

THE CADARN HOUSING GROUP LIMITED

Annual Report
and Financial Statements

For the Year Ended 31st March 2007



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

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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 31st MARCH 2007

The Board presents its report and the audited financial statements for The Cadarn Housing Group Limited (the Group) for the year ended 31st March 2007.

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 31st March 2007 for the Group are set out in the Consolidated Balance Sheet on page 8. The Surplus for the Year on Ordinary Activities is £433,000 before transfers from Restricted & Designated Reserves of £776,000 leaving a Surplus for the Year of £1,209,000.

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 £6,473,000, its Total Reserves of £8,737,000, and the corresponding Short Term Investments and Cash balance of £1,680,000 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 31st MARCH 2007

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 31st March 2007. 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 31ST MARCH 2007

Members of the Board

Persons who served on the Board during the year were:

Mr P. Budd* (Chair)	Ms S. Basham-Pyke *
Mr M. Cuddy * (nominee of Newydd from 18/10/2006)	Mr R. Koehli * (co opted from 18/10/2006)
Mr. W. Griffiths*	Mr R Mathias* (co opted (from 18/10/2006)
Mr R. Page*	Ms G. Lancaster* (from 18/10/2006, nominee of Newydd)
Mr L. Watkins* (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 20th September 2006. A resolution to reappoint Bevan & Buckland as auditors to the Group will be proposed at the Annual General Meeting.

Signed:



Peter Budd, Chair

Dated: 8th August 2007

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: 8th August 2007

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 2007 on pages 6 to 30. These financial statements have been prepared under the historical cost convention and accounting policies set out on pages 12 to 14.

This report is made solely to the Association's members, as a body, in accordance with the Industrial and Provident Societies Act 1965. 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 BOARD OF MANAGEMENT AND AUDITORS

As described on pages 1 and 2 the Association's Board of Management are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the International Standards of 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 1978, the Housing Act 1996 and the Accounting Requirements for Social Landlords registered in Wales General Determination 2000. We also report to you if, in our opinion, the Report of the Board of Management is consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding members' remuneration and transactions between the Board of Management and the Association is not disclosed.

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

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the International Accounting & Assurance Standards 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 of Management in the preparation of the financial statements, and an assessment of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

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

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31st March 2007 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 1978, the Housing Act 1996 and the Accounting Requirements for Social Landlords registered in Wales General Determination 2000.
- the information given in the Report of the Board of Management is consistent with the financial statements.

Bevan & Buckland

RUSSELL HOUSE
31 RUSSELL STREET
SWANSEA

BEVAN & BUCKLAND
CHARTERED ACCOUNTANTS
AND REGISTERED AUDITORS

Dated: 8th August 2007

THE CADARN HOUSING GROUP LIMITED

**CONSOLIDATED INCOME & EXPENDITURE ACCOUNT
YEAR ENDED 31st MARCH 2007**

	Notes	2007 £'000	2006 £'000
Turnover	2	8,391	6,726
Operating Costs	2	(6,418)	(5,028)
Operating Surplus	2	1,973	1,698
Surplus on Sale of Housing Accommodation		85	42
Interest Receivable and Similar Income		29	50
Interest Payable and Similar Charges	6	(1,654)	(1,331)
Surplus for the Year on Ordinary Activities		433	459
Exceptional Items	7	-	2,595
Surplus for the Year After Exceptional Items		433	3,054
Transfers from Restricted & Designated Reserves		776	154
		1,209	3,208
Revenue Reserves Brought Forward		5,264	2,056
Revenue Reserves Carried Forward		6,473	5,264

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 2007

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 2007**

	Notes	2007 £'000	2006 £'000
Turnover	2	1,414	1,364
Operating Costs		(1,373)	(1,341)
Operating Surplus	2	41	23
Surplus on Sale of Housing Accommodation		51	-
Interest Receivable and Similar Income		2	2
Interest Payable and Similar Charges	6	(2)	(3)
Surplus for the Year on Ordinary Activities		92	22
Revenue Reserves Brought Forward		555	533
Revenue Reserves Carried Forward		647	555

