



REPORT AND FINANCIAL STATEMENTS

FOR THE REPORTING DATE 31 MARCH 2019

Cadwyn Housing Association
Report and Financial Statements
For the Reporting Date 31 March 2019



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Board Members, Senior Executives, Advisors and Bankers

Registered Office

197 Newport Road, Cardiff, CF24 1AJ

Co-operative & Community Benefits Societies Registered Number 18805R
Welsh Government Registered Number L019

Board

Chair	Ms J.James	
Vice-Chair	Mr J.Union	
Other Members	Ms K. Dalton Ms N. Eynon Mr M. Stevens Ms J. Harking – retired Mr J. Roberts – retired Ms S. Hughes	Mr I. Jones – retired in year Mr D. Walker Ms C. Madge Mr P. Riley - Appointed Mr P. Evans - Appointed

Senior Executives

Chief Executive / Company Secretary	Ms K. Palmer
Director of Asset & Investments	Mr A. Bateson
Director Making places, Changing Lives	Ms H. Armstrong
Director of Finance & Resource/Deputy Company Secretary	Mrs S. Daniel

External Auditors

Bevan Buckland LLP
Langdon House, Langdon Road
Swansea Waterfront
SA1 8QY

Internal Auditors

TIAA
90 Victoria Street, Bristol, BS1 6DP

Principal Solicitors

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

Principal Bankers

Barclays Bank PLC
Windsor Court, 3 Windsor Place Cardiff, CF10 3BT



Strategic Report

Mission and Values

Introduction

Cadwyn is a community housing association, working predominantly in Cardiff. We own or manage over 2000 homes. We were originally established in 1968, celebrating our 50th anniversary this year. Our mission is “to provide good quality homes and build communities through partnership and innovation”

Our Vision

To be leading and innovative, enabling people and communities to realise their potential.

Our Values

- To aim for excellence in everything we do
- To empower staff and tenants
- To be committed to sustainability
- To be innovative
- To have both personal and organisational integrity
- To be business like
- To achieve equality and diversity in the services we provide and the opportunities we offer
- To be accountable



Strategic Report continued

Business review

Our Business Model

In the last decade, our business model has changed from one where we just build and manage social housing and provide services to tenants and the wider community. The Board decided it was important that we diversified and created other income streams to support our core purpose. Much of the early work began and remains in Cadwyn, but after considerable research and advice, we established a commercial subsidiary called Igneous in December 2018.

Our business model (and risk maps) are based on six pillars:

- Securing Cadwyn's income
- Maximising tenants income
- Obtaining the best value for money
- Generating additional income
- Keeping the staff on board
- Satisfying regulators

Securing Cadwyn's income

On the capital side, Cadwyn work closely with Cardiff Council to contribute to resolving a wide range of housing needs and securing social housing grant for new homes. In 2018/19, we drew down £1.982m in SHG. On the revenue side, we continued to invest to sustain a highly effective rent collection team that supports tenants to pay their rent. We currently have 180 tenants on Universal Credit and have maintained our Rent collection performance at 99.6% for Cadwyn owned homes. We have also maintained high rent collection performance on our managed schemes achieving 97% for CanDo Lettings, 98% for Four Walls and 95% for Calon.



Strategic Report continued

Maximising tenants' income

Where we can, we have installed solar PV to enable tenants living in those homes to benefit from cheaper electricity. 98.5% of our homes meet or are higher than the WG minimum SAP rating, again reducing fuel costs for tenants.

We run a service aimed mostly at tenants (but is still open for wider access) called Realise Your Potential, aimed at increasing skills and confidence to help tenants gain access to work. This year we have focused our efforts on Cadwyn tenants to supporting those that are most affected by Universal Credit. In 2018/19 we supported 125 people in the community, 96 were Cadwyn tenants. 16 of these secured jobs during 2018/19, of which 12 were Cadwyn tenants.

Our NuLife furniture project provides budget furniture and white goods for those on a low income and is used by many families needing to set up a home for the first time. Families and single persons moving into Cadwyn's Temporary Accommodation receive funding from the Local Authority to purchase affordable furniture and white goods. On average we furnish a home with a fridge freezer, electric cooker and washing machine for under £200 delivering significant savings to our tenants.

