:

	<b>Group</b>	
	<b>2008</b> <b>£'000</b>	2007 £'000
In five years or more	<b>27,129</b>	26,214
Between two and five years	<b>1,881</b>	1,715
Between one and two years	<b>461</b>	412
	<b>29,471</b>	28,341
In one year or less	<b>434</b>	388
	<b>29,905</b>	28,729

**Non Housing loans**

The loan was secured on freehold land and offices at 121 Broad Street, Barry, 248 Holton Road, Barry and Trem-y-Cwm, Masefield Way, Rhydfelin, Pontypridd. Interest varied with market rates.

The loan was repaid in full during the year.

	<b>Group</b>		<b>Association</b>	
	<b>2008</b> <b>£'000</b>	2007 £'000	<b>2008</b> <b>£'000</b>	2007 £'000
Repayable as follows:-				
In five years or more	-	113	-	113
Between two and five years	-	91	-	91
Between one and two years	-	27	-	27
	-	231	-	231
In one year or less	-	25	-	25
	-	256	-	256

**THE CADARN HOUSING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31st MARCH 2008**

**18 Share Capital**

	<b>2008</b>	2007
	<b>£</b>	£
Shares of £1 each fully paid and issued:		
At Beginning of Year	<b>44</b>	44
Issued during the Year	-	2
Cancelled during the Year	<b>( 14)</b>	( 2)
<b>At End of Year</b>	<b>30</b>	44

The shares carry no right to a dividend, there is no provision required for the redemption of shares and there is no provision for a distribution following a winding up.

**19 Designated Reserves**

<b>Group</b>	Major Repairs 2008 £'000	<b>Total Designated Reserves 2008 £'000</b>	Total Designated Reserves 2007 £'000
At Beginning of Year	2,264	<b>2,264</b>	2,574
Transfer to Reserves	746	<b>746</b>	697
Transfer from Reserves	( 1,447)	<b>( 1,447)</b>	( 1,473)
Transfer from Rent Surplus Fund	-	-	466
<b>At End of Year</b>	<b>1,563</b>	<b>1,563</b>	2,264

**THE CADARN HOUSING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31st MARCH 2008**

**20 Financial Commitments**

	<b>Group</b>		<b>Association</b>	
	<b>2008</b> <b>£'000</b>	2007 £'000	<b>2008</b> <b>£'000</b>	2007 £'000
<b>Capital Expenditure</b>				
Contracted less Certified	<b>2,442</b>	488	-	-
Authorised by the Board but not Contracted	-	2,852	-	-

**Operating Leases**

The payments which the Group and the Association is committed to make in the next year under Operating Leases are as follows:

	<b>Group</b>		<b>Association</b>	
	<b>2008</b> <b>£'000</b>	2007 £'000	<b>2008</b> <b>£'000</b>	2007 £'000
Motor Vehicle and Office Equipment expiring:				
Within one year	<b>5</b>	2	<b>5</b>	2
Between two and five years	<b>22</b>	31	<b>22</b>	31
	<b>27</b>	33	<b>27</b>	33

**21 Establishment of the Association**

Cadarn is registered under the Industrial and Provident Societies Act 1965 and is a Registered Social Landlord.

**22 Contingent Liabilities**

At 31st March 2008 there were no contingent liabilities.

**23 Related Party Transactions**

During the year Cadarn sold property to Newydd Housing Association (1974) Limited. The transactions were at market value.

**24 Post Balance Sheet Events**

There were no events that required reporting between the balance sheet date and the date on which these financial statements were approved.

