



united  
welsh



# annual report & financial statements

for the year ended 31 March 2008





Jocelyn Davies AM and Peter Laing (Chair) at the opening of the Forgeside Regeneration Project

## United Welsh

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CUSTOMER SERVICE EXCELLENCE



INVESTOR IN PEOPLE  
BUDDSODDWR MEWN POBL

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# Foreword

## from the Chair and Chief Executive

This year's Report paints a very positive picture. Positive in terms of performance, customer service, and in response to the various challenges we set ourselves. It has been a year that has continued to build on our reputation as a top performing housing association.

Last year we produced two distinct reports. One designed primarily to cater for the needs of our business contacts and a second summary report focusing on the issues of most interest to our tenants. This targeted approach was well received so we have followed a similar format again this year.

Much of our success can be attributed to a sustained focus on customers. We are committed to delivering services that place customers firmly at the centre of everything we do. It is a simple approach that is contributing to the achievement of our business objectives.

This year has again provided many notable achievements. The Annual Report will provide an insight into some of these achievements, particularly our ability as an organisation to deliver. Unfortunately we can't mention everything, however all our achievements are equally worthy of recognition.

Our focus continues to be on developing new homes, attracting and retaining tenants, and optimising our performance and use of resources. Specific work has been done on helping communities to prosper. This approach is adding significant value to the work of the organisation.

We are committed to the development of the whole community not just the houses.

Caring for the environment has been added to our underlying values. It features heavily on the agenda of everything we do. All new developments concentrate on sustainability and United Welsh has been recognised for a number of top environmental awards.

Integrate continues to be highly successful and present a range of new opportunities. The consortium has again been awarded a significant proportion of the available Social Housing Grant for 2008/09.

We are also committed to upholding the principles of equality & diversity in employment and in the provision of services. We recognise that black and minority ethnic issues affect all areas of our work.

It has been another encouraging year and we would like to take this opportunity to thank all the employees of United Welsh for their continued hard work and commitment. We are lucky to have such dedicated staff and their valuable contributions make United Welsh such a forward looking organisation.

We are also grateful for the strong support provided by the Board who give up their time to help direct the affairs of the organisation. United Welsh has a clear strategic direction as a result of this support.



Peter Laing, Chair

This year we must bid farewell to two Board Members who retired during the year. Wendy Bourton and Peter Fitzgerald.

Wendy Bourton joined the Board in 1995 and was a previous Chair. Peter Fitzgerald joined the Board in 1994 for three years, then rejoined in 2000. We are grateful for all their valuable help and support.

We would also like to pay tribute to John Skipper who died suddenly in November 2007. John had been a Board Member at United Welsh since its independence in 1989 until he retired from the Board at the our most recent AGM. He was a member of United Welsh's Audit Committee and also a former Chair of the Remuneration Committee. Following his retirement, the Board offered John the honorary position of Vice President in recognition of the service he had provided, both as a Board Member and Treasurer. His was thrilled to accept this position and was very keen to keep in touch with United Welsh and its staff, for whom he had a great affection.



Anthony Whittaker, Chief Executive

He will be sadly missed and the thoughts of the organisation are with his friends and family.

There is more to do of course, but we are clearly heading in the right direction. United Welsh is well positioned to deliver high quality housing services that benefit the whole community and things look very positive for the future.

Peter Laing  
Chair

Anthony Whittaker  
Chief Executive

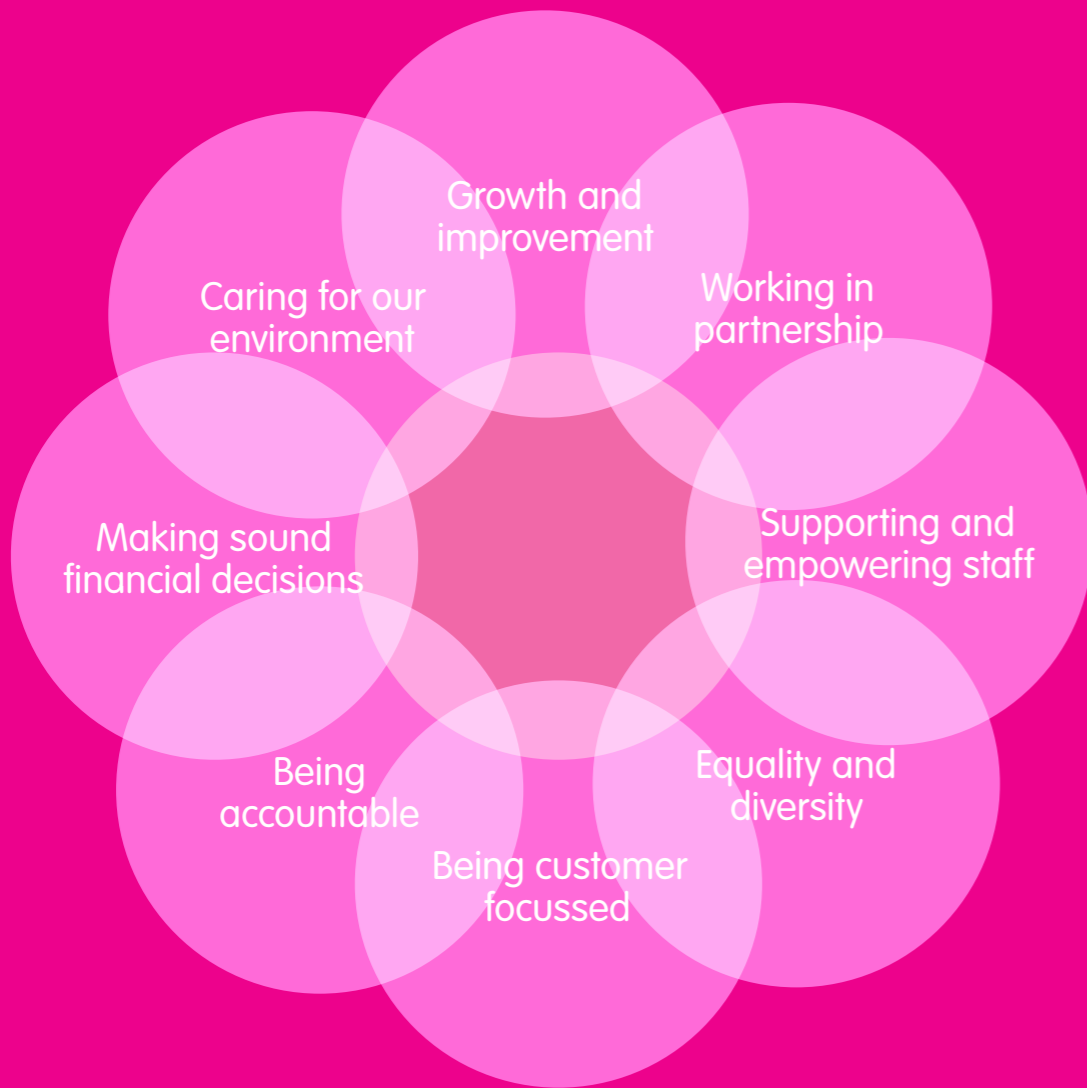
**Vision**  
...to be the organisation of first choice

# Overview

We are pleased to report further progress towards realising our three aims of:

- Developing new homes and services
- People choosing to become our tenants and then staying with us
- Optimising our performance and use of resources

We believe that these aims and our underlying values...



...reflect the aims and values of many of our stakeholders and partner organisations. We aim to help improve the quality of people's lives by working at different levels: health and **well-being** of individuals, helping communities to **prosper** and by caring for our **environment**; all this while using our limited resources in the most efficient and effective way.