This year the rents team obtained £5K in rent rescue payments. This kept 5 families in their homes enabling them to bring their rent accounts up to date and access advice to help manage their money and maximise their income. 140 referrals were made to other agencies as a result of the rents team intervention. For our managed properties we secured £8K in rent rescue payments for the tenants in Calon and CanDo Lettings. This kept 5 families in their homes.

The financial inclusion service made tenants better off by £35K. This included Warm Home Discounts, Bereavement Support Payments and Welsh Water Customer Assistance Fund payments.

This year, we carried out benchmarking on our rents using the JRF model (Joseph Rowntree model). The basis of this theory is that lower income households should not spend more than a third of their gross income on rent, which includes service charges. Based on 2019 Cadwyn rents the highest rent in Cadwyn equated to 22% of gross income, which is considerably lower than a third recommended in the JRF model. We are doing further work on tenant affordability and are looking at other methods.

Obtaining the best value for money

During the start of the year we experienced higher costs than anticipated for delivering our maintenance service. We undertook a review of our control systems and procurement practice, restructured the team and outsourced some of the service to an external contractor which enabled us to achieve the budget in the second half of the year.



Strategic Report continued

Generating additional income

Four Walls Online is our estate agency dealing with sales and professional lettings. This was its second year of operation and 19 sales were completed. With a current portfolio of 95 private sector professional lettings, Four Walls has recently taken over responsibility for fulfilling Cadwyn's obligations for the letting and management of the homes at the Mill. The Mill is a prestigious regeneration project in the Canton area of Cardiff, and Cadwyn is contracted for the letting and management of 442 homes for a period of 10 years.

We are on site with the first phase of the Bute Dock East (The Wharf). The first phase includes both social and open market sales. Future phases regarding tenure will be decided following the completion of phase 1. Establishing a commercial subsidiary, independent of Cadwyn, will enable us to separate risk and improve tax efficiency.

Keeping the staff on board

An independent staff survey was carried out in 2017. 75% of staff said that they would recommend Cadwyn as a place to work and it gave insight to what staff would like to see us improve. We are due to undertake another staff survey in 2019 and intend to develop a people strategy to compliment the survey.

Satisfying Regulators

2017/18 brought a change in the Regulatory Framework, with judgements for "financial viability" and "Governance and Landlord Services" being introduced. In December 2018, Cadwyn received a "Standard, Standard" judgement, the highest rating that can be awarded.

This year has seen a focus on developing a board assurance framework. Any gaps identified from this will form an action plan for further improvements.

Following on from the introduction of the asset and liability register last year we have undergone recovery planning testing with the Board and leadership team. This has helped us to better understand what we would need to do should the perfect storm become a reality.



Strategic Report continued

Risk and Uncertainty

Understanding and mitigating risk is a key Board responsibility. The Executive team review the risk maps (strategic and operational) quarterly, with the Board reviewing twice a year. Risk movement is highlighted and discussed.

Capital risk in commercial investment will be mitigated by development being carried out in the subsidiary company, with a separate Board suitably qualified to understand the challenges. Treasury management, tax risks and pensions advice are managed by accessing independent consultants.

Revenue risk is mainly created by the changing welfare reforms that have reduced tenants' income, on the assumption that they would be better off in work. Additionally the introduction and roll out of Universal Credit paid directly to tenants creates uncertainty to our future income. Provisions for bad debts have increased in our budgets and our staff members are working hard to support tenants to pay

Governance

The Board are committed to complying with the existing Community Housing Cymru's Code of Governance and have altered existing practice as a consequence. Following the AGM in 2018, no members served more than the fixed term period stated in the Rules.

We have been working on a new Board Assurance Framework (BAF) with the Board and external consultants. This framework has allowed us to identify what our main assurance sources are and to co-ordinate them to best effect. The Governance, HR and Equality committee will have oversight of the BAF and associated action plans with the Board reviewing it annually.

Currently, members are unpaid volunteers, receiving only legitimate expenses during the year. In 2018/19 this amounted to £836 (2017/18: £577).

