



making a difference

Annual Accounts 2009



HAFOD HOUSING ASSOCIATION LIMITED

Report and Financial Statements Year Ended 31st December 2009

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Board Members, Executive Officers, Advisors and Bankers

The Board

Chair Mr E Lewis

Other Members

Ms J Davies
Mrs V Ibbertson
Mr P Jones
Mrs J Keenor
Mrs G Kendall (from July 2009)
Mr D Morris
Dr A Napier
Mr G North
Mr B Payne
Ms S Sansom (from July 2009)
Ms S Sheppard
Mr J Singh MBE JP
Mrs S Tiburzio
Mr T Topham

Secretary

Mr I Williams

Senior Executives

Managing Director
Mr A Morgan

Operations Director
Mr G Phillips

Registered Office

St Hilary Court
Cophorne Way
Cardiff CF5 6ES

Internal Auditors

RSM Tenon
33 – 35 Cathedral Road
Cardiff CF11 9HB

External Auditors

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

Principal Solicitors

Hugh James
Hodge House
114-116 St Mary's Street
Cardiff CF10 1DY

Eversheds
1 Callaghan Square
Cardiff CF10 5BT

Principal Bankers

Barclays Bank plc
Windsor Court
3 Windsor Place
Cardiff CF10 3ZL

Registered as a charitable Housing Association under the Industrial and Provident Societies Acts No. 18766R

Registered with The Welsh Assembly Government No. L034

Operating and Financial Review

The Board present their operating and financial review and audited financial statements for the year ended 31st December 2009.

The Association

Hafod Housing Association Limited (the "Association") is a subsidiary of Hendre Limited (the "parent"). The Association is a "not for profit" organisation, administered by a voluntary Board. The majority of the Board shall always be capable of appointment by Hendre Limited.

The Association is registered under the Industrial and Provident Societies Acts 1965 to 2002 under "charitable" rules and is accepted as a charity for tax purposes.

Principal Activities

The principal activities of the Association are:

- The development of a range of affordable, high quality housing across a range of tenures both through new build and the regeneration of existing areas of housing;
- The management and maintenance of the Association's social housing stock, including strategic maintenance and improvements targeted towards meeting Welsh Housing Quality Standards; and
- Engaging with tenant and other representative groups, local communities and other interested parties to build sustainable communities.

It currently operates across seven local authority areas within South East Wales.

Board Members and Executive Officers

The present membership of the Board is set out on page 1. In addition the following Member also served on the Board:

Mr D Crompton (retired July 2009)

Mr J Wreford (retired July 2009)

The senior executives hold no interest in the shares of the Association and have no legal status as directors although they act as executives within the authority delegated by the Board. All of the senior executives served throughout the year.

In 2009 the Association reviewed its Committee structure and now has, in addition to its main Board, three committees:

- Finance and Performance Management;
- Technical Services; and
- Housing and Community Services.

Statement of the Current Obligations of Board Members to the Board and to the Association

The Board is expected at all times to act in the best interest of the Association and is responsible for controlling the Association's affairs in an efficient, effective and accountable manner. It has agreed that the obligations of Board Members should be:

- Being committed to the values and objectives of the Association;
- Being committed to the Association's policies including its equal opportunities policy;
- Contributing to the shared responsibility for the Board's/ Committee's decisions;
- Ensuring that all reports and minutes are diligently read;
- Attending meetings, training sessions and other events that may from time to time occur; and
- To declare any interests in the Association's dealings whether pecuniary or otherwise.

All Board Members must, within one month of appointment, sign and deliver to the Board, a statement confirming that they will meet their obligations to the Board and to the Association.

Skills, Qualities and Experience required by the Board from its Members

The Board must be competent in the wider sense to carry out its defined role. Competence in this wide sense goes beyond particular skills. It includes the ability to understand the impact of the Association's work on local communities and those it seeks to serve. It requires a high level of commitment and cohesion in pursuit of shared goals.

Board Members should possess the qualities required to make decisions and monitor the Association's performance. The Board will include experience of the following so as to discharge its responsibilities effectively:

- Housing needs;
- Management (including the management of staff and of property);
- Finance;
- Community relations and needs;
- Public presentations; and
- Tenant issues and concerns.

All Board Members are appointed because of their commitment to the aims and objectives of the Association. They are not appointed to represent any particular group.

Operating and Financial Review (continued)

Policy for Admitting New Shareholders

The Association will admit to Membership, individuals and organisations that are likely to have a long-term interest in promoting the Association's work. These will include organisations with whom the Association has developed positive relationships, including organisations with whom the Association has agency or partnership agreements, as well as other voluntary or charitable organisations with whom the Association comes into contact by reasons of its work.

Membership may extend to local and other public authorities or key individuals within such authorities. The Association will admit individual tenants.

No individuals or organisations would be admitted into membership under circumstances in which an individual might derive personal gain financially or otherwise.

Statement of the Values and Objectives of the Association

The Association's vision is to be the provider of choice of high quality homes and services and to create communities which everyone feels proud to live within.

The Association's Corporate Plan, updated in 2008, identifies the key strategic aims to enable it to achieve its vision:

- To maximise the provision of high quality homes across a range of tenures;
- To provide excellent housing services and build sustainable communities;
- To invest in our homes and meet the Welsh Housing Quality Standard; and
- To improve efficiency for reinvestment in our homes, services and neighbourhoods.