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 2007

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 2007**

	Notes	2007 £'000	2006 £'000
Tangible Fixed Assets			
Housing Properties at Cost less Depreciation	10	104,142	98,023
Less: Social Housing and Other Grants	10	(69,039)	(67,681)
		35,103	30,342
Fixed Asset Investment			
Gross Cost	11	1,509	1,614
Less: Social Housing Grant	11	(585)	(642)
		36,027	31,314
Other Fixed Assets	12	1,695	1,818
Total Fixed Assets		37,722	33,132
Current Assets			
Stock and Work in Progress		44	3
Debtors	14	478	545
Short Term Investments		125	861
Cash at Bank and in Hand		1,555	913
		2,202	2,322
Creditors: Amounts Falling Due Within One Year	15	(2,615)	(3,292)
Net Current (Liabilities) / Assets		(413)	(970)
Total Assets Less Current Liabilities		37,309	32,162
Creditors: Amounts Falling Due After More Than One Year	16	(28,572)	(23,858)
		8,737	8,304
Capital and Reserves			
General Reserves		6,473	5,264
Restricted Reserves	18	-	466
Designated Reserves	19	2,264	2,574
		8,737	8,304

These financial statements were approved by the Board on 8th August 2007 and signed on its behalf
by:



Chair



Board Member



Secretary

THE CADARN HOUSING GROUP LIMITED

**ASSOCIATION BALANCE SHEET
AS AT 31st MARCH 2007**

	Notes	2007 £'000	2006 £'000
Tangible Fixed Assets			
Other Fixed Assets	12	1,480	1,569
Total Fixed Assets		1,480	1,569
Current Assets			
Stock and Work in Progress		44	3
Debtors	14	120	137
Cash at Bank and in Hand		85	61
		249	201
Creditors: Amounts Falling Due Within One Year	15	(851)	(954)
Net Current (Liabilities)		(602)	(753)
Total Assets Less Current Liabilities		878	816
Creditors: Amounts Falling Due After More Than One Year	16	(231)	(261)
		647	555
Capital and Reserves			
General Reserves		647	555

These financial statements were approved by the Board on 8th August 2007 and signed on its behalf by:



Chair



Board Member



Secretary

THE CADARN HOUSING GROUP LIMITED

**CONSOLIDATED CASHFLOW STATEMENT
YEAR ENDED 31st MARCH 2007**

	Notes	2007 £'000	2006 £'000
Net Cash Inflow from Operating Activities	a	2,368	2,440
Returns on Investment and Servicing of Finance			
Interest Received		29	50
Interest Paid		(1,656)	(1,334)
		(1,627)	(1,284)
Capital Expenditure			
Purchase of Housing Properties		(6,174)	(8,283)
Purchase of Other Fixed Assets		(194)	(320)
Sale of Fixed assets		204	170
Social Housing and Other Grants Received		568	2,620
Social Housing and Other Grants Repaid			(37)
		(5,596)	(5,850)
Management of Liquid Resources			
Cash withdrawn from / (invested in) short term deposits		736	(840)
Financing			
Loans Received		5,010	5,605
Housing Loans Repaid		(219)	(286)
Non-Housing Loans Repaid		(30)	(29)
		4,761	5,290
Increase/(Decrease) in Cash at Bank and in Hand		642	(244)

THE CADARN HOUSING GROUP LIMITED

**NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT
YEAR ENDED 31st MARCH 2007**

	2007 £'000	2006 £'000		
Reconciliation of Operating Surplus to Net Cash Inflow from				
(a) Operating Activities				
Operating Surplus	1,973	1,698		
Depreciation of Tangible Fixed Assets	384	324		
	2,357	2,022		
Working Capital Movements				
(Increase)/Decrease in Stock and Work in Progress	(41)	3		
Decrease / (Increase) / Decrease in Debtors	7	(197)		
(Decrease) / increase in Creditors	(15)	440		
Increase in Provisions	60	172		
Net Cash Inflow from Operating Activities	2,368	2,440		
(b) Reconciliation of Net Cash Inflow to Movement in Net Debt				
	2007 £'000	2006 £'000		
Increase / (decrease) in Cash	642	(244)		
Cash (withdrawn from) / invested in short term deposits	(736)	840		
(Increase) in Loans and Lease Finance	(4,761)	(5,290)		
Increase in Net Debt	(4,855)	(4,694)		
Net Debt at 1st April	(22,450)	(17,756)		
Net Debt at 31st March	(27,305)	(22,450)		
(c) Analysis of Net Debt				
	Cash at Bank and In Hand £'000	Loans £'000	Short Term Investments £'000	Changes in Net Debt £'000
At 1st April 2006	913	(24,224)	861	(22,450)
Net Cash Flows	642	(4,761)	(736)	(4,855)
As at 31st March 2007	1,555	(28,985)	125	(27,305)

THE CADARN HOUSING GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2007****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 2007****(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
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.