Cadwyn participates in the Community Housing Cymru's annual benchmarking survey for terms and conditions of all staff. Any changes to senior staff salaries are determined by the Governance, Equalities and HR Committee, using this publication and following up if necessary with other sources. Other salary adjustments and any Cost of Living increase is reviewed as part of the Budget process.



Strategic Report continued

Prospects for the Future

The Board has been focused on building a sustainable organisation for the future and laying the infrastructure for diversification. This has included the establishment of the group structure.

This year's budget will come in slightly over forecast. The Surplus for the year is £1M, compared to the £886K that was forecast, this is primarily due to some staff restructuring during the year.

Audit Committee

This committee is made up of four members of the Board and is led by a committee Chair. The Committee meets at least three times a year. The Committee's delegated authorities and calendar of prioritised work have not changed substantially from previous years. The key responsibilities of the Committee are to monitor external audit, internal audit reports, evaluating risk and ensuring that an appropriate control system is in place.

Governance, Equalities and HR Committee

This committee was established this year and is made up of four members of the Board and is led by a committee Chair. The Committee meets quarterly. The key responsibilities of the Committee include recommending a broad policy on remuneration and terms and conditions for staff, including Executive Team; review compliance with the Code of Governance; consider appeals by staff and termination arrangements outside contract of employment and consider specific governance and equality issues.

Pension

The Social Housing Pension Scheme is a defined benefit scheme. In previous financial years this has been shown in our accounts under defined contribution accounting rules as sufficient information was not available to disclose correctly. This year the information has been provided by The Pensions Trust and we have amended our accounting policy.

This has resulted in a one off adjustment in other comprehensive income in the SOCI to recognise the brought forward liability in the financial statements.



Strategic Report continued

Gender pay gap

The gender pay gap is the difference between the average earnings of men and women, expressed relative to men's earnings.

Cadwyn had in employment 126 (2018: 117) relevant employees as at 31st March 2019;

2018	53% Female	47% Male
2019	62% Female	38% Male

	31 March 2019 Women's earnings are:	31 March 2018 Women's earnings are:
Mean gender pay gap	2.81% lower	2.18% higher
Median gender pay gap	4.72% lower	2.73% higher

Statement of Internal Control

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 have established the following procedures in order to provide on-going effective internal financial controls:

- Written financial procedures with headline delegated authorities, which are reviewed annually to ensure they are fit for purpose;
- Comprehensive system of financial reporting including annual budgets and quarterly management accounts, to report actual performance against budget and to highlight variances;
- Monitoring of the internal financial controls and procedures by the Association's internal auditor and (for the year-end) by the external auditors. These reports are reviewed by Audit Committee and the Board.



Strategic Report continued

Statement of Board responsibilities

The Board is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. The Co-operative and Community Benefit Societies Act 2014 and Registered Social Landlord legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period.

In preparing those financial statements, the Board is required to select suitable accounting policies, as described on pages 19 to 59, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The Board must also 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, which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the relevant legislation.

The Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and the integrity of the corporate and financial information included on the Association's website.

In so far as the Board is aware:

- there is no relevant audit information of which the Association's auditors are unaware; and
- the Board has taken all steps that they ought to have taken to make itself aware of any relevant audit information and to establish that the auditors are aware of that information.

A resolution to re-appoint Bevan Buckland as auditors was proposed and approved by the Board on 3rd July 2019.

The Annual General Meeting will be held on 12th August 2019

This report has been approved by the Board on 3rd July 2019

Signed by company secretary



Independent Auditors' Report to the Members of Cadwyn Housing Association Limited

In addition to our audit on the financial statements for the year ended 31st March 2019, we have reviewed the Board's statement of Cadwyn Housing Association's compliance with the Welsh Government Circular 02/10, Internal Financial Control and Financial Reporting ("the Circular").

The objective of our review is to enable us to conclude on whether the Board has provided the disclosures required by the Circular and whether the statement is consistent with the information of which we are aware from our audit work on the financial statements.

We are not required to form an opinion on the effectiveness of the Association's corporate governance procedures or its internal financial control.