## Well-being

A fundamental factor of well-being is the knowledge that you have a good quality, secure home that meets your family's needs. During the year we provided new homes for over 70 families – through renting or by helping them to buy their own home. They included 41 general needs homes for families in Penrhos, Caerphilly, Trem Clychau'r Gog and Llanbradach. 19 homes for people requiring additional support in Bridgend, Tredegar, Cwmcelyn and Ystrad Mynach. And 8 families provided with assistance to buy their own home.

The help available to buy homes was extended towards the end of the year when "Homes within Reach", a new scheme enabling people all over Wales to access new homes for sale, was launched. 'Homes within Reach' will act as an affordable housing portal through which a range of organisations can meet their individual objectives. The scheme will enable housing associations, local authorities, and developers to deliver a seamless service from the customers' perspective. Yet at the same time be sensitive to the specific requirements of varying allocation procedures and waiting lists.

**homeswithinreach**  
Your search for a new home starts here

We are active members of the Integrate consortium which was allocated a total of £15.2m of Social Housing Grant during 2007/08, 20% of the total available. Integrate demonstrated its effectiveness by achieving a grant take up of £24m during 2007/08. Through Integrate United Welsh is provided with valuable opportunities to work in partnership with other housing associations, local authorities and the private sector.

As part of our commitment to supporting local care initiatives we worked with Caerphilly County Borough Council to build a state-of-the-art resource centre in Wylie near Blackwood. The centre will provide a base from which people with learning disabilities can access community-based activities. Coed y Cwm has been open for nearly a year now and the building has been designed with the needs of the service user right at the centre; for example the 'boomerang' shape of the building gives a curved corridor area that reduces 90 degree or 'blind' corners.





Coed y Cwm Resource Centre



On the personal fitness front, some of our tenants tasted at first hand an Extend training session – exercises that can be carried out sitting down. This enables people who are not fully mobile to retain personal fitness levels – as well as enjoying each other's company. This session was run by Age Concern as part of our successful tenant event "Everything you wanted to know about..." in July 2007. Similar sessions are run on a regular basis at most of our Living+ schemes.

Well-being is also founded on a sense of independence, whether that be through being able to get around or being able to communicate without recourse to intermediaries.



'Housing with Care' scheme, Caerphilly

We are delighted to have received funding approval from the Welsh Assembly Government for a new 'Housing with Care' scheme in Caerphilly. The project will provide new affordable homes specifically built for people over 60yrs. The multi million pound development will offer a range of one and two bedroom apartments, a restaurant, a small shop, a coffee / tea bar, a health and beauty salon and a range of other communal spaces and activity rooms. Residents will also benefit from specialist support and care on site along with state of the art telecare and security systems.



Extend training with Age Concern

"Everything you wanted to know about..." also featured displays by our major suppliers and surgery sessions with experienced staff. The 2007 Annual General Meetings of both United Welsh itself and v4t, our tenants forum, were held as part of the event. This forms part of our work to involve customers in what we do, so that they feel their views are taken into account.

In supported housing our work in devising a Tenants Compact was awarded 1st prize by TPAS in the Effective Engagement of Hard to Reach Groups category. The Compacts were developed through extensive consultation with tenants, licensees and their support providers to ensure that they get the opportunity of involvement at an appropriate level that has been agreed with them.



Communicating effectively using plain language and symbols



Cancer Research - 'Race for Life'



The 'Focus' newsletter wins first prize at TPAS awards

Some of our customers experience difficulties with reading text. We have this year devised a communication system using a combination of plain language and symbols so that we can communicate effectively with them and they with us.

'Focus' our newsletter for supported housing tenants was awarded 1st prize by TPAS in the Val Feld Wales Communication in Housing (Landlord) category. The newsletter is produced by and for tenants living in supported housing and is available in text, audio CD or cassette.

On a broader front our staff conference this year was themed around the customer experience. We want to make sure that customers are receiving the kind of service they want in the right way and feel good about the way we interact with them.

Our Presidential Award winner this year was Malcolm Marshall. This award is for staff who display commitment above and beyond the norm. Malcolm took the trouble

to drive tenants and their carers home after a meeting in Caerphilly when the weather was so poor that public transport was barely running.

Our staff take health and well-being issues very seriously and in their spare time, many took part in fundraising for cancer research by running in the Race for Life.



Coed y Cwm Resource Centre

**Helping communities to prosper**

Quality of life is greatly affected by the kind of community in which people live. So we participate in different kinds of projects to enhance community life.

At Forgeside in Blaenavon our development and planned maintenance teams worked together to refurbish a group of houses and flats. By demolishing some, then building new bungalows that local residents had told us were needed in the area and refurbishing the remaining houses we have been able to lift the whole street, without losing the distinctive character of the neighbourhood.

Our work is not only about providing homes. As part of the Heads of the Valleys initiative we are currently redeveloping a site in the centre of Bargoed to be a new community health centre.

During the year our anti-social behaviour team expanded. We re-focused our anti-social behaviour work under a new initiative 'Firm but fair' which encourages early intervention using non-legal remedies. However we still maintain our 100% success rate in court cases.

**FIRM BUT FAIR**

We hope to help many young people in the future, as well as supporting the local economy, through our JobMatch scheme whereby young people are matched to apprenticeships with our major contractors.



**Caring for our environment**

All this work will, in the long term, be of little value if we do not also help to protect the wider environment. We are 'doing our bit' in many different ways – new build, maintenance of existing homes and in our own offices.

Our newly built homes now incorporate many features as standard such as solar powered domestic hot water heating and high levels of insulation. At the resource centre in Wylie, various design features have been specifically incorporated to produce a carefully tailored development that maximises sustainability. The main rooms within the centre are all south facing so the windows provide plenty of natural sun light as well as stunning views down the Sirhowy valley. For the darker corridors, a series of sun-pipes provide more natural light avoiding the need for artificial lighting. Wind-catchers on the roof are part of a fully controllable natural ventilation system that extracts warm air from the rooms whilst also allowing fresh air to infiltrate. All these features are incorporated within a building built using locally sourced timber.

Our pioneering work on this front was recognised by our fellow professionals when we were delighted to receive the Chartered Institute of Housing Cymru award for 'Increasing environmental sustainability'. The award was presented to Peter Laing, our Chair, at a gala dinner in November 2007.

In keeping our existing homes in a good state of repair we also try wherever possible to design in energy efficiency – boilers and heating systems, new high specification windows, better insulation.

Our contractors contribute by using materials made from recycled goods and also sending any waste for recycling rather than simply sending it to landfill.

We recognise that care for our environment must become a part of all that we do – and that includes our practices in our own office buildings. We have achieved the Green Dragon Award Level 2 and are aiming for Level 3 by the end of 2008. As a result of the initiatives undertaken around the office we have reduced our consumption of water and electricity significantly. There are paper recycling bins on all floors and we are working at reducing our use of paper.



BEFORE

Forgeside Regeneration Project



AFTER



Solar powered hot water heating systems

### Performance

The financial statements which follow this report demonstrate that we have used our resources well. We have kept to our budgets, while making the most of opportunities to invest in projects and homes as described previously. We outline opposite some indicators of performance in operational terms.

The main service provided to existing customers is that we repair their homes. This service was enhanced this year by the introduction of an appointments system. We intend to extend that system over the next year and enhance our communication with customers about their repair visits.