Previously software development costs were all depreciated at 33% on cost. The Group considers that the new rates of 25% and 33% on cost are more appropriate for the useful lives of this type of asset. The change in policy has resulted in a reduction in the depreciation charge for the year of £2,000

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 2006. The Board concluded that there was no impairment to value.

THE CADARN HOUSING GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2007****(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) Recycling Capital Grant & Disposal Proceeds Fund and the Voluntary Purchase & Recycling Grants Restricted Reserve

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 with effect from 1st April 2001. 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 2007**

2 Turnover, Operating Costs and Operating Surplus

Group	Year Ended 31st March 2007			Year Ended 31st March 2006		
	Turnover £'000	Operating Costs £'000	Operating Surplus £'000	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Income and Expenditure From Lettings						
General Needs Housing	7,155	(5,703)	1,452	6,199	(4,526)	1,673
Supported Housing	64	(33)	31	56	(35)	21
	7,219	(5,736)	1,483	6,255	(4,561)	1,694
Shared Ownership Accommodation	50	(8)	42	47	(10)	37
	7,269	(5,744)	1,525	6,302	(4,571)	1,731
Other Income and Expenditure						
Revenue Grants	619	-	619			
Development Administration	-	(77)	(77)	-	(30)	(30)
Care and Repair	344	(318)	26	259	(249)	10
Contribution to Care and Repair	-	(71)	(71)	-	(35)	(35)
External Services	162	(211)	(49)	165	(143)	22
	8,394	(6,421)	1,973	6,726	(5,028)	1,698

THE CADARN HOUSING GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2007**

2 Turnover, Operating Costs and Operating Surplus

Association	Year Ended 31st March 2007			Year Ended 31st March 2006		
	Turnover £'000	Operating Costs £'000	Operating Surplus / (Deficit) £'000	Turnover £'000	Operating Costs £'000	Operating Surplus / (Deficit) £'000
Other Income and Expenditure						
External Services	194	(192)	2	280	(227)	53
Management Services to Newydd Housing Association (1974) Ltd	1,220	(1,181)	39	1,084	(1,114)	(30)
	1,414	(1,373)	41	1,364	(1,341)	23

THE CADARN HOUSING GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2007**

3 Turnover From Lettings

	Group	
	2007 £'000	2006 £'000
Rents	6,645	5,690
Service Charges	660	654
Less: Rent Losses from Voids	(36)	(42)
	<hr/> 7,269 <hr/>	<hr/> 6,302 <hr/>

4 Operating Costs from Lettings

	Group	
	2007 £'000	2006 £'000
Fully Rented Housing Accommodation		
Services	779	685
Management	1,180	1,219
Day to Day Maintenance	1,460	1,459
Major Repairs	1,839	855
Depreciation	173	131
Low Cost Home Ownership Accommodation		
Management	7	6
Major repairs	-	3
Depreciation	1	1
	<hr/> 5,439 <hr/>	<hr/> 4,359 <hr/>
Rent Loss from Bad Debts	90	47
Other Costs	215	165
	<hr/> 5,744 <hr/>	<hr/> 4,571 <hr/>

5 Operating (Deficit) / Surplus for the Year

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
The Operating Surplus is Stated After Charging:				
Operating Lease rentals	24	23	3	24
Depreciation	384	324	158	151
Auditor's Remuneration including VAT of £2,000 (2006 £2,000)				
- In Their Capacity as Auditors	15	14	4	4
	<hr/> 423 <hr/>	<hr/> 361 <hr/>	<hr/> 165 <hr/>	<hr/> 179 <hr/>

THE CADARN HOUSING GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2007**

6 Interest Payable and Similar Charges

	Group		Association	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
On Loans Repayable in Instalments Wholly or Partly in More Than 5 Years	1,654	1,331	2	3
	1,654	1,331	2	3

7 Exceptional Items

On 31st January 2006 the Group acquired the assets, liabilities and operations of Newtown Housing Association Limited.