Opinion

With respect to the Board's statement on internal financial control, in our opinion the Board of Management has provided the disclosures required by the Circular and the statement is consistent with the information of which we are aware from our audit work in the financial statements.

Bevan Buckland LLP

Bevan Buckland LLP
Chartered Accountants & Statutory Auditors
Langdon House
Langdon Road
Swansea
SA1 8QY

31/7/19

Date:



Independent Auditors' Report to the Members of Cadwyn Housing Association Limited continued

We have audited the financial statements of Cadwyn Housing Association for the year ended 31st March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion the financial statements:

- give a true and fair view of the state of the associations' affairs as at 31st March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors responsibilities for the audit of the financial statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you if, in our opinion:

- the board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Independent Auditors' Report to the Members of Cadwyn Housing Association Limited continued

Other information

The board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Report of the Independent Auditors thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board of Management.

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the board

As explained more fully in the Statement of Responsibilities of the Board, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.



Independent Auditors' Report to the Members of Cadwyn Housing Association Limited continued

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Independent Auditors that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Independent Auditors.

Use of our report

This report is made solely to the association's members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. 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.

Bevan Buckland LLP

Bevan Buckland LLP
Chartered Accountants & Statutory Auditors
Langdon House
Langdon Road
Swansea SA1 8QY

Date: *31/1/19*



Statement of Comprehensive Income

For the reporting period ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Turnover - Continuing Activities	2	13,868	11,470
Less: Operating costs	2	(11,560)	(9,453)
Operating Surplus - Continuing Activities	6	2,308	2,016
Gain / (Loss) on disposal of property, plant and equipment	7	31	48
Finance Income	8	5	6
Finance costs	9	(1,342)	(1,247)
Movement in fair value of Investment properties	11	-	32
Surplus on ordinary activities before taxation		1,002	855
Tax on surplus on ordinary activities	24		7
Surplus for the year		1,002	862
Initial recognition of multi-employer defined benefit scheme		(1,286)	
Actuarial losses in respect of pension schemes		(495)	
Total comprehensive income for the year		(779)	862



Statement of Financial Position

For the reporting period ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Non Current Assets			
Property Plant & Equipment			
Social Housing properties	10a	92,755	91,423
Other property plant and equipment	10b	1,454	1,550
		<u>94,209</u>	<u>92,973</u>
Investment	11	2,290	2,290
		<u>96,499</u>	<u>95,263</u>
Current Assets			
Stock	12	471	
Trade receivables - due within one year	12a	2,327	985
Trade receivables - due after more than one year	12b	1,267	1,107
Cash		2,050	2,463
		<u>6,115</u>	<u>4,555</u>
Creditors: amounts falling due within one year			
Creditors	14	(7,672)	(2,972)
Government Grants	15a	(360)	(320)
		<u>(8,032)</u>	<u>(3,292)</u>
Net current assets / (Liabilities)		<u>(1,916)</u>	<u>1,263</u>
Total assets less current liabilities		94,583	96,526
Creditors falling due after more than one year:			
Creditors	15	(34,176)	(39,992)
Government Grants	15a	(51,204)	(49,495)
Provision for liabilities :			
Pension provision	19	(2,941)	-
		<u>6,262</u>	<u>7,040</u>
Equity			
Called up share capital	16	-	-
Total Reserves		6,262	7,040
		<u>6,262</u>	<u>7,040</u>

These financial statements were approved by the Board on 3rd July 2019 and were signed on its behalf by:-


Chair


Board Member


Company Secretary



Statement of Income and Retained Earnings

For the reporting period ended 31 March 2019

Retained earning 1st April 2017

Restatements for changes in accounting policy
 Retained earnings brought forward
 Retained earnings for the reporting period UK GAAP
 Restatements for changes in accounting policy
 Retained earnings for the reporting period
 Surplus for the year
 Transfers (to)/from designated reserves

Note	Revenue Reserve	Designated Reserves	Total 2018
	£000's	£000's	£000's
	6,018	160	6,178
	-	-	-
	6,018	160	6,178
	-	-	-
	6,018	160	6,178
	-	-	-
	6,018	160	6,178
	862	-	862
	4	(4)	-
Retained Earnings 31st March 2018	6,884	156	7,040