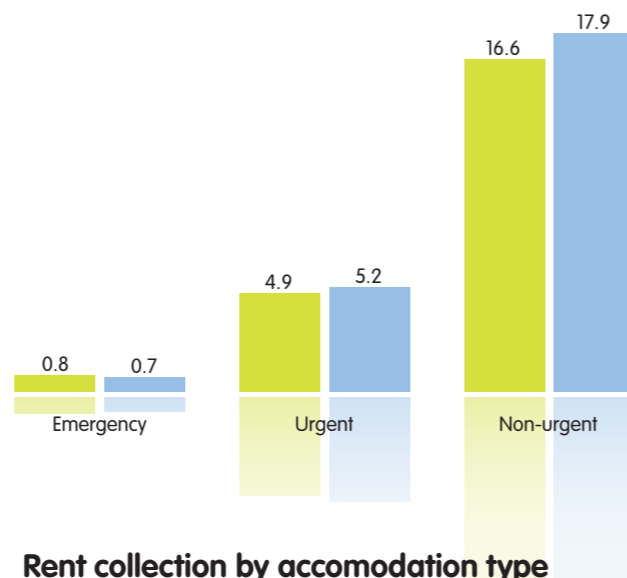
The Welsh Assembly Government indicate that they would expect emergency repairs to take no more than 1 day to be completed; urgent repairs within 7 days and non-urgent repairs within 28 days. So we are well within those performance standards. Our regular monitoring of levels of satisfaction of our customers with the works done remained high at 93% (2007: 96%).

Performance on rent collection has remained strong. Results on losses from empty properties have dipped due to a deliberate policy decision to undertake extensive work on some properties in Cardiff which necessitated housing families elsewhere while work was done, principally in connection with installing or upgrading damp courses in those properties.

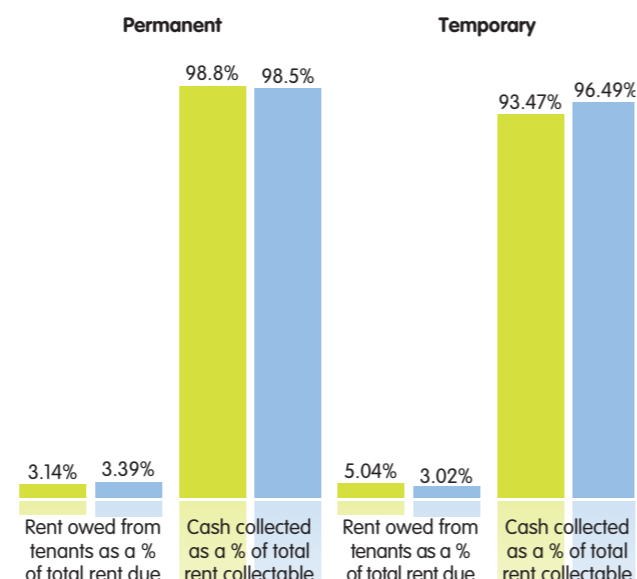
We also received an inspection report during the year carried out by the Wales Audit Office. The report found that United Welsh is providing services that successfully meet the needs of its tenants. The provision of services for people with support needs was singled out for particular praise receiving an 'excellent' rating. This was accompanied by the 'rents' service, also awarded top marks.

### Repairs on all accommodation

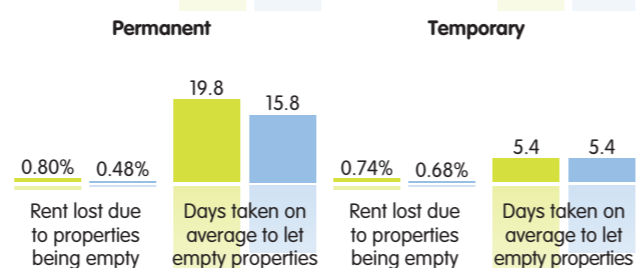
Days taken on average to complete repairs:



### Rent collection by accommodation type

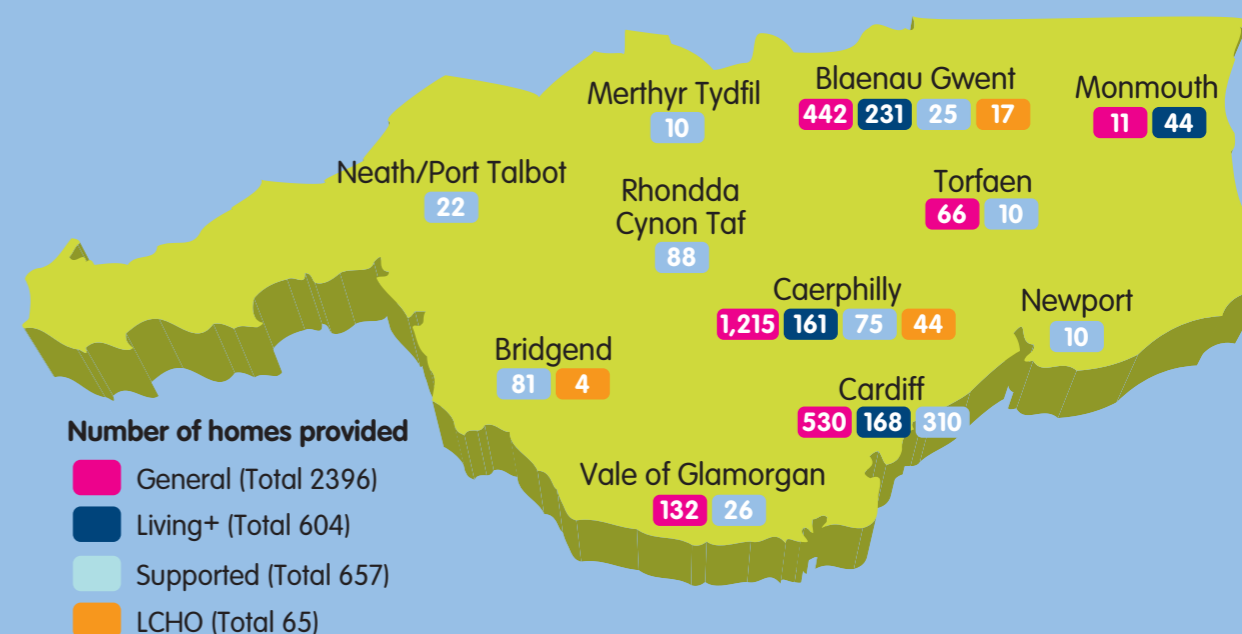


### Managing empty properties by accommodation type



2007/08  
2006/07

## Where we work



**Number of homes provided**

- General (Total 2396)
- Living+ (Total 604)
- Supported (Total 657)
- LCHO (Total 65)



'Homes within Reach' internet café at TAI 2008

### Staff

At 31 March 2008, United Welsh employed a total of 127 people (2007 – 122).

Team	2008		2007	
	Full time	Part time	Full time	Part time
Chief Executive	3	2	3	2
Housing and Community Services	73	18	68	17
Development	9	1	10	1
Finance and Corporate Services	18	3	18	3
<b>Total</b>	<b>103</b>	<b>24</b>	<b>99</b>	<b>23</b>

# Management and advisors

## Board

### **Rt. Hon Lord Raglan – President**

Member since 1989. Former Chairman of United Kingdom Housing Trust (Wales).

### **Peter Laing – Chair**

Member since 2003. Retired Building Society Executive. Local Magistrate.

### **David Davies – Vice Chair**

Member since 1998. Retired solicitor. Local Magistrate.

### **Mark Bugler**

Member since 2004. Chartered Surveyor.

### **Derek Curtis**

Member since 1996. Retired process worker. United Welsh tenant.

### **Roger Dafydd**

Member since 2007. Retired University lecturer. United Welsh tenant.

### **Paddy Doyle**

Member since 2004. Criminal justice consultant.