## THE CADARN HOUSING GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31st MARCH 2008

#### 25. Pension costs

1. The Cadarn Housing Group Limited (Cadarn) participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.
2. SHPS is a multi-employer defined benefit scheme. Employer participation in the scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".
3. The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007. From April 2008 there are three benefit structures available namely:
  - 3.1 Final salary with a 1/60<sup>th</sup> accrual rate
  - 3.2 Final salary with a 1/70<sup>th</sup> accrual rate.
  - 3.3 Career average earnings with a 1/60<sup>th</sup> accrual rate.
4. 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.
5. Cadarn has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for active members and new entrants.
6. The Trustee commissions an actuarial valuation of the scheme every 3 years. The main purpose of the valuation is to determine the financial position of the scheme in order to determine the level of the future contributions required, in respect of each benefit structure, so that the scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate.
7. 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 the members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pensions benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.
8. During the accounting period Cadarn paid contributions at the rate of 14.1%. Member contributions varied between 6.4% and 8.4% depending on their age.
9. As at the balance sheet date there were 24 active members of the scheme employed by Cadarn. Cadarn continues to offer membership of the scheme to its employees.
10. It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS 17 represents the employer contribution payable.
11. The last formal valuation of the scheme was performed as at 30 September 2005 by a professional qualified actuary using the Projected Unit Method. The Market value of the scheme's assets at the valuation date was £1,278 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £283 million, equivalent to a past service funding level of 82%.
12. The Scheme actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the scheme as at 30<sup>th</sup> September 2007. Such a report is required by legislation for years in which full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the scheme to £1,760 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £209 million, equivalent to past service funding level of 89%. Annual funding updates of the SHPS Scheme are carried out using approximate actuarial techniques rather than member by member calculations and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

**THE CADARN HOUSING GROUP LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31<sup>st</sup> MARCH 2008**

13. Since the contribution rates payable to the scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30<sup>th</sup> September 2005.

14. The financial assumptions underlying the valuation as at 30<sup>th</sup> September 2005 were as follows;

	% pa
• Investment in return pre retirement	7.2
• Investment return post retirement	4.8
• Rate of salary increases to 30 September 2010	5.0
• Rate of salary increases from 1 October 2010	4.0
• Rate of pension increases	2.5
• Rate of price inflation	2.5

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

	Males	Females
	Assumed life expectancy in years at age 65	Assumed life expectancy in years at age 65
Non-pensioners	20.4	23.3
Pensioners	19.4	22.4

16. The long-term joint contribution rates require from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60 <sup>th</sup> accrual rate	17.6
Final salary with a 1/70 <sup>th</sup> accrual rate	15.3
Career average revalued earnings with a 1/60 <sup>th</sup> accrual rate	14.1

17. The long-term joint contribution rates required from employers and members where contributions are set their on an age related basis are:

Age	Under 30	30 – 40	Over 40
	Long-term joint contribution rate (%of pensionable salaries)		
Benefit Structure			
Final salary with a 1/60 <sup>th</sup> accrual rate	16.1	17.1	18.1
Final salary with a 1/70 <sup>th</sup> accrual rate	13.8	14.8	15.8
Career average revalued earnings With a 1/60 <sup>th</sup> accrual rate	12.6	13.6	14.6

18. 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.

19. Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £283 million would be dealt with by the payment of deficit contributions of 4.4% of pensionable salaries with effect from 1 April 2007. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

**THE CADARN HOUSING GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31<sup>st</sup> MARCH 2008**

20. With effect from 1 April 2007 the employer and employee contribution rates for Cadarn will be 14.17% and 6.4% to 8.4% of pensionable salaries respectively.
21. If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit by 30 September 2020.
22. A copy of the recovery plan setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the pensions regulator. The Regulator has the power under part 3 of the Pensions Act 2004 to issue the scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The regulator has reviewed the recovery plan for the SHPS Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.
23. The next full actuarial valuation will be carried out as at 30 September 2008.
24. 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.
25. 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.
26. The leaving employer's share of the buy-out debt is the proportion of the schemes 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.
27. Cadarn has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the scheme as at 31<sup>st</sup> March 2007. As of this date the estimated employer debt for the Group was £3,654,000 and for the Association £2,196,000.
28. The total pension costs for the Group were £163,000 (£137,000) and for the Association £99,000 (2007 £71,000).