Retained earning 1st April 2018

Restatements for changes in accounting policy
 Retained earnings brought forward
 Retained earnings for the reporting period
 Restatements for changes in accounting policy
 Retained earnings for the reporting period
 Surplus for the year
 Other Comprehensive Income
 Transfers (to)/from designated reserves

Note	Revenue Reserve	Designated Reserves	Total 2019
	£000's	£000's	£000's
	6,884	156	7,040
	-	-	-
	6,884	156	7,040
	-	-	-
	6,884	156	7,040
	1,002	-	1,002
	(1,781)	-	(1,781)
	(18)	18	-
Retained Earnings 31st March 2019	6,086	174	6,262



Statement of Cash Flow

For the reporting period ended 31 March 2019

	2019	2018
	£'000	£'000
Operating Surplus	2,308	2,016
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	1,671	1,566
Government grants utilised in the year	(359)	(344)
Decrease/(increase) in trade and other debtors	(954)	(389)
Decrease/(increase) in trade and other creditors	1,326	(174)
Carrying amount of PPE disposals	151	
Pension deficit contributions paid	-	(182)
Net cash generated from operating activities	4,142	2,493
Interest received	5	6
Interest on mortgage fees paid	(1,325)	(1,251)
Taxation paid	-	7
Adjustments for reinvestment in existing properties:		
Component replacements	(1,092)	(863)
Purchase of other replacement fixed assets	(135)	(241)
Free cash generated / (consumed) before loan repayments	1,596	152
Loans repaid	(2,712)	(966)
Free cash consumed after loan repayments	(1,116)	(814)
Cash flow from investing activities		
Purchase and development of properties	(3,066)	(9,772)
Proceeds from sale of properties and other fixed assets	386	814
Grants received	2,383	3,796
Cash flow from financing activities		
New secured loans	1,000	7,017
Net (decrease) / increase in cash and cash equivalents	(413)	1,041
Cash and cash equivalents at the beginning of the year	2,463	1,422
Cash and cash equivalents at the end of the year	2,050	2,463



Notes to the Cash Flow

For the reporting period ended 31 March 2019

(b). Reconciliation of net cashflow to movement in net debt

	2019 £'000	2018 £'000
Increase/(decrease) in cash	-	1,041
Cash (inflow)/outflow from (increase)/decrease in debt and lease finances	1,678	(6,099)
Non Cash movement on debt	33	49
(Increase)/ decrease in net debt from cash flows	1,711	(5,009)
(Increase) in net debt		
Net debt at 31st March 2018	(37,672)	(32,663)
Net debt at 31st March 2019	(35,961)	(37,672)

(c). Analysis of net debt

	1st April 2018	Cashflow	31st March 2019
	£'000	£'000	£'000
Cash at bank and in hand	2,463	(414)	2,050
Debt due in less than one year	(1,135)	(3,113)	(4,248)
Debt due in more than one year	(39,000)	4,824	(34,176)
Changes in debt	(40,135)	1,711	(38,424)
Changes in net debt	(37,672)	1,297	(36,374)



Notes to the financial statements

For the reporting period ended 31 March 2019

1. Principal Accounting Policies

Format and Basis of Accounting

The principal accounting policies of the Association are set out in the paragraphs below. These Financial Statements have been prepared under the historical cost convention as modified by the revaluation of office premises and in accordance with applicable Accounting Standards, the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014 and the Accounting Requirements for Social Landlords Registered in Wales – General Determination 2015.

Turnover

Turnover represents rental and service charge income receivable (net of empty properties), amortisation of grants, income from revenue based Government grants, other grants and management fees receivable (including contributions towards running costs) from managing agents net of VAT where applicable. Commercial incomes are from design and build contracts with Cardiff Council.