The Association's core values are professionalism, reliability, innovation, diversity and efficiency.

Objectives for Business Growth

The Association is currently halfway through the period covered by its current Corporate Strategy, which outlines its plans and objectives up to the end of 2011.

The plan re-affirms the Association's overarching aim which is to build thriving and sustainable communities, to put the needs of its customers first whilst taking into account their changing needs, as well as the changing needs of partners and stakeholders. The plan also sets out how the Association will ensure that it remains locally accountable and responsive while continuing to grow and deliver an ever-wider range of services.

The Association seeks to supplement its traditional, social housing grant funded programme by a variety of initiatives, including leasing schemes, mortgage rescue and self funded Homebuy.

The Association is a member of the DEVCO Consortium, a partnership formed by local housing associations with the aim of developing and managing good quality housing and to generate employment, training and economic benefits to the communities in which it operates.

The aim of the DEVCO Consortium is to focus on seeking efficiencies across common fields of operation, including capital development projects, procurement, together with operational and administration areas across the 12 local authorities in which members of the Consortium operate.

Current Performance

The Association's surplus for the year amounted to £0.9m, compared to a previous year surplus of £0.4m. The continued downturn in the property market has continued to have an effect on the level of surpluses realised on the sale of fixed assets (including sales of 'Homebuy' properties). Although overall surpluses on sale of assets for 2009 at £0.2m were at the same level as reported in 2008, these are much lower than historically achieved from these activities.

The 2009 results indicate the continuing commitment of the Association to keeping its properties maintained, not only to current standards, but also progressing towards the requirements of the Welsh Housing Quality Standards (2012). During the year the Association invested £2.8m (2008: £3.2m) in upgrading properties.

The current forward financial projections of the Association include the required investment to maintain and improve the properties to applicable standards.

Operating and Financial Review (continued)

Risk Management

The Board is acutely aware of its responsibilities and seeks to manage all risks to a manageable level by way of implementing appropriate actions that are regularly reviewed by the Board. Internal risks are minimised by the implementation of policies and procedures for which are periodically reviewed to ensure that they still meet the needs of the organisation and recognised good practice.

The organisation has recently reviewed its approach to Risk Management and follows the Hendre Group's approach using the services of the newly appointed, Group Governance Co-ordinator. This work has resulted in an updating of both the organisation's Risk Register and Risk Strategy.

In relation to specific Health and Safety risks, the Board is aware of its responsibilities on these matters and strives to maintain a healthy and safe living and working environment for its tenants and members of staff. The organisation is represented on the Group Health and Safety Committee which meets on a regular basis to assess risks and associated actions in relation to Health and Safety.

Risk Management and Health and Safety are all areas monitored by the Group Corporate Governance Committee. The organisation is represented on this committee who meet on a regular basis to ensure that member organisations have appropriate arrangements in place to allow them to discharge their responsibilities in such areas.

Financial Summary

The Association's growth in its fixed asset base continues with the support of a social housing grant funded housing programme, as well as other self-funded initiatives. The Association invested £16.0m (2008: £9.9m) in new properties for letting, after taking account of the transfer to Hafod Care Association of the Ty Penrhos Home in Caerphilly, which was completed in December 2009. The Association's development programme continues to be supported by social housing grant receivable in the year of £13.4m (2008: £2.6m).

There was only a marginal increase of £1.8m in the Association's external borrowing during the year, bringing the overall borrowing of the Association as at the end of the year to £65.6m (2008: £63.8m).

The Association currently has £33m of unutilised external borrowing facilities, which should provide sufficient external funding availability for the Association's growth plan for the next two years.

Employees

The strengths of the Association lie in the quality and commitment of its employees. The Association's ability to meet its objectives and commitments to residents and tenants in an efficient and effective manner depends on the contribution of employees throughout the Association.

The Association continues to provide information on its objectives, progress and activities through regular executive, management team and departmental meetings. The Association provides training programmes focused on quality and customer services and seeks employees' views on how to improve services and on matters of common concern.

Disclosure of Information to Auditors

The Board members who held office at the date of approval of this 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 themselves aware of any relevant audit information and to establish the Association's auditors are aware of such information.

Annual General Meeting

The Annual General Meeting will be held on Monday 28th June 2010 at St Hilary Court, Copthorne Way, Culverhouse Cross, Cardiff.

Auditors

Our auditors, KPMG LLP, have notified us that they will not be seeking re-election at the Annual General Meeting. A resolution to appoint new Independent Auditors will be proposed at the Annual General Meeting.

The report of the Board was approved on 2nd June 2010 and signed on its behalf by:-

Elgar Lewis
Chair

Statement of Responsibilities of the Board for the Financial Statements

The Board is responsible for preparing the Board Reports 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 have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgments and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 1968 to 2003, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2009. The Board has general responsibility for taking such steps as are reasonably open to it 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.