### **Margaret Jones**

Member since 1996. Retired shop proprietor. United Welsh tenant.

### **Judith Lewis**

Member since 1999. Company Director and Chartered Accountant.

### **Philip Westwood**

Member since 1998. Company Director. Former Chair of United Welsh.

### **Ian Gilbert**

Co-opted member since 2007. Retired Finance Director and Chartered Accountant.

### **Mark Howcroft**

Co-opted member since 2007. Local Authority Housing Finance Manager and CIPFA member.

## Secretary and registered office

### **Secretary – Anthony Whittaker**

Tŷ Cennydd  
Castle Street  
Caerphilly  
CF83 1NZ

## Senior Management Team (Senior Executives)



### **Anthony Whittaker – Chief Executive**

Appointed in 1993. Member of the Chartered Institute of Housing with over 30 years experience of working in local authority and housing associations.



### **Gareth Hexter – Director of Finance and Corporate Services**

Appointed in 1998. Over 25 years experience of the housing association sector.



### **Paula Kennedy – Director of Housing and Community Services**

Appointed in 2000. Fellow of the Chartered Institute of Housing and board member of Tai Pawb.



### **Richard Mann – Director of Development**

Appointed 2005. Member of the Royal Institute of Chartered Surveyors.

United Welsh contributes to a pension scheme for each of the Senior Management Team on the same terms as for all staff. Each is required to give three months notice.

## Auditors

KPMG LLP  
Marlborough House  
Fitzalan Court  
Fitzalan Road  
Cardiff  
CF24 0BE

## Solicitors

Eversheds LLP  
1 Callaghan Square  
Cardiff  
CF10 5BT

## Bankers

Lloyds TSB Bank plc  
Cannons House  
Cannons Way  
Bristol  
BS99 7LB

United Welsh Housing Association Limited is a charitable housing association, registered with the National Assembly for Wales (Registration number J099) and the Registrar of Friendly

Societies under charitable rules (Registration number 26623R).

# Operating and financial review

For the year ended 31 March 2008

## Corporate strategy and performance for the year

The Association has enjoyed a successful year and performance has improved across a number of areas with progress being made in achieving all of the strategic objectives. For the year to 31 March 2008 the Association achieved a surplus of £385,000 (2007 - £721,000) which slightly exceeded the budgeted surplus for the year of £371,000. Turnover increased to £13.2m (2007 - £12.5m) and operating costs in the same period rose to £10.6m (2007 - £9.9m). The Association increased major repair expenditure on properties by 8% in order to meet Welsh Housing Quality Standards by 2012.

## Develop new homes

The Association builds quality homes that people can afford to rent or buy. In the year to 31 March 2008 the Association spent £12.7m on acquisition and development of housing properties and received Social Housing Grant from the Welsh Assembly Government and other grants totalling £6.9m. At the end of the year capital commitments due to new developments amounted to £9.7m which will be funded by a combination of public subsidy and private finance loans.

The Association received £5.86m (2007 – £4.8m) of Social Housing Grant from the Welsh Assembly Government to assist in developing new homes for rent in the year, against an initial allocation of £2.3m. In addition the Association was awarded £520,000 of funding from the Heads of the Valleys Initiative for regeneration projects in Bargoed and Forgeside.

The Association continued to develop new homes for rent and provided 41 new general needs homes and 19 new homes for people requiring additional support during the year.

The Association recognises that many customers would like to become home owners. The Association received £521,000 of Social Housing Grant for Low Cost Home Ownership under the 'Homebuy' initiative and in the year to 31 March 2008 helped 8 families find new homes. The Association also launched a Low Cost Home Ownership scheme called 'Homes within Reach'. The Association currently owns an interest in 65 Low Cost Home Ownership properties primarily in Caerphilly and Blaenau Gwent.

The Association owns other non-housing property consisting of six freehold units in Cardiff and a resource centre in Caerphilly for people with learning difficulties. This centre was developed during the year.

The number of homes available for letting at 31 March 2008 was as follows:

General Needs	3,000
Supported Housing (includes bedsits, hostels and shared housing bed spaces)	657
	<b>3,657</b>

# Operating and financial review (continued)

For the year ended 31 March 2008

## Capital Structure

Tangible fixed assets are financed as follows:

Social Housing Grant and other grants	72%
Private finance	21%
Reserves and working capital	7%

## Treasury

At the end of the year the Association had a cash balance of £3.9m and the average cash balance held during the year was £800,000.

Compliance with loan covenants is reported quarterly to the Board. An in depth treasury performance review is presented to the Board annually which includes a review of the Association's borrowings and investments. The Association drew down loans totalling £11.75m during the year and had loan balances at the end of the year of £38.4m. The Association's interest and gearing cover ratios remain well within the covenants agreed with the Association's lenders.

## Future developments

The Association is committed to developing quality new homes. In the year to 31 March 2009 the Association is expecting to complete an additional 215 new homes, 116 assisted by Social Housing Grant and 99 assisted through S106 gain. The Association will also start its first 'Housing with Care' scheme for older people, at Castlegate in Caerphilly. In the next five years the Association expects to complete 500 general needs homes for rent, 250 Low Cost Home Ownership purchases, 14 supported housing projects and 2 projects for older people. The Association will continue to support future development activity through land banking during the forthcoming year.

The Association is a member of Integrate, a consortium of eight like-minded housing associations in South Wales formed in response to Welsh Assembly Government proposals to rationalise the development and procurement process. During the year members of the Integrate consortium continued to develop the partnership, which resulted in a sharing of services, ideas and cost savings.

## Reserves

General reserves are used to fund major repairs in future years, to subsidise the shortfall between the cost and funding of housing properties and to meet unforeseen additional expenditure, which cannot be met from the annual budget.

The Association has general reserves at the year end of £12.51m. This represents an increase on the previous year of 3%. In addition the Association has reserves of £1.84m relating to negative goodwill arising from the combination of United Welsh Housing Association Limited and South Wales Federated Housing Association Limited in 1996. Further reserves of £148,000 represent service charges receivable from tenants to cover the capital cost of replacement service charge equipment.

## Five year financial summary

For the year ended 31 March 2008

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
<b>Income and Expenditure account</b>					
Rents, service charges and other income (net of bad debts)	13,058	12,415	11,935	11,142	10,504
Operating surplus	2,596	2,595	2,656	2,531	2,577
Surplus for the year	385	721	855	955	866
<b>Balance Sheet</b>					
Housing properties	169,717	160,254	154,709	145,898	141,300
Social Housing Grant and other grants	(124,782)	(118,258)	(114,561)	(108,940)	(105,500)
Net book value	44,935	41,996	40,148	36,958	35,800
Other fixed assets	3,344	1,636	1,660	1,714	1,700
Total fixed assets	48,279	43,632	41,808	38,672	37,500
Fixed asset investments	926	156	–	–	–
Net current assets/(liabilities)	3,229	(2,649)	(1,791)	(1,956)	(1,400)
Other creditors due after more than one year	(37,936)	(27,026)	(26,625)	(24,179)	(24,500)
Share capital and reserves	14,498	14,113	13,392	12,537	11,600
<b>Financial performance indicators</b>					
Gearing	27%	20%	21%	20%	21%
Interest cover	1.40	1.60	1.69	1.68	1.64
New units completed	60	34	41	57	24
Homebuy/Low Cost Home Ownership completed	8	25	11	6	9

## Board and governance report

For the year ended 31 March 2008

The Board presents its report and the audited financial statements for the year ended 31 March 2008.

### Principal activities

The primary activity of the Association is the provision of affordable quality housing accommodation for those in housing need. As well as managing existing properties the Association is a developer of new affordable housing in its area of activities.