Social Housing Grant/Other Grants

Social Housing Grant (SHG) is receivable from Welsh Government. The accruals model is applied on all SHG received. SHG is recognised in income over the expected useful life of the housing property structure. On disposal of an asset for which Government grant was received any unamortised grant remaining within liabilities will be recognised as revenue in the Statement of Comprehensive Income unless it is repayable. SHG is repayable under certain circumstances primarily following the sale of a property, but will normally be restricted to the net proceeds of sale. However the Association is able to recycle the grant over an unspecified period although this will be periodically reviewed by Welsh Government. SHG is secondary in respect of loans by agreement with the Welsh Government.

Included in Government Grants under construction is a Housing Finance Grant (HFG). This is a grant paid by the Welsh Government towards the cost of housing assets. The grant will be paid over a period of 30 years but delivery of the housing will take place in the first few years of the 30 year plan. The primary purpose of HFG is to subsidise the capital and interest cost for the provision of affordable housing. Upon confirmation of the HFG the net present value of the grant receivable is shown as a capital grant in a similar manner to Social Housing Grant.



Notes to the financial statements

For the reporting period ended 31 March 2019

A deferred debtor for the value of the HFG is shown under assets. When the grant is received the capital element is allocated against the debtor and the remainder credited to finance costs in the statement of comprehensive income.

If a grant is received specifically to replace a component then it will be recognised in income over the expected useful life of the component.

Other grants shown in the Statement of Financial Position include grant monies received from CADW for the refurbishment of Old Ty Bronna House, a Grade 2* listed building owned by the Association and run in partnership with Church Army, together with recycled capital grant received upon the sale of homes.

Government grants which satisfy the criteria under the performance model are taken to income.

Housing Properties

Properties are shown at cost less depreciation. The cost of properties represents the cost of acquiring land and buildings, development costs and those costs relating to administration within the Investment Department of the Association. Development administration costs are capitalised only to the extent that they are directly attributable to bringing the property into working condition for its intended use. Such costs represent specific development costs together with the incremental cost to the Association that would have been avoided if the property had not been constructed or acquired. Interest on loans raised to finance developments are capitalised up to two months after the last day of the month in which practical completion occurred. All items of property plant and equipment shall be measured, after initial recognition, using the cost model. Component accounting was introduced in 2014 and resulted in the following:

- Housing properties are split into 14 components all with varying lifecycles as detailed below:
- The Land component is not depreciated, all other components are depreciated on a monthly basis depending on the lifecycles (detailed below):
- Replacement components are identified separately and allocated to specific housing properties:
- Where a net book value exists on a replaced component, the value is written off to the statement of comprehensive income:
- Lifecycles Components.

Land not depreciated

Structure			
Rehabilitated Properties	100 years	Newbuild Properties	150 years

Depreciation on structure is calculated on cost



Notes to the financial statements

For the reporting period ended 31 March 2019

Components are depreciated on the following basis:

Roof	150 years	Solar PV	25 years
Electrical Consumer unit	30 years	Bathrooms	28 years
Electrical Wiring	30 years	Kitchens	19 years
Windows	30 years	Heating	18 years
Doors	26 years	External buildings - sheds	15 years
External works	26 years		

Home Farm

In 2015, we built 47 units as a co-operative scheme which has been capitalised and depreciated over their expected useful life. Under this scheme we lease the properties to the co-operative for seven years. Maintenance and repairs of the properties is the responsibility of the co-operative. In 2019 the plan is to bring the properties back under management of Cadwyn and disband the co-operative. The properties will be managed as part of general stock.

Impairment

Housing properties are annually reviewed for impairment. Where there is evidence of impairment, housing properties are written down to their recoverable value.

Other fixed assets

Other (non-housing) tangible fixed assets are stated at cost less accumulated depreciation. Depreciation has been provided to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used are:-

- **Other Property Assets** - Depreciated at 2% per annum on a straight line basis.
- **Motor Vehicles** - Depreciated over the term of expected useful life, down to the estimated net realisable value, using the reducing balance method.
- **Office/Property Furniture and Equipment** - Office furniture and equipment is depreciated at 15% per annum on a reducing balance method. Property furniture and equipment is depreciated on a reducing balance method over the anticipated useful lives of the assets. Computer Equipment is depreciated on a straight line basis over four or ten years depending on anticipated useful life.
- **Capital Plant** – Depreciated at 25% per annum on a straight line method.