Housing Association Governance – Reporting on Internal Financial Controls

Housing Association Circular 028/09 'Internal Controls'

The Welsh Assembly Government requires Registered Social Landlords (RSLs) to report on internal financial controls. These requirements have been adapted to suit RSLs and follow the report of the Cadbury Committee on 'the financial aspects of corporate governance' and in particular paragraph 4.5 of the 'Code of Best Practice'.

Internal Financial Control

The Board is ultimately responsible for the Association's system of internal financial control, which is designed to provide reasonable but not absolute assurance regarding the safeguarding of the assets, the maintenance of proper accounting records and the reliability of financial information.

The following mechanisms have been put in place, which are designed to provide effective internal financial control.

- Clearly defined management and reporting structures;
- Careful recruitment and effective financial training programmes;
- Regulations and procedures manuals for staff;
- Management information and accounting systems with quarterly reporting of financial results and other performance indicators compared with budgets and forecasts;
- Rolling five and thirty year strategic business plan forecasts and development plans; and
- Monitoring of the control systems by the Group Corporate Governance Committee, internal auditors and management review.

The Group Corporate Governance Committee, comprising representatives from each Board within the Hendre Group, has a wide remit to monitor all aspects of corporate governance across each member of the Group, including financial controls, fraud and corruption, and internal and external audit arrangements.

The Group has a Governance Co-ordinator, who is responsible for providing a full range of governance related functions to all organisations, and their respective Boards, within the Hendre Group. Reporting to the Group Chief Executive Officer, the Group Governance Co-ordinator will act in liaison with the Corporate Governance Committee and its Chair in preparing reports on all aspects of related governance activities.

During the year, the Board appointed an independent firm of Chartered Accountants and Registered Auditors (RSM Tenon) to act as internal auditors for the Association and its reports are presented for consideration both to the Association's Board and to the Group Corporate Governance Committee.

Report of the Independent Auditors KPMG LLP to the Members of Hafod Housing Association Limited

We have audited the financial statements of Hafod Housing Association Limited (the "Association") for the year ended 31 December 2009 which comprise the Income and Expenditure Account, the Balance Sheet and the Cash Flow Statement 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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) are set out in the Statement of Board's Responsibilities on page 6.

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 1968 to 2003, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2009. 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.

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.

Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed whether the Board's statement on page 7 reflects the Association's compliance with the Housing Association Circular 028/09 ("the Circular") 'Internal Controls', and we report whether the Board has provided the disclosures required by the Circular and whether the statement is inconsistent with information of which we are aware from our audit of the financial statements.

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 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 regards to Bulletin 1995/1 'Disclosures relating to Corporate Governance' issued by the Auditing Practice Board. That bulletin does not require us to perform the additional work necessary to, and we do not, express an 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.

Report of the Independent Auditors KPMG LLP to the members of Hafod Housing Association Limited (continued)

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 affairs of the Association as at 31 December 2009 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 2003, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2009.

With respect to the Board's statement on internal financial controls on page 7 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.

**E. Holiday (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

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

Income and Expenditure Account

Year ended 31st December 2009

	Note	2009 £'000	2008 £'000
Turnover: continuing activities	3	14,246	15,386
Less : operating costs/cost of sales	3	(10,635)	(12,595)
Operating surplus: continuing activities	3	3,611	2,791
Surplus on sale of fixed assets	3	150	162
Interest receivable and other income	7	219	349
Interest payable and similar charges	8	(3,052)	(2,950)
Surplus on ordinary activities before taxation	3	928	352
Taxation on surplus on ordinary activities		-	-
Surplus for the year	12	928	352
Transfers from designated reserves	11	2	-
		930	352
Revenue reserves brought forward	12	16,439	16,087
Revenue reserves carried forward	12	17,369	16,439

There were no recognised surpluses or deficits other than those included in the income and expenditure account.

There is no significant difference between the surpluses disclosed above and the surpluses calculated on a historic cost basis in either year. Accordingly a note of historical cost surpluses and deficits has not been presented.

Balance Sheet

As at 31st December 2009

	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Tangible fixed assets					
Housing properties at net book value	13	174,569		158,590	
Social housing grant	14	(91,121)		(77,679)	
Other grants	14	(11,710)		(11,710)	
			71,738		69,201
Fixed asset investments					
Homebuy loans	16	10,075		10,211	
Homebuy grants	16	(4,276)		(4,365)	
			5,799		5,846
Other tangible fixed assets	17		351		238
			77,888		75,285
Current assets					
Debtors due after one year	18	5,000		2,500	
Stock	19	-		2,787	
Debtors due within one year	20	722		933	
Investments	21	8,424		4,113	
Cash at bank and in hand		139		113	
			14,285		10,446
Creditors: amounts falling due within one year	22		(8,540)		(3,533)
Net current assets			5,745		6,913
Total assets less current liabilities			83,633		82,198
Creditors: amounts falling due after more than one year	23		(66,224)		(65,717)
Net assets			17,409		16,481
Represented by:					
Capital and reserves					
Non equity share capital	25		-		-
Designated reserves	11		40		42
Revenue reserves	12		17,369		16,439
Association's funds	29		17,409		16,481

The financial statements were approved by the Board on 2nd June 2010 and signed on its behalf by:

Chair

Vice Chair

Secretary

Cash Flow Statement

Year ended 31st December 2009

	Note	2009 £'000	2008 £'000
Net cash inflow from operating activities	30	9,737	1,350
Returns on investments and servicing of finance			
Interest received		219	349
Interest paid		(2,990)	(2,706)
Net cash outflow from returns on investments and servicing of finance		(2,771)	(2,357)
Capital expenditure and financial investment			
Purchase and construction of housing properties		(24,871)	(9,696)
Social housing grant received		14,355	2,497
Net payments to acquire fixed asset investments (net of grant)		-	(1,978)
Purchase of other fixed assets		(171)	(121)
Sales of housing properties and fixed asset investments		8,690	348
Net cash outflow from investing activities		(1,997)	(8,950)
Management of liquid resources			
Increase in short term deposits		(4,311)	(2,504)
Net cash outflow from management of liquid resources		(4,311)	(2,504)
Net cash inflow/(outflow) before financing		658	(12,461)
Financing			
Housing loans received		10,000	15,043
Housing loans repaid		(8,132)	(5,228)
Inter-company loans		(2,500)	2,500
Net cash (outflow)/inflow from financing		(632)	12,315
Increase/(decrease) in cash		26	(146)

Notes to the Financial Statements

Year ended 31st December 2009

1. Legal status

The Association is registered under the Industrial and Provident Societies Act 1965 and is a registered social landlord.

2. Principal accounting policies

a) Basis of accounting

The financial statements are prepared under the historical cost accounting rules and in accordance with applicable Accounting and Financial Reporting Standards in the United Kingdom and the Statement of Recommended Practice for Registered Social Landlords 2008 (2008 SORP), and comply with the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2009. The accounts have been prepared on a going concern basis.

b) Turnover

Turnover comprises:

- Rental and service charge income receivable in the year from tenants and leaseholders;
- Income from other goods and services supplied in the year (excluding VAT);
- Revenue grants; and
- Income from sale of housing property stock.

c) Pensions

The Association operates a defined contribution pension scheme with Scottish Widows Fund and Life Assurance Society, the cost of which is written off to the income and expenditure account on an accruals basis. The assets of the scheme are held separately from those of the Association in an independently administered fund.

d) Fixed assets – housing properties (land and buildings)

Housing properties for letting are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs and interest charges incurred during the development period. This interest is capitalised on specific schemes at the average cost of borrowing.

Expenditure incurred is in respect of improvements which comprise the modernisation of used properties (“existing dwellings”) acquired for letting. Surpluses or deficits resulting from the sale of properties and fixed asset investments are shown in the income and expenditure account under surpluses/deficits from the sale of fixed assets.

The Association is committed to making investment in major repairs to bring, and maintain, the condition of its housing stock up to Welsh Housing Quality Standards by 2012 and beyond. It is considered that this investment incorporates an element of improvement to the standard of the Association’s properties that will represent an enhancement of economic benefits arising from the securing of future rental streams, reducing future maintenance costs, or extending the useful economic life of the property. The Association capitalises the element of improvement to the property and writes it off over the economic life of the property stock. Other repair costs are charged to the income and expenditure account.

Only development administration costs that are directly attributable to the development programme are capitalised. These include the direct costs of the parent company’s development department plus any directly attributable third party legal, professional or consultancy costs incurred directly in bringing a project into management.

e) Social housing grant

Social housing grant (SHG) is receivable from the Welsh Assembly Government and is utilised to reduce the capital costs of housing properties.

The amount of the grant received is shown separately on the balance sheet. SHG due from the Welsh Assembly Government or received in advance is included as a current asset or liability as appropriate. By agreement with the Welsh Assembly Government SHG is subordinate to loans.

SHG is repayable unless formally abated. Any grant becoming repayable on a property sale may be re-utilised on new property development subject to certain conditions.

Notes to the Financial Statements

Year ended 31st December 2009

f) Other grants and subsidies

These include grants and subsidies from Local Authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties. The amount of capital grant and subsidy received is shown separately on the balance sheet.

Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

g) Depreciation

The Association charges depreciation on properties for letting and other tangible fixed assets, in order to write off the asset's cost less residual value over its useful economic life.

The principal asset lives on which depreciation is based are:

Freehold housing properties (net of grant and land)	
General needs housing accommodation	Up to 100 years
Special needs hostels	Up to 50 years
<hr/>	
Leasehold housing properties (net of grant)	Period of lease
<hr/>	
Service equipment	5 – 10 years

Depreciation on properties for letting is charged from the beginning of the year following the property entering into management.

Shared ownership properties are not depreciated as they are held for sale and it is considered that the open market value at least equals the net carrying value.

A full year's depreciation is charged on other fixed assets in the year of purchase but no charge is made in the year of disposal.

h) Recyclable grants

Recyclable grant in respect of properties sold, which may become repayable to the Welsh Assembly Government, is included in current or long term creditors as appropriate.

i) Equipment renewals designated reserve

The Association has an obligation under tenants' service agreements to replace furniture and equipment relating to certain tenancies. This reserve has been established to meet future liabilities under this obligation.

j) Provision for bad and doubtful debts

The Association adopts a policy for making full provision for all arrears owed by ex-tenants plus full provision for all current tenant arrears in excess of eight weeks old at the balance sheet date.

k) Value added tax

The Association is VAT registered but a large proportion of its income is exempt for VAT purposes and this therefore gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT, and the input VAT recovered is included in other income.

l) Taxation and deferred taxation

The surpluses of the Association are exempt from taxation as it is accepted as a charity for tax purposes.

m) Stock

When housing properties are acquired or developed with the intention that at least a proportion of the property will be disposed of within the foreseeable future, that property is held as stock and valued at the lower of cost or net realisable value.