	2007	2006
	£'000	£'000
Reserves of Newtown Housing Association at acquisition	-	134
Surplus on revaluation of properties at date of acquisition	-	2,512
Less legal and professional fees relating to the acquisition	-	(51)
	-	2,595

8 Board Members and Senior Executives Emoluments

	2007	2006
	£'000	£'000
The remuneration paid to Senior Executives was:		
Emoluments (including pension contributions and benefits in kind)	200	168
Emoluments (excluding pension contributions) paid to the Highest Paid Senior Executive	71	67

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

	2007	2006
	No.	No.
£0	8	7
£45,001 - £50,000	-	1
£50,001 - £55,000	1	1
£55,001 - £60,000	1	-
£65,001 - £70,000	-	1
£70,001 - £75,000	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 (1006 - £2,000). 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 2007**

8 Employee Information

	Group		Association	
	2007 No.	2006 No.	2007 No.	2006 No.
The average weekly number of persons employed during the year was:				
Office Staff	64	58	25	23
Wardens, Caretakers and Cleaners	6	7	-	-
	70	65	25	23

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Staff Costs for the above persons:				
Wages and Salaries	1,536	1,392	742	656
Redundancy Costs		-		-
National Insurance Contributions	120	108	63	55
Other Pension Costs	137	128	71	61
	1,793	1,628	876	772

9 Housing Stock

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

	Group	
	2007 No.	2006 No.
Housing Accommodation for Letting:		
General Needs	1,996	1,951
Homeless leasing	35	29
Sheltered Accommodation for the Elderly	192	192
Supported Housing (Bedspaces)	51	45
	2,274	2,217
Low Cost Home Ownership:		
Shared Ownership (Leased)	32	29
Homebuy	95	97
	127	126
Other Units:		
Right to Buy (Leasehold)	120	120
Community Office	1	1
Garages	44	44
Other		
	165	165
Total Number of Units	2,566	2,508

THE CADARN HOUSING GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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10 Tangible Fixed Assets - Housing Properties

	Housing Properties Held for Letting Completed £'000	Under Construction £'000	Low Cost Home Ownership Properties Completed £'000	Total £'000
Cost				
At Beginning of Year	96,120	2,716	298	99,134
Schemes completed in the year	4,845	(4,845)	-	-
Disposals	-	-	(20)	(20)
Additions	2,006	4,307	-	6,313
At End of Year	<u>102,971</u>	<u>2,178</u>	<u>278</u>	<u>105,427</u>
Depreciation				
At Beginning of Year	1,100	-	11	1,111
Disposals	-	-	-	-
Charge for Year	172	-	2	174
At End of Year	<u>1,272</u>	<u>-</u>	<u>13</u>	<u>1,285</u>
Net Book Value At End of Year	<u>101,699</u>	<u>2,178</u>	<u>265</u>	<u>104,142</u>
At Beginning of Year	<u>95,020</u>	<u>2716</u>	<u>287</u>	<u>98,023</u>
			2007 £'000	2006 £'000
Housing Properties Comprise:			97,477	91,358
Freeholds			6,665	6,665
Long Leaseholds			104,142	98,023

The cost of Housing Property additions during the year includes £156,000 (2006 - £129,000) in respect of the Group's capitalisation of Development and Administration costs.

The change in the rates of depreciation described in note 1 has resulted in a reduction in the charge for 2006-07 of £2,000

	Housing Properties Held for Letting Completed £'000	Under £'000	Low Cost Home Ownership Properties Completed £'000	Total £'000
Social Housing and Other Grants				
At Beginning of Year	66,143	1,462	76	67,681
Schemes completed in the year	2,185	(2,185)	-	-
Disposals	-	-	(1)	(1)
Additions	4	1,355	-	1,359
At End of Year	<u>68,332</u>	<u>632</u>	<u>75</u>	<u>69,039</u>
			2007 £'000	2006 £'000
The total accumulated Social Housing Grant at 31st March was:			48,086	46,724
Capital Grants			2,176	1,447
Revenue Grants			50,262	48,171

The increase in Revenue Grant consists of £619,000 for major repairs to properties at Newtown and disabled adaptation grants of £110,000.