Notes to the financial statements

For the reporting period ended 31 March 2019

Investments

Investments are valued at fair value through the Statement of Comprehensive Income. The only exception to this is where the increase is immaterial in this case we would not adjust the value in the financial statements. Formal valuations are carried out at each reporting date by an independent valuer.

Cash and Bank

The Association has a treasury policy, which is concerned with the effective control of the risks associated with the management of its cash flows. The Association has a mixed loan portfolio and this will include tools available to maximise interest received and reduce interest payable. Therefore the Association has entered into a revolving credit facility with Barclays Bank and this is presented in the financial statements in accordance with FRS 102.

Financial Instruments

When recording Financial Instruments the provisions of both Section 11 and 12 of FRS 102 have been applied in full. Private finance costs have been amortised over the term of the loan using the effective interest method. For variable rate loans the liability has been adjusted to reflect changes in market rates of interest which is recognised in the Statement of Comprehensive Income as an interest adjustment.

Interest

Interest is accrued for the period to which it relates. Interest payable on material development cash flows that are funded by the Association are capitalised to the cost of that development at the cost of available funding for the period

Reserves

The Association's Revenue (or general) Reserve has built up over a number of years from annual surpluses generated from its core business.

The Property Dilapidations reserve will be utilised to fund repairs (if so required) to those properties currently leased under the Calon Adref project, prior to handover back to the landlords (after three years) and properties leased for Temporary Accommodation.



Notes to the financial statements

For the reporting period ended 31 March 2019

Pension Costs

The Association participates in the Social Housing Pension Scheme (SHPS) a multi-employer defined benefit scheme and retirement benefits to employees of the Association are funded by contributions from all participating employers and employees of the scheme. The Scheme is funded and is contracted out of the state 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"

Historically, TPT has not been able to provide sufficient information for Cadwyn's share of SHPS to allow defined benefit accounting to be applied. Instead, in accordance with FRS 102 paragraphs 28.11 and 28.11A and Housing SORP paragraphs 15.9 to 15.12, we have accounted for SHPS as a defined contribution scheme and recognised a liability for the present value of the social landlord's deficit funding agreement. This is the first year that sufficient information has been available to account for the scheme as defined benefit. We have therefore changed our accounting policy in this financial year.

The result of the change in accounting policy is that the difference between the deficit funding agreement Cadwyn currently recognise for SHPS, and the net DB deficit, has been recognised in other comprehensive income. This adjustment has been applied from 1 April 2018.

Apportionment of Employee and Administration Costs

Costs are attributable to activities where they can be identified and are apportioned to the relevant sections of the Statement of Comprehensive Income where such an attribution is not possible. This apportionment is generally made in relation to the full time equivalent numbers of staff within each area.

Holiday pay/flexible working

Flexible working pay is accrued at each reporting date. The holiday year was changed in line with the accounting year therefore Holiday pay is no longer accrued for at the year end.

Commercial Income and Costs

During the year we entered into design and build contracts with Cardiff Council. We have recognised all income and costs to date in relation to the contracts in the Statement of Comprehensive Income during the year.



Notes to the financial statements

For the reporting period ended 31 March 2019

Hostels

Nightingale House and Hafan are directly managed family hostels. The rental income and grant monies receivable have been included within the supported housing column in note 3.

Other Hostels are managed by agencies. Social Housing Grant and other revenue grants are claimed by the Association as owner of the hostel premises. The grants are included in the Statement of Comprehensive Income and Statement of Financial Position of the Association. The treatment of other income and expenditure in respect of hostels depends upon whether the Association carries the financial risk. Where the Agency carries the financial risk, the Statement of Comprehensive Income includes only that income and expenditure which relates solely to the Association. Other income and expenditure relating to the hostels (within this category) is excluded. (See note 3)

Leasing Schemes – Calon Adref / CanDo Lettings /Temporary Accommodation

These leasing schemes involve the Association working in partnership with Cardiff Council and private and other social landlords. The Calon Adref and Temporary Accommodation scheme leases family accommodation from private and other social landlords. The CanDo Lettings scheme aims to get homeless people rehoused in the Private Rented Sector (PRS), speeding up the move-on from hostels and reducing the blocking up of hostel bed spaces. All costs incurred in bringing the scheme on-line have been expended to the Statement of Comprehensive Income.