### Review of business

The surplus for the year was £385,000. After transfers from other reserves of £8,000, £393,000 has been added to the Association's general reserves, which now total £12.5m.

### Changes in fixed assets

Details of fixed assets are set out in Notes 12, 13, 14, 15 and 16.

Property assets continue to be shown in the Balance Sheet at their historic cost. An impairment review carried out for the year indicates that the Association is not suffering from impairment of any of its properties.

### Board and senior executives

Board members and senior executives of the Association are listed on page 12. Each member of the Board holds one fully paid share of £1 in the Association. The senior executives of the Association hold no interest in the Association's share capital and, although not having the legal status of directors, they act as executives within the authority delegated to them by the Board.

### Board and governance structure

The Board comprises up to twelve non-executive members and is responsible for directing the affairs of the Association. New Board members agree to serve for a term of three years, with the option to continue for two more three-year terms after that. Board members are drawn from a wide background bringing together professional, commercial and local experience.

Membership is reviewed every year to ensure the Board contains the range of necessary skills. Those skills include:

- Knowledge of the communities and people we serve
- General business, financial and management skills
- Knowledge of the operational environment for housing associations
- Experience in legal, property, development and public affairs
- Working effectively as a team

In order to ensure that the Association is well governed it complies with the Code of Governance of Community Housing Cymru and the National Housing Federation Code.

The Board meets formally eleven times a year and is supported by the Audit Committee and the Remuneration Committee.

The Board is responsible for the Association's strategy and policy framework. It delegates the day-to-day management and implementation of that framework to the Chief Executive and other senior executives (the Senior Management Team). The Senior Management Team meets monthly and attends the Board meetings.

## Board and governance report (continued)

For the year ended 31 March 2008

### Audit Committee

The Audit Committee comprises up to six Board members selected by the Board. It is attended by the Senior Management Team and meets at least three times a year. The Committee advises the Board on its responsibilities in relation to financial reporting and considers the appointment of internal and external auditors, the scope of their work and their reports. It also reports to the Board on the effectiveness of the Association's internal control arrangements.

### Remuneration Committee

The Remuneration Committee comprises the Chair and up to four Board members selected by the Board. The Committee advises the Board on the remuneration and terms and conditions of service of the Senior Management Team and on the skills and composition of the Board itself. It meets at least once a year.

### Internal control statement

The Board is responsible for the Association's system of internal financial controls which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The Board has reviewed the effectiveness of the system of internal controls for the period from 1 April 2007 to 26 June 2008.

The procedures that have been established which are designed to provide effective internal financial control are:

- Corporate governance arrangements and an organisational structure with clearly defined lines of responsibility
- Written financial procedures with delegated authorities
- Comprehensive system of financial reporting including annual budgets and monthly management accounts, to report actual performance against budget and to highlight variances
- A register of risks is maintained and reviewed by the Senior Management Team and Audit Committee
- Audit Committee reviews the fraud register at each of its meetings
- Monitoring of the internal financial controls and procedures by the Association's internal auditors and external auditors

Internal audit services were obtained under contract with Grant Thornton UK LLP for the year ended 31 March 2008.

### Statement of responsibilities of the Board in respect of the Board and governance report and the financial statements

The Board is responsible for preparing the Board and governance report and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards.

## Board and governance report (continued)

For the year ended 31 March 2008

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period.

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales: General Determination 2000. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Disclosure of information to auditors

The Board members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make himself or herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

By order of the Board

**A Whittaker**  
Secretary  
26 June 2008

# Report of the independent auditors, KPMG LLP, to the members of United Welsh Housing Association Limited

We have audited the financial statements of United Welsh Housing Association Limited for the year ended 31 March 2008 which comprise Income and Expenditure account, Balance Sheet, Cash flow Statement, Statement of Total Recognised Surpluses and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Board and auditors

The responsibility of the Association's Board for the preparation of the Board's report and the preparation of financial statements in accordance with applicable United Kingdom law and UK Accounting Standards (UK Generally Accepted Accounting Practice) is set out in the Statement of Board's Responsibilities on pages 18 and 19.

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 Social Landlords Registered 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 Association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

In addition to our audit of the financial statements, we have reviewed whether the Board's statement on page 18 reflects the Association's compliance with the Housing for Wales Circular 8/97 ("the Circular") 'Internal financial control and financial reporting', and we report whether the Board has provided the disclosures required by the Circular and whether the statement is not inconsistent with information of which we are aware from our audit of the financial statements.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

# Report of the independent auditors, KPMG LLP, to the members of United Welsh Housing Association Limited (continued)

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an 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 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 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.

We carried out our review of the Association's compliance with the Circular having regard to 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 corporate governance procedures nor on the ability of the Association to continue in operational existence.

## Opinion

In our opinion the financial statements:

- give a true and fair view in accordance with UK Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2008 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965-2002, the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales: General Determination 2000.

With respect to the Board's statement on internal financial controls on page 18 in our opinion the Board has provided the disclosures required by the Circular and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

## KPMG LLP

Chartered Accountants  
Marlborough House  
Fitzalan Court  
Fitzalan Road  
Cardiff  
CF24 0TE

Registered Auditor  
27 June 2008

# Income and expenditure account

For the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Turnover	3	13,160	12,503
Operating costs	3	(10,564)	(9,908)
Operating surplus		2,596	2,595
Surplus on disposal of fixed assets	6	18	749
Interest receivable		42	56
Interest payable and similar charges	11	(2,271)	(2,679)
<b>Surplus for the year</b>	23	<b>385</b>	721
Transfers from other reserves	23	8	4
		<b>393</b>	725
General reserves brought forward		12,121	11,396
General reserves carried forward		12,514	12,121

There is no difference between the surpluses disclosed above and the historical cost surpluses and deficits.

## Statement of Total Recognised Surpluses and Deficits

There were no surpluses and deficits, other than those shown on the Income and Expenditure account.

## Continuing Operations

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

# Balance sheet

As at 31 March 2008

	Notes	2008 £'000	2007 £'000
<b>Tangible fixed assets</b>			
Housing properties	12	169,717	160,254
Social Housing Grant and other grants	13	(124,782)	(118,258)
		<b>44,935</b>	41,996
Other property	14	1,526	86
Other fixed assets	15	1,818	1,550
		<b>48,279</b>	43,632
Investments	16	3,453	2,411
Social Housing Grant and other grants	16	(2,527)	(2,255)
		<b>926</b>	156
<b>Current assets</b>			
Stock	17	1,797	–
Debtors	19	1,006	846
Cash at bank and in hand		3,903	2,311
		<b>6,706</b>	3,157
Creditors: amounts falling due within one year	20	(3,477)	(5,806)
<b>Net current assets/(liabilities)</b>		<b>3,229</b>	(2,649)
<b>Total assets less current liabilities</b>		<b>52,434</b>	41,139
Creditors: amounts falling due after more than one year	21	(37,936)	(27,026)
		<b>14,498</b>	14,113
<b>Capital and reserves</b>			
General reserves	23	12,514	12,121
Other reserves	23	1,984	1,992
		<b>14,498</b>	14,113

The financial statements were approved by the Board on 26 June 2008 and signed on its behalf by:

**P Laing**  
Chair

**P Westwood**  
Board Member

**A Whittaker**  
Secretary

## Cash flow statement

For the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
<b>Net cash (outflow)/inflow from operating activities</b>	(a)	<b>(428)</b>	3,138
<b>Returns on investments and servicing of finance</b>			
Interest received		42	56
Interest paid		(2,157)	(2,774)
		<b>(2,115)</b>	(2,718)
<b>Capital Expenditure</b>			
Purchase and construction of housing properties		(10,452)	(5,618)
Social Housing Grant and other grants received		6,229	5,008
Social Housing Grant and other grants paid		(29)	–
Additions to Low Cost Housing Ownership and Homebuy		(3,098)	(1,636)
Social Housing Grant and other grants received in respect of Low Cost Housing Ownership and Homebuy		521	1,480
Purchase of other fixed assets		(404)	(203)
Sale of housing properties		113	1,229
		<b>(7,120)</b>	260
<b>Financing</b>			
Housing loans received		11,750	12,750
Housing loans repaid		(495)	(12,397)
	(b)	<b>11,255</b>	353
Increase in cash	(c)	<b>1,592</b>	1,033

## Notes to the cashflow statement

For the year ended 31 March 2008

### a) Reconciliation of operating surplus to net cash inflow from operating activities

	2008 £'000	2007 £'000
Operating surplus	2,596	2,595
Depreciation of tangible fixed assets	547	528
	<b>3,143</b>	3,123
<b>Working capital movements</b>		
(Increase) in stock	(1,797)	–
Decrease/(increase) in operating debtors	44	(189)
(Decrease)/increase in operating creditors	(1,857)	266
Increase/(decrease) in provisions	39	(62)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(428)</b>	3,138

### b) Reconciliation of net cash flow to movement in net debt

	2008 £'000	2007 £'000
Increase in cash	1,592	1,033
(Increase) in loans	(11,255)	(353)
(Increase)/decrease in net debt	<b>(9,663)</b>	680
Net debt at 1 April 2007	<b>(24,805)</b>	(25,485)
<b>Net debt at 31 March 2008</b>	<b>(34,468)</b>	(24,805)

### c) Analysis of net debt

	Cash at bank and in hand £'000	Loans due in less than 12 months £'000	Loans due in over 12 months £'000	Changes in net debt £'000
At 1 April 2007	2,311	(403)	(26,713)	<b>(24,805)</b>
Net cash flows	1,592	(392)	(10,863)	<b>(9,663)</b>
At 31 March 2008	3,903	(795)	(37,576)	<b>(34,468)</b>

# Notes to the financial statements

For the year ended 31 March 2008

## 1. Legal status

The Association is registered under the Industrial and Provident Societies Act 1965 and is a Registered Social Landlord. The Association has adopted charitable rules.

## 2. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

### Basis of accounting

The financial statements are prepared under the historical cost convention in accordance with applicable Accounting Standards in the United Kingdom and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords Update 2005 and comply with the Accounting Requirements for Social Landlords Registered in Wales: General Determination 2000.

### Turnover

Turnover represents rental and service charge income, sundry housing services and revenue grant receivable. In the case of supported housing managed by managing agents on behalf of the Association, turnover comprises rents charged to managing agents.

### Housing properties

Housing properties are shown at historical cost net of Social Housing Grant (SHG) and other grants. Directly attributable costs such as land costs, contractor payments and architects fees are capitalised at cost. Directly attributable management expenses are allocated to the costs of schemes under construction to the extent that they represent incremental costs to the Association. The costs of improvement to existing housing properties are included if the improvements increase rental income, reduce future maintenance costs or significantly

extend the life of the property. The Association only capitalises interest on specific housing developments where grant has not been received. The Association did not capitalise interest during the year.

### Grants

Where developments have been financed wholly or partly by SHG and other grants, the cost of those developments has been reduced by the amount of the grant received. This is in accordance with the SORP Accounting by Registered Social Landlords Update 2005. Grant received in respect of revenue costs is accounted for through the Income and Expenditure account in the period in which those costs are incurred. SHG only becomes repayable in the event of a related property being sold and if not utilised within three years it is then repayable to the Welsh Assembly Government and is shown under creditors as 'recycled capital grant fund' (notes 20 and 21).

### Fixed asset investments

The accounting treatment adopted follows that of the SORP Accounting by Registered Social Landlords Update 2005 in that the loan to the purchaser of a property purchased under the 'Homebuy' initiative or Low Cost Home Ownership (LCHO) scheme is treated as a fixed asset investment. The Association retains a 30% equity share in homes purchased through the 'Homebuy' initiative. The investment in Homebuy is funded through SHG and is held in the Balance Sheet at historical cost less SHG. On sale of the property the Association will receive 30% of the sale proceeds. The Association retains a variable percentage equity share in LCHO scheme properties. Where the land for LCHO has been granted through S106 it is grossed up so that its cost is included at open market value but with a reduction to nil net book value. Where the investment is funded through SHG it is held in the Balance Sheet at historical cost less SHG. On sale of the property the Association will receive the agreed percentage of the sale proceeds. Grant received on Homebuy and LCHO schemes is recyclable on sale of these properties.

## Notes to the financial statements (continued) For the year ended 31 March 2008

### Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Freehold land and assets in the course of construction are not depreciated. The Association maintains a continual cycle of refurbishment and maintenance during the useful life of its properties. The depreciation charge adopted reflects this investment. Depreciation is charged over the expected useful economic lives of assets on the following bases:

<i>(a) Housing properties</i>	<i>Lives</i>
<i>General needs properties:</i>	
New build	150 years from date of construction
Rehabilitated properties	120 years from date of rehabilitation
Other properties	120 years from date of construction
Leasehold properties	50 years from the commencement of the lease or over the length of the lease (whichever is shorter)
<i>(b) Other fixed assets</i>	
Office building	100 years
Fixtures, furniture and equipment	5 – 20 years
Computer equipment and software	4 – 6 years
Commercial property	50 years
Motor vehicles	25% reducing balance

### Impairment

Where it is recognised that there is a permanent diminution in value of any asset, the full reduction in value is written off to the Income and Expenditure account in the period in which the diminution is recognised. An impairment review carried out for the year indicates that the Association is not suffering from impairment of any of its properties.

### Lease obligations

Rentals paid under operating leases are charged to the Income and Expenditure account on a straight line basis over the period of the lease.

### Pensions

The Association participates in the centralised Social Housing Pension Scheme which is a final salary scheme. It is not possible to identify the Association's underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', the scheme is accounted for as if it were a defined contribution scheme. As a result the amount charged in the Income and Expenditure account represents the contributions payable to the scheme in respect of the accounting period (note 28).

### Designated reserve – service equipment

Service charges receivable from tenants include an element to cover the capital cost of replacement of service equipment. The Association therefore sets this amount aside out of service income into the Service Equipment Reserve. Transfers may be made from this reserve to general reserves in order to fund the replacement of service equipment.

### Goodwill reserve

Negative goodwill represents the excess of the fair value of assets and liabilities acquired over the consideration paid. Negative goodwill arising from the combination of United Welsh Housing Association Limited with South Wales Federated Housing Association Limited has been included within reserves as a separate reserve. This is in accordance with the SORP Accounting by Registered Social Landlords Update 2005. Negative goodwill is amortised over the estimated life of the assets.

### Corporation tax

The Association is exempt from Corporation Tax on its charitable activities.

### Value added tax

The Association charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from HM Revenue and Customs. The balance of the VAT payable or recoverable at the year end is included as a current liability or asset.