THE CADARN HOUSING GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2007**

11 Fixed Asset Investments

	Grant funded £'000	Non grant funded £'000	Total 2007 £'000	2006 £'000
Cost				
At Beginning of Year	642	972	1,614	878
Additions			-	513
Disposals	(57)	(48)	(105)	(21)
Association	-	-	-	244
At End of Year	585	924	1,509	1,614

Fixed asset investments represent a 30% long term loan provided to individuals purchasing properties under the "Homebuy Initiative". Where properties funded by Social Housing Grant are disposed of the grant is recycled to fund new Social Housing or repaid to the Welsh Assembly Government.

12 Tangible Fixed Assets - Other

Group	Freehold Office Premises £'000	Leasehold Office Premises £'000	Furniture Equipment & Motor Vehicles £'000	Computer Equipment £'000	Computer Software Development £'000	Service Assets £'000	Total £'000
Cost							
At Beginning of Year	1,515	129	340	201	267	255	2,707
Disposals	(126)						(126)
Additions	-	6	34	48	89	18	195
At End of Year	1,389	135	374	249	356	273	2,776
Depreciation							
At Beginning of Year	245	23	204	134	154	129	889
Disposals	(18)	-	-	-	-	-	(18)
Charge for the Year	38	13	32	33	59	35	210
At End of Year	265	36	236	167	213	164	1,081
Net Book Value At End of Year	1,124	99	138	82	143	109	1,695
At Beginning of Year	1,270	106	136	67	113	126	1,818

THE CADARN HOUSING GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2007**

12 Tangible Fixed Assets - Other

Association	Freehold Office Premises £'000	Leasehold Office Premises £'000	Furniture Equipment & Motor Vehicles £'000	Computer Equipment £'000	Computer Software Development £'000	Total £'000
Cost						
At Beginning of Year	1,399	129	315	201	267	2,311
Disposals	(126)	-	-	-	-	(126)
Additions	-	6	34	48	89	177
At End of Year	<u>1,273</u>	<u>135</u>	<u>349</u>	<u>249</u>	<u>356</u>	<u>2,362</u>
Depreciation						
At Beginning of Year	242	23	190	134	153	742
Disposals	(18)	-	-	-	-	(18)
Charge for the Year	26	13	27	33	59	158
At End of Year	<u>250</u>	<u>36</u>	<u>217</u>	<u>167</u>	<u>212</u>	<u>882</u>
Net Book Value						
At End of Year	<u>1,023</u>	<u>99</u>	<u>132</u>	<u>82</u>	<u>144</u>	<u>1,480</u>
At Beginning of Year	<u>1,157</u>	<u>106</u>	<u>126</u>	<u>67</u>	<u>113</u>	<u>1,569</u>

13 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 2007**

14 Debtors

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Arrears of Rent and Service Charge	695	636	-	-
Less: Provision for bad and doubtful debts	(383)	(323)	-	-
	312	313	-	-
Other Debtors	166	232	120	137
	478	545	120	137

15 Creditors: Amounts Falling Due Within One Year

	Group		Association	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Prepayment of Rent and Service Charge	204	203	-	-
Loan Principal	413	366	25	25
Loan Interest	53	55	-	-
Social Housing Grants and Other Grants Received in Advance	345	1,136	-	-
Recycling of Capital Grant and Disposals Proceeds Fund	520	569	-	-
Other Capital Creditors	90	75	2	-
Amount Due to Newydd Housing Association (1974) Ltd	-	-	702	815
Other Creditors	990	888	122	114
	2,615	3,292	851	954

THE CADARN HOUSING GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2007**

16 Creditors: Amounts Falling Due After More Than One Year

	Group		Association	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Housing Loans	28,341	23,597	-	-
Non-Housing Loans	231	261	231	261
	28,572	23,858	231	261

Housing Loans

Housing loans are secured by fixed charges on the Group's housing properties. The interest rates are fixed at between 6.05% 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:

	Group	
	2007	2006
	£'000	£'000
In five years or more	26,214	22,037
Between two and five years	1,715	1,200
Between one and two years	412	360
	28,341	23,597
In one year or less	388	341
	28,729	23,938

Non-Housing Loans

The Non-Housing loan is secured on the Freehold land and office premises at 121 Broad Street, Barry, 248 Holton Road, Barry and Trem-y-Cwm, Masefield Way, Rhydfelin, Pontypridd. The interest rate varies with the market rate and the loan is repayable in 2013.