Notes to the Financial Statements

Year ended 31st December 2009



3. Turnover, operating surplus and surplus before taxation

	Turnover £'000	Operating costs £'000	Cost of sales £'000	Operating surplus £'000	Interest receivable £'000	Interest payable £'000	2009 Surplus before taxation £'000	Turnover £'000	Costs (incl cost of sales) £'000	Operating surplus/ (deficit) £'000	2008 Surplus/ (deficit) before taxation £'000
Income and expenditure from lettings											
Housing accommodation	11,830	8,638	-	3,192		2,962	230	11,066	8,591	2,475	(395)
Shared ownership accommodation	248	28	-	220		90	130	217	84	133	53
	12,078	8,666	-	3,412		3,052	360	11,283	8,675	2,608	(342)
Other income and expenditure											
Services for Home Ownership	102	61	-	41		-	41	84	84	-	-
Sale of properties (stock)	1,918	-	1,817	101		-	101	3,933	3,450	483	483
Other	148	91	-	57		-	57	86	386	(300)	(300)
Operating results	14,246	8,818	1,817	3,611		3,052	559	15,386	12,595	2,791	(159)
Sale of fixed assets	8,752	62	8,540				150	2,137	1,208		162
Interest receivable					219		219				349
Surplus on ordinary activities before taxation							928				352

Within other income above is grant received from the following sources:

	2009	2008
Skills for Regeneration	Nil	£12,925
Charities Aid	Nil	£12,500

Notes to the Financial Statements

Year ended 31st December 2009

4. Turnover from lettings

	Housing accommodation £'000	Shared ownership £'000	2009 Total £'000	2008 Total £'000
Rents	11,093	248	11,341	10,620
Service charges	711	-	711	618
Rent losses from voids	(42)	-	(42)	(31)
	11,762	248	12,010	11,207
Revenue grants	68	-	68	76
	11,830	248	12,078	11,283

5. Operating costs from lettings

	Housing accommodation £'000	Shared ownership £'000	2009 Total £'000	2008 Total £'000
Services	946	-	946	835
Management	2,406	28	2,434	2,445
Day to day maintenance (inc. cyclical)	2,243	-	2,243	2,233
Major repairs	2,366	-	2,366	2,520
Rent losses from bad debts	75	-	75	78
Depreciation and impairment of properties	602	-	602	564
	8,638	28	8,666	8,675

Units in management at end of year

	2009 Number	2008 Number
Housing accommodation	3,281	3,197
Shared ownership	483	470
Managed on long lease	186	186
	3,950	3,853

Notes to the Financial Statements

Year ended 31st December 2009

6. Operating surplus

	2009 £'000	2008 £'000
The operating surplus is stated after charging:		
Depreciation – housing properties	602	563
Depreciation – other assets	47	32
External auditors remuneration		
– In their capacity as auditors	23	23
– In respect of other services	3	3
Operating lease rentals (office premises)	44	44
Operating lease rentals (other)	7	7
	<u>7</u>	<u>7</u>

Fees paid to auditors in respect of other services include consultancy and review of service charge statements.

7. Interest receivable and other income

	2009 £'000	2008 £'000
Bank Interest receivable	14	57
Inter-company interest receivable	205	292
	<u>219</u>	<u>349</u>

8. Interest payable and similar charges

	2009 £'000	2008 £'000
Interest on loans		
– repayable wholly within 5 years	-	-
– repayable by instalments in more than 5 years	3,288	2,324
– repayable other than by instalments	-	770
Gross interest payable	3,288	3,094
Less capitalised development interest	(236)	(144)
	<u>3,052</u>	<u>2,950</u>

Interest has been capitalised at a rate of 4.96% in the year (2008: 4.96%).

Notes to the Financial Statements

Year ended 31st December 2009

9. Employee information

The average number of staff employed by Hafod Housing Association during the year was as follows:

	2009 Number	2008 Number
Housing management	61	54
The total number of staff employed at the end of the year was:	<u>82</u>	<u>56</u>

Certain staff were employed by Hendre Limited under joint contracts of employment with all subsidiary members of the Group.

The cost of staff directly employed by Hafod Housing Association was as follows:

	2009 £'000	2008 £'000
Wages and salaries	1,437	1,203
Social security costs	132	118
Pension costs	110	99
	<u>1,679</u>	<u>1,420</u>

The charge for pension represents contributions paid by the Association to the pension schemes. Amounts payable to the schemes at the year end were £9,812 (2008: £8,297).

Additionally, Hendre Limited recharged staff costs of £857,043 (2008: £745,173) to the Association in respect of services provided by those staff under joint contracts of employment.