Notes to the financial statements (continued)  
For the year ended 31 March 2008

### 3. Turnover, operating costs and surplus

	Year ended 31 March 2008			Year ended 31 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	10,391	(8,467)	1,924	9,894	(8,004)	1,890
Supported housing	2,608	(2,079)	529	2,518	(1,889)	629
Other property	95	(10)	85	47	(5)	42
<b>Total from lettings</b>	<b>13,094</b>	<b>(10,556)</b>	<b>2,538</b>	12,459	(9,898)	2,561
<b>Other income and expenditure</b>						
Other activities	66	(8)	58	44	(10)	34
<b>Total</b>	<b>13,160</b>	<b>(10,564)</b>	<b>2,596</b>	12,503	(9,908)	2,595

Notes to the financial statements (continued)  
For the year ended 31 March 2008

### 4. Turnover from lettings

	General needs housing £'000	Supported housing £'000	Other property £'000	<b>2008 Total £'000</b>	2007 Total £'000
Rents	9,239	1,815	95	<b>11,149</b>	10,664
Service charges	1,223	141	–	<b>1,364</b>	1,133
Rent losses from voids	(96)	(10)	–	<b>(106)</b>	(58)
	10,366	1,946	95	<b>12,407</b>	11,739
Grant from local authorities and other agencies	25	–	–	<b>25</b>	8
Grant for supported housing	–	662	–	<b>662</b>	712
	10,391	2,608	95	<b>13,094</b>	12,459

### 5. Operating costs from lettings

	General needs housing £'000	Supported housing £'000	Other property £'000	<b>2008 Total £'000</b>	2007 Total £'000
Fully rented housing accommodation					
Services	1,220	146	–	<b>1,366</b>	1,219
Management	2,094	1,123	10	<b>3,227</b>	3,339
Development administration	187	62	–	<b>249</b>	234
Day to day maintenance	2,120	472	–	<b>2,592</b>	2,221
Major repairs	2,758	262	–	<b>3,020</b>	2,797
	8,379	2,065	10	<b>10,454</b>	9,810
Rent losses from bad debts	88	14	–	<b>102</b>	88
	8,467	2,079	10	<b>10,556</b>	9,898

### 6. Surplus on disposal of fixed assets

Surplus on disposal of fixed assets relates to the sale of 4 Homebuy properties during the year. In 2007 proceeds of £1.2m were received on the disposal of housing properties largely arising from the disposal of 59 properties in Swansea to CT Dewi Sant.

Notes to the financial statements (continued)  
For the year ended 31 March 2008

### 7. Operating surplus for the year

	2008 £'000	2007 £'000
Operating surplus for the year is stated after charging:		
Depreciation	547	528
Operating leases	66	72
Auditors' remuneration: in their capacity as auditors	28	26

### 8. Emoluments of officers and senior executives

The remuneration paid to the senior executives of the Association was:

	2008 £'000	2007 £'000
Emoluments (including pension contributions and benefits in kind)	330	292
Emoluments (excluding pension contributions) paid to the highest paid senior executive	90	85

No remuneration was paid to members of the Board during the year (2007 - £Nil). The emoluments of Board members and senior executives, excluding pension contributions, were in the following ranges:

	2008 No.	2007 No.
£Nil	13	12
£50,001 - £55,000	-	-
£55,001 - £60,000	-	1
£60,001 - £65,000	-	2
£65,001 - £70,000	3	-
£75,001 - £80,000	-	-
£80,001 - £85,000	-	1
£85,001 - £90,000	1	-

The Chief Executive is an ordinary member of the pension scheme with no special terms attaching to his membership. The Association's contribution in respect of the Chief Executive's pension fund amounted to £11,280 (2007 - £8,717).

Notes to the financial statements (continued)  
For the year ended 31 March 2008

### 9. Interests and related party transactions

During the year the Association provided rented accommodation to three Board members who were tenants of the Association and charged rent to those members on the Association's standard terms. Board members who are tenants are unable to use their position to their advantage in accordance with FRS 8 'Related Party Transactions'.

### 10. Employees and employee costs

	2008 £'000	2007 £'000
Staff costs during the period:		
Wages and salaries	2,591	2,508
Social security costs	202	189
Other pension costs	237	191
	<b>3,030</b>	2,888

There were no amounts payable to the pension scheme at either of the above year ends.

	No.	No.
The average monthly number of staff (full time equivalent) during the year	114	112

### 11. Interest payable and similar charges

	2008 £'000	2007 £'000
On loans repayable by instalments	1,883	2,290
On loans repayable other than by instalments	388	389
	<b>2,271</b>	2,679

Interest payable for 2007 included £611,000 loan breakage costs relating to the redemption of two loans.

Notes to the financial statements (continued)  
For the year ended 31 March 2008

**12. Tangible fixed assets - housing properties**

	Housing properties held for letting £'000	Housing properties in the course of construction £'000	2008 Total £'000
<b>Cost</b>			
At beginning of year	151,574	10,571	<b>162,145</b>
Transferred on completion	5,875	(5,875)	<b>-</b>
Additions during the year	352	9,285	<b>9,637</b>
Reclassification of costs from other fixed asset investments	-	153	<b>153</b>
At end of year	157,801	14,134	<b>171,935</b>
<b>Depreciation</b>			
At beginning of year	1,891	-	<b>1,891</b>
Charge for the year	327	-	<b>,327</b>
At end of year	2,218	-	<b>2,218</b>
<b>Net book value</b>			
At end of year	155,583	14,134	<b>169,717</b>
At beginning of year	149,683	10,571	<b>160,254</b>
Net book value at end of year is represented by:			
Gross cost less depreciation	155,583	14,134	<b>169,717</b>
Social Housing Grant and other grants	(112,846)	(11,936)	<b>(124,782)</b>
	42,737	2,198	<b>44,935</b>

The additions under housing properties held for letting relates to major refurbishment works to three properties currently held for letting.

	2008 £'000	2007 £'000
Housing properties comprise:		
Freehold	<b>42,197</b>	39,229
Leasehold	<b>2,525</b>	2,539
Short leasehold	<b>213</b>	228
	<b>44,935</b>	41,996
	<b>2008 No.</b>	2007 No.
General need housing properties in management	<b>3,000</b>	2,965
Supported housing bed spaces	<b>657</b>	649
	<b>3,657</b>	3,614

Fixed charges have been granted on all housing properties to secure Social Housing Grant.

Notes to the financial statements (continued)  
For the year ended 31 March 2008

**13. Tangible fixed assets – Social Housing Grant and other grants**

	Housing properties held for letting £'000	Housing properties in the course of construction £'000	2008 Total £'000
At beginning of year	109,769	8,489	<b>118,258</b>
Transferred on completion	3,077	(3,077)	<b>-</b>
Additions during the year	-	6,371	<b>6,371</b>
Reclassification of Social Housing Grant from other fixed asset investments	-	153	<b>153</b>
At end of year	112,846	11,936	<b>124,782</b>

At 31 March 2008 total Social Housing Grant received amounted to £132,050,000 (2007 - £125,254,000). This includes Social Housing Grant of £4,741,000 in respect of grant aided repair schemes and £2,527,000 in respect of 'Homebuy' properties.

**14. Other property**

Other property consists of a parade of six freehold retail units in Cardiff and a resource centre in Caerphilly which was developed during the year.