The loan is repayable as follows:

	Group		Association	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
In five years or more	113	146	113	146
Between two and five years	91	89	91	89
Between one and two years	27	26	27	26
	231	261	231	261
In one year or less	25	25	25	25
	256	286	256	286

Subsequent to the year end the above loan of £256,000 was repaid in full

THE CADARN HOUSING GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2007**

17 Share Capital

	2007	2006
	£	£
Shares of £1 each fully paid and issued:		
At Beginning of Year	44	47
Issued during the Year	2	-
Cancelled during the Year	(2)	(3)
At End of Year	44	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.

18 Restricted Reserves

Group	Rent Surplus Fund	Total Restricted Reserves 2007	Total Restricted Reserves 2006
	£'000	-	-
At Beginning of Year	466	466	455
Transfer to Reserves	-	-	11
Transfer to Major Repairs Designated reserves	(466)	(466)	-
At End of Year	-	-	466

19 Designated Reserves

Group	Major Repairs - Mixed Funded Schemes	Major Repairs - Glyntaff Estate	Replacement of Furniture	Total Designated Reserves 2007	Total Designated Reserves 2006
	£'000	£'000	£'000	£'000	£'000
At Beginning of Year	991	1,320	263	2,574	2,739
Transfer to Reserves	697	-	-	697	693
Transfer from Reserves	(1,210)	(263)	-	(1,473)	(858)
Transfer from Rent Surplus Fund	466	-	-	466	-
At End of Year	944	1,057	263	2,264	2,574

THE CADARN HOUSING GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2007**

20 Financial Commitments

	Group		Association	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Capital Expenditure				
Contracted less Certified	488	2,132	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Authorised by the Board but not Contracted	2,852	546	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Operating Leases

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

	Group		Association	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Motor Vehicle and Office Equipment expiring:				
Within one year	2	8	2	8
Between two and five years	31	15	31	15
	<hr/>	<hr/>	<hr/>	<hr/>
	33	23	33	23
	<hr/>	<hr/>	<hr/>	<hr/>

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 2007 there were no contingent liabilities.

23 Related Party Transactions

During the year the Association sold property to its subsidiary, Newydd Housing Association (1974) Limited. The transaction was 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 2007

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 2007 there are three benefit structures available namely:
 - 3.1 Final salary with a 1/60th accrual rate
 - 3.2 Final salary with a 1/70th accrual rate.
 - 3.3 Career average earnings with a 1/60th 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 1/60th 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 11.7%. Member contributions varied between 3.1% and 6.1% depending on their age. For the accounting period 2007/08 member contributions will vary between 6.4% and 8.4% depending on age.
9. As at the balance sheet date there were 25 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%.

THE CADARN HOUSING GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2007**

12. The Scheme actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the scheme as at 30th September 2006. 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 £1,515 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £235 million, equivalent to past service funding level of 87%. 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.
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 30th September 2005.
14. The financial assumptions underlying the valuation as at 30th 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 th accrual rate	17.6
Final salary with a 1/70 th accrual rate	15.3
Career average revalued earnings with a 1/60 th accrual rate	14.1

17. 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.
18. 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 31st MARCH 2007**

19. 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.
20. 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.
21. 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.
22. The next full actuarial valuation will be carried out as at 30 September 2008. An actuarial Report will be prepared as at 30th September 2007 in line with statutory regulations.
23. Following a change in legislation in September 2005 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.
24. 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.
25. 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.
26. Cadarn has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme as at 30 September 2005. As of this date the estimated employer debt for the Group was £4,083,000 and for the Association £2,258,000.
27. The total pension costs for Group were £137,000 (2006 £128,000) and for the Association £71,000 (2006 £61,000)