10. Members' and senior executives' emoluments

Total emoluments paid to senior executives of the Association were as follows:

	2009 £'000	2008 £'000
Emoluments	150	143
Pension contributions	18	17
Total emoluments	<u>168</u>	<u>160</u>
Emoluments paid to the highest paid director		
Emoluments	90	87
Pension contributions	11	10
Total emoluments	<u>101</u>	<u>97</u>

Notes to the Financial Statements

Year ended 31st December 2009

10. Members' and senior executives' emoluments (continued)

The number of the Directors who received emoluments (excluding pension contributions) in the following ranges were:	2009 Number	2008 Number
£50,001 to £55,000	-	1
£60,001 to £65,000	1	-
£85,001 to £90,000	1	1

The Managing Director is an ordinary member of the Association's defined contribution pension scheme with Scottish Widows Fund and Life Assurance Society. No enhanced or special terms apply to his membership and the Association makes no contribution to any individual pension arrangement in respect of the Managing Director.

No emoluments were paid to members of the Board during the year. Expenses paid during the year to members of the Board amounted to £5,686 (2008: £5,144).

11. Designated reserves

	Equipment renewal £'000	2009 Total £'000	2008 Total £'000
At beginning of year	42	42	42
To revenue reserves	(2)	(2)	-
At end of year	40	40	42

The equipment renewal designated reserves will be utilised in accordance with the requirements for replacing furniture, fixtures and equipment at specific schemes as and when replacement is required.

12. Revenue reserves

	2009 £'000	2008 £'000
At beginning of year	16,439	16,087
Surplus for the year	928	352
From designated reserves	2	-
At end of year	17,369	16,439

Notes to the Financial Statements

Year ended 31st December 2009

13. Housing properties

	Housing properties held for letting £'000	Housing properties under construction £'000	Shared ownership properties under construction £'000	Completed shared ownership properties £'000	2009 Total £'000	2008 Total £'000
Cost						
At beginning of year	151,855	6,820	-	5,650	164,325	154,493
Additions and other capitalised costs	453	15,854	-	-	16,307	9,915
Transfer from Hafod Care Association Ltd	7,709	-	-	-	7,709	-
Schemes completed in year	9,205	(9,205)	-	-	-	-
Transfer to Hafod Care Association Ltd	-	(8,251)	-	-	(8,251)	-
Transfer from stock	970	-	-	-	970	-
Disposals during year	(28)	-	-	(126)	(154)	(83)
At end of year	170,164	5,218	-	5,524	180,906	164,325
Depreciation						
At beginning of year	5,735	-	-	-	5,735	5,172
Charge for the year	602	-	-	-	602	563
Disposals during year	-	-	-	-	-	-
At end of year	6,337	-	-	-	6,337	5,735
Net book value						
At end of year	163,827	5,218	-	5,524	174,569	158,590
At beginning of year	146,120	6,820	-	5,650	158,590	149,321
Housing properties at cost comprise:						
Freehold land and buildings					138,945	122,364
Long leasehold land and buildings					41,961	41,961
					180,906	164,325

Direct development administration costs capitalised in the year amounted to £545,871 (2008: £328,372).

Interest of £235,985 (2008: £144,990) has been capitalised during the year.

Major repairs expenditure capitalised in the year amounted to £453,046 (2008: £653,508). In addition, a further £2,080,984 was spent on major repairs and has been written off the the Income and Expenditure account.

Notes to the Financial Statements

Year ended 31st December 2009

14. Social housing grant and other grants

	Housing properties held for letting £'000	Housing properties under construction £'000	Completed shared ownership properties £'000	2009 Total £'000	2008 Total £'000
Social housing grant					
At beginning of year	72,465	1,852	3,362	77,679	75,085
Receipts	-	8,981	-	8,981	2,660
	72,465	10,833	3,362	86,660	77,745
Schemes completed in year	4,929	(4,929)	-	-	-
Transferred from Hafod Care Association Ltd	4,569	-	-	4,569	-
Reduction on sales	(11)	-	(97)	(108)	(66)
At end of year	81,952	5,904	3,265	91,121	77,679
Other grants				2009 Total £'000	2008 Total £'000
At beginning and end of year				11,710	11,710

Social housing grant is repayable unless formally abated. Any grant becoming repayable on a property sale may be re-utilised on new property development subject to certain conditions.

15. Impairment review

Under FRS11 an impairment review is only required if there is some indication that impairment has occurred. The Association considers, in arriving at a conclusion as to whether impairment may or may not have occurred, that it is appropriate to group the income generating assets of the Association in line with that used for internal management reporting and accounting. The carrying value in each of these categories (cost less SHG, other grants and depreciation) at the year end is as follows:

	2009 £'000	2008 £'000
General needs housing accommodation	69,479	66,913
Shared ownership accommodation (including Homebuy)	8,058	8,134
	77,537	75,047

The Association is satisfied, by consideration of a number of factors, that there is no indication of impairment to the general needs or special needs category of assets, and thus considers that a full, detailed impairment evaluation is not required. In arriving at this conclusion the Association has considered the current level of demand for property across all areas and property types, the low level of void losses, current and projected cashflows, and the ongoing investment in property maintenance and improvement.

Shared ownership properties are not depreciated. Indications from recent sales of properties in this grouping are that surpluses are being generated and therefore the Association considers that there is no present indication of impairment.