	2008 £'000
<b>Cost</b>	
At beginning of year	<b>148</b>
Additions during the year	<b>1,452</b>
At end of year	<b>1,600</b>
<b>Depreciation</b>	
At beginning of year	<b>62</b>
Charge for year	<b>12</b>
At end of year	<b>74</b>
<b>Net book value</b>	
At end of year	<b>1,526</b>
At beginning of year	<b>86</b>

Notes to the financial statements (continued)  
For the year ended 31 March 2008

**15. Tangible fixed assets – other**

	Office premises £'000	Scheme equipment £'000	Vehicles & office equipment £'000	2008 Total £'000
<b>Cost</b>				
At beginning of year	1,191	1,218	815	3,224
Additions during year	–	109	396	505
Disposals during the year	–	(16)	(76)	(92)
At end of year	1,191	1,311	1,135	3,637
<b>Depreciation</b>				
At beginning of year	278	721	675	1,674
Charge for year	23	127	58	208
Disposals during the year	–	(12)	(51)	(63)
At end of year	301	836	682	1,819
<b>Net book value</b>				
At end of year	890	475	453	1,818
At beginning of year	913	497	140	1,550

**16. Fixed asset investments**

	Homebuy loans £'000	LCHO £'000	LCHO under construction £'000	2008 Total £'000
<b>Cost</b>				
At beginning of year	1,178	619	614	2,411
Additions during the year	521	460	310	1,291
Disposals during the year	(96)	–	–	(96)
Reclassification of costs to tangible fixed assets	–	–	(153)	(153)
At end of year	1,603	1,079	771	3,453
<b>Social Housing Grant and S106 subsidy</b>				
At beginning of year	1,178	619	458	2,255
Additions during the year	521	–	–	521
Disposals during the year	(96)	–	–	(96)
Reclassification of Social Housing Grant to tangible fixed assets	–	–	(153)	(153)
At end of year	1,603	619	305	2,527
<b>Net book value</b>				
At end of year	–	460	466	926
At beginning of year	–	–	156	156

Fixed asset investments relate to properties which the Association has funded under the Homebuy Option scheme and the construction and sale of properties through Low Cost Home Ownership (LCHO). Further details are provided in the accounting policies under note 2, 'Fixed asset investments'.

Notes to the financial statements (continued)  
For the year ended 31 March 2008

**17. Stock**

	2008 £'000	2007 £'000
Capital expenditure on housing for sale	2,084	–
Social Housing Grant	(287)	–
	1,797	–

The above expenditure represents the Association's equity share in Low Cost Home Ownership properties held for sale.

**18. Work in progress**

	2008 £'000	2007 £'000
Capital expenditure on housing developments	–	1,326
Social Housing Grant	–	(1,326)
	–	–

The above development costs and Social Housing Grant receipts relate to two developments which are on behalf of other Registered Social Landlords during 2007. Social Housing Grant of £1.7m received in advance of development was included in 'Creditors amounts falling due within one year'. Both developments were transferred to the other Registered Landlords during the year to 31 March 2008.

**19. Debtors: amounts falling due within one year**

	2008 £'000	2007 £'000
Arrears of rent and service charges	308	344
Provision for bad and doubtful debts	(48)	(42)
	260	302
Staff car loans	26	40
Other debtors and prepayments	720	504
	1,006	846

Staff car loans consist of loans to 10 employees (2007 - 11). Loans are payable over periods of between one and five years with interest charged at HM Revenue and Customs recommended rates.

Notes to the financial statements (continued)  
For the year ended 31 March 2008

**20. Creditors: amounts falling due within one year**

	2008 £'000	2007 £'000
Maintenance and other supplies	777	2,452
Capital expenditure on housing properties	1,220	500
Social Housing Grant in advance	–	1,684
Loan principal	795	403
Accruals and deferred income	305	172
Prepayments of rents and service charges	168	267
Recycled capital grant fund	49	178
Other capital creditors	159	84
Tax and social security	4	66
	<b>3,477</b>	<b>5,806</b>

**21. Creditors: amounts falling due after more than one year**

	2008 £'000	2007 £'000
Housing loans	37,576	26,713
Recycled capital grant fund	360	313
	<b>37,936</b>	<b>27,026</b>

Housing loans are secured by fixed charges on housing properties. The interest rates are fixed at between 5.395% and 11.21% or vary with the market rate. The loans are repayable in the years 2015 to 2037. The loans are repayable as follows:

	2008 £'000	2007 £'000
Loans repayable by instalments fall due as follows:		
In five years or more	29,136	20,081
Between two and five years	2,999	1,719
Between one and two years	941	413
	<b>33,076</b>	<b>22,213</b>
In one year or less	795	403
	<b>33,871</b>	<b>22,616</b>
Loans repayable other than by instalments fall due as follows:		
In five years or more:	4,500	4,500
Total housing loans	<b>38,371</b>	<b>27,116</b>

Notes to the financial statements (continued)  
For the year ended 31 March 2008

**22. Share capital**

	2008 £	2007 £
Shares of £1 each fully paid:		
At beginning of year	41	46
Issued during the period for cash	–	1
Cancelled during the period	(5)	(6)
At end of year	<b>36</b>	<b>41</b>

Shareholders have no equity interest in the Association. The shares carry no rights to dividend payments or distribution on winding up. Shares cancelled or redeemed are written back to reserves.

**23. Reserves**

	Goodwill £'000	Service equipment reserve £'000	Total £'000	General reserve £'000	2008 Total £'000	2007 Total £'000
At beginning of year	1,855	137	1,992	12,121	<b>14,113</b>	13,392
Surplus for the year	–	–	–	385	<b>385</b>	721
Transfers to reserves	–	116	116	(116)	–	–
Transfers from reserves	(19)	(105)	(124)	124	–	–
At end of year	1,836	148	1,984	12,514	<b>14,498</b>	14,113

**24. Operating leases**

Annual commitments under non-cancellable operating leases amount to £16,500 (2007 - £15,800), all of which expire within two to five years.

**25. Capital commitments**

	2008 £'000	2007 £'000
Contracted less certified	<b>9,720</b>	8,658

**26. Contingent liabilities**

At 31 March 2008 there were no contingent liabilities.

**27. Post balance sheet events**

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

Notes to the financial statements (continued)  
For the year ended 31 March 2008

**28. Pension costs**

The Association participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.

**SHPS**

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'.

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:

- Final salary with a 1/60th accrual rate
- Final salary with a 1/70th accrual rate
- Career average revalued earnings with a 1/60th accrual rate

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. The Association has elected to operate the first benefit structure i.e. final salary with a 1/60th accrual rate, for active members as at 1 April 2007 and final salary with a 1/60th accrual rate benefit structure for new entrants from 1 April 2007.

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 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.

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

During the accounting period the Association paid contributions at the rate of 14.1%. Member contributions varied between 6.4% and 8.4% depending on their age. As at the Balance Sheet date there were 64 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £1.6m. It continues to offer membership of the Scheme to its employees.

Notes to the financial statements (continued)  
For the year ended 31 March 2008

**28. Pension costs (continued)**

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 FRS17 'Retirement Benefits', represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2005 by a professionally 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 Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,760 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £209 million, equivalent to a 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.

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 September 2005.

The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

	% pa
Investment 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

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
Non – pensioners	20.4	23.3
Pensioners	19.4	22.4

## Notes to the financial statements (continued) For the year ended 31 March 2008

### 28. Pension costs (continued)

The long-term joint contribution rates required 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 1/60th accrual rate	17.6
Final salary with a 1/70th accrual rate	15.3
Career average revalued earnings with a 1/60th accrual rate	14.1

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

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

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

Following consideration of the results of the 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.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate). Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

Employers joining the Scheme after 1 October 2002 that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

## Notes to the financial statements (continued) For the year ended 31 March 2008

### 28. Pension costs (continued)

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.

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 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.

The next full actuarial valuation will be carried out as at 30 September 2008.

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

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

The Association 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 March 2007. As of this date the estimated employer debt for the Association was £5.4m.

### Pensions Trust's Growth Plan

The Association participates in the Pensions Trust's Growth Plan. The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan. The Association offers the Growth Plan as an Additional Voluntary Contribution investment option for members of the Social Housing Pension Scheme. The members pay contributions at a rate of their choice. The Association does not pay any contributions to the Growth Plan.



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