Notes to the Financial Statements

Year ended 31st December 2009

16. Fixed asset investments

Investments relate to properties which the Association has funded under the Homebuy Option scheme. The investment is secured by a second charge over each property. The occupier of each property has the right to acquire the Association's investment at market value. Where the investment is funded by a grant from the Welsh Assembly Government, the amount repayable to the Welsh Assembly Government is limited to the amount of initial grant.

	2009 £'000	2008 £'000
Homebuy loans		
At beginning of year	10,211	8,327
Additions	-	2,005
Disposals	(136)	(121)
At end of year	<u>10,075</u>	<u>10,211</u>
Grants		
At beginning of year	4,365	4,460
Additions	-	27
Disposals	(89)	(122)
At end of year	<u>4,276</u>	<u>4,365</u>
Net investment at end of year	<u>5,799</u>	<u>5,846</u>
Net investment at beginning of year	<u>5,846</u>	<u>3,867</u>

17. Other tangible fixed assets

	Computers, vehicles, furniture and office equipment £'000	Service equipment £'000	2009 £'000	2008 £'000
Cost				
At beginning of year	22	414	436	315
Additions during year	38	133	171	121
Disposals during year	(3)	-	(3)	-
At end of year	<u>57</u>	<u>547</u>	<u>604</u>	<u>436</u>
Depreciation				
At beginning of year	4	194	198	166
Charge for year	14	41	55	32
Disposals during year	-	-	-	-
At end of year	<u>18</u>	<u>235</u>	<u>253</u>	<u>198</u>
Net book value				
At end of year	<u>39</u>	<u>312</u>	<u>351</u>	<u>238</u>
At beginning of year	<u>18</u>	<u>220</u>	<u>238</u>	<u>149</u>

Notes to the Financial Statements

Year ended 31st December 2009

18. Debtors due after more than one year

	2009 £'000	2008 £'000
Loan to Hendre Limited	5,000	2,500

A loan of £5,000,000 was made to Hendre Limited on 24th December 2006. The loan carries interest of 5% fixed rate. Hendre Limited repaid £2,500,000 in 2008. During 2009 Hafod advanced a further £2,500,000 to take the loan back to the £5,000,000 limit. The loan is repayable on demand after 31st December 2010.

19. Stock (property for sale)

	2009 £'000	2008 £'000
Housing properties	-	2,787

During the year, in addition to disposals of stock resulting in a surplus of £101,000 (note 3), the Association transferred one scheme to fixed assets (housing properties held for letting).

20. Debtors

	2009 £'000	2008 £'000
Debtors due within one year:		
Arrears of rent and service charges	986	1,002
Less: provision for bad and doubtful debts	(565)	(568)
	421	434
Staff loans	14	5
Other debtors and prepayments	287	494
	722	933

Staff loans of £14,225 (2008: £5,430) consists of loans to four (2008: two) employees. Terms of these loans includes a repayment period of 3 years and an interest rate of 5% per annum (APR: 9.31%).

Notes to the Financial Statements

Year ended 31st December 2009

21. Bank deposits

	2009 £'000	2008 £'000
Overnight	1,424	1,113
1 week deposit	-	1,000
Monthly or 3 months	7,000	2,000
	<u>8,424</u>	<u>4,113</u>

22. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Capital grants received in advance	1,339	163
Recyclable capital grants	1,174	-
Housing loans	141	132
Interest on housing loans	587	525
Development costs	726	611
Other taxation and social security	81	47
Other creditors and accruals	935	1,135
Inter-company creditors	3,557	920
	<u>8,540</u>	<u>3,533</u>

23. Creditors: amounts falling due after more than one year

	2009 £'000	2008 £'000
Recyclable capital grants	743	2,095
Housing loans	65,481	63,622
	<u>66,224</u>	<u>65,717</u>

Notes to the Financial Statements

Year ended 31st December 2009

24. Housing loans

Housing loans are secured by specific charges on the Association's properties. The interest rates are either fixed between 4.5% and 15% or vary with market rates.

	2009 £'000	2008 £'000
Repayable by instalments due as follows:		
Less than one year	141	132
One year or more but less than two years	147	139
Two or more but less than five years	1,521	939
Five years or more	63,813	47,544
	<u>65,622</u>	<u>48,754</u>
Repayable other than by instalments:		
In less than five years	-	-
In more than five years	-	15,000
	<u>65,622</u>	<u>63,754</u>

25. Non equity share capital

	2009 £	2008 £
Shares of £1 each fully paid and issued at par		
At beginning of year	35	34
Shares issued during the year	2	1
At end of year	<u>37</u>	<u>35</u>

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends, redemption or distributions on a winding up.

26. Capital commitments

	2009 £'000	2008 £'000
Expenditure contracted less certified	5,921	4,741
Expenditure authorised by the Board but not contracted	-	-
	<u>5,921</u>	<u>4,741</u>

The Board expect that any expenditure they have authorised will be fully financed by grants, mortgage loans and reserves.

Notes to the Financial Statements

Year ended 31st December 2009

27. Contingent liabilities

The Association is not aware of any contingent liabilities at the end of the year (2008: nil).

28. Operating leases

At 31 December 2009 the Association had annual commitments under operating leases in respect of office premises and equipment as follows:

	2009 £'000	2008 £'000
Leases expiring:		
Within one year	-	-
Between two and five years	7	7
Over five years	44	44
	<u>51</u>	<u>51</u>

29. Reconciliation of movement in funds

	2009 £'000	2008 £'000
At beginning of year	16,481	16,129
Surplus for the year	928	352
At end of year	<u>17,409</u>	<u>16,481</u>

30. Reconciliation of the operating surplus to net cash inflow from operating activities

	2009 £'000	2008 £'000
Operating surplus	3,611	2,791
Depreciation of tangible fixed assets	657	595
Working capital movements:		
Decrease/(increase) in stock	2,787	(373)
Decrease/(increase) in debtors	211	(508)
Increase/(decrease) in creditors	2,471	(1,155)
Net cash inflow from operating activities	<u>9,737</u>	<u>1,350</u>

Notes to the Financial Statements

Year ended 31st December 2009

31. Reconciliation of net cash flow to movement in net debt (note 32)

	2009 £'000	2008 £'000
Increase/(decrease) in cash in the year	26	(146)
Cash inflow from changes in debt	(1,868)	(9,815)
Cash outflow from management of liquid resources	4,311	2,504
Movement in net debt in the year	2,469	(7,457)
Net debt at 1 January	(59,528)	(52,071)
Net debt at 31 December	<u>(57,059)</u>	<u>(59,528)</u>

32. Analysis of changes in net debt

	At 1 January 2009 £'000	Cash flows £'000	At 31 December 2009 £'000
Cash at bank and in hand	113	26	139
Debt due in less than 1 year	(132)	(9)	(141)
Debt due in more than 1 year	(63,622)	(1,859)	(65,481)
Bank deposits	4,113	4,311	8,424
Total	<u>(59,528)</u>	<u>2,469</u>	<u>(57,059)</u>

33. Related party transactions

The Association is a subsidiary of Hendre Ltd and co-subsiary with Hafod Care Association Ltd, Rhondda Housing Association Ltd, Foundation Housing Tai Sylfaen Ltd and Thornhill Construction Ltd and has taken advantage of the exemptions contained in FRS 8 and therefore not disclosed group transactions or balances where 100% of the equity is controlled by the group and its parent publishes consolidated accounts. None of the Association's Senior Executives or Board had any related party transactions with the Association during the year which require disclosure.

Notes to the Financial Statements

Year ended 31st December 2009

33. Related party transactions (continued)

The following individuals who served on the Boards of either the parent or its subsidiaries were also tenants or leaseholders of the subsidiaries:

		Hendre Limited	Hafod Housing Association Limited	Hafod Care Association Limited	Rhondda Housing Association Limited	Foundation Housing/ Tai Sylfaen Limited	Yellow Wales
Mrs V Ibbertson	Tenant - Hafod Care	-	Board	Board	-	-	-
Mr I Jenkins	Leaseholder - Hafod Housing	Board	-	Board	-	-	-
Mrs G Kendall	Tenant - Hafod Housing	-	Board	-	-	-	-
Mrs S Sansom	Tenant - Hafod Housing	-	Board	-	-	-	-
Ms A Page	Tenant - Rhondda Housing	-	-	-	Board	-	-
Ms J Williams	Tenant - Rhondda Housing	-	-	-	Board	-	-
Mr R Sparks	Tenant - Rhondda Housing	-	-	-	Board	-	-
Ms C Roberts	Tenant - Rhondda Housing	-	-	-	Board	-	-
Mr S Jones	Tenant - Rhondda Housing	-	-	-	Board	-	-

The tenancies of these Board Members are on normal commercial terms and their position as Board Members does not confer any advantage on these individuals as either tenants or leaseholders.

The following individuals who served on the Boards of either the parent or its subsidiaries were also Councillors with related Local Authorities:

		Hendre Limited	Hafod Housing Association Limited	Hafod Care Association Limited	Rhondda Housing Association Limited	Foundation Housing/ Tai Sylfaen Limited	Yellow Wales
Cllr J Singh MBE, JP	Cardiff Council	-	Board	Board	-	-	-
Cllr J H Tildesley	Bridgend County Borough Council	-	-	-	-	-	Board

Any transactions with the Local Authorities above (and other related or commercial entities) are made at arm's length, on normal commercial terms and the Councillors cannot use their position to their advantage.

34. Subsidiary undertakings

On 8th January 2008 Yellow Wales, a company limited by guarantee (No. 05154189), was acquired for nil consideration and became a subsidiary of Hafod Housing Association Limited. Yellow Wales is also a registered Charity (No. 1105272).

Yellow Wales

	2009 £	9 month period to 31/03/2008 £
Country of Incorporation: England and Wales		
Nature of Activity: Services for young homeless people		
Aggregate reserves	41,405	33,732
Surplus for the period	7,673	15,085

Yellow Wales' Financial Statements have not been consolidated into Hafod Housing Association Limited as they are consolidated into the ultimate parent, Hendre Limited. A copy of Yellow Wales' Financial Statements are available on request from the registered office: Yellow Wales, Flat 4, Hartshorn House, Neath Road, Maesteg, CF34 9EE.