Grants from other agencies

During the year Cadwyn received grants from the following

- Big Lottery – NuLife
- Comic Relief – NuLife

Money received is set against appropriate expenditure with any balance of money received held within “Other creditors”.



Notes to the financial statements For the reporting period ended 31 March 2019

Taxable Activities

The Association benefits from the taxable Feed in Tariff energy from over 170 solar photovoltaic installations which is sold to the National Grid.

Other taxable activities include Four Walls, Commercial units for rent and Commercial developments that generate a management fee.

Operating leases

The Association has various operating leases. The costs are charged to the Statement of Comprehensive Income and a note has been included to show the Association's liability at the reporting date.

VAT

The majority of the Association's business is exempt from VAT and the partial exemption method is applied to recover amounts where applicable. The Association has agreed a special method of VAT recovery with HMRC in the year. The financial statement amounts are generally shown gross with VAT costs incurred however any taxable income and associated costs will be shown net.

Going Concern

The Association continues to adopt the going concern basis in preparing its financial statements.

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.



Notes to the financial statements

For the reporting period ended 31 March 2019

Significant management judgements

The following are management judgements in applying the accounting policies of the Association that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

The Association has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. Specifically this includes whether there is an impairment indicator for a cash-generating unit. For these purposes a cash-generating unit is defined as a property scheme.

Defined benefit pension scheme

The Association has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Estimation uncertainty

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Depreciation

Tangible fixed assets, other than investment properties, are depreciated over their useful lives based on various factors. The actual lives of the assets are re-assessed on a periodic basis and may vary depending on the standard of the asset. For housing property assets, the assets are broken down into components based on management's assessment of the properties and the specific costs incurred in replacing these components. Individual useful economic lives are assigned to these components.



Notes to the financial statements

For the reporting period ended 31 March 2019

2. Turnover: operating surplus and surplus before taxation by class of business

	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Social Housing			
Housing accommodation - Fully rented	7,476	(5,329)	2,147
Supported Housing	942	(862)	80
	<u>8,418</u>	<u>(6,191)</u>	<u>2,227</u>
Non Social Housing Activities			
Leasing Scheme Properties	3,006	(3,218)	(212)
Other	44	(44)	0
	<u>11,468</u>	<u>(9,453)</u>	<u>2,015</u>
Operating surplus for the year 31st March 2018			<u>2,015</u>
	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Social Housing			
Housing accommodation - Fully rented	8,311	(6,080)	2,231
Supported Housing	867	(889)	(22)
	<u>9,178</u>	<u>(6,969)</u>	<u>2,209</u>
Non Social Housing Activities			
Leasing Scheme Properties	3,137	(3,205)	(68)
Other & Commercial	1,553	(1,386)	167
	<u>13,868</u>	<u>(11,560)</u>	<u>2,308</u>
Operating surplus for the year 31st March 2019			<u>2,308</u>



Notes to the financial statements

For the reporting period ended 31 March 2019

3. Turnover from lettings

	General Needs and Sheltered Housing	Supported Housing	Leasing Scheme	Other	Total 2019	Total 2018
INCOME	£'000	£'000	£'000	£'000	£'000	£'000
Rents receivable	7,121	434	2,140	-	9,694	9,047
Service charges Income	357	27	945	-	1,329	1,171
Income for Support Services	66	406	-	-	471	474
Amortised Government Grants	359	-	-	-	359	344
Other Income	409		52	64	526	432
Commercial Income	-	-	-	1,489	1,489	-
Turnover from Social Housing						
Lettings	8,311	867	3,137	1,553	13,868	11,469
COST						
Management Costs	1,591	868	2,451	-	4,910	4,712
Service Charge Costs	318	-	-	-	318	326
Routine Maintenance	1,536	19	679	47	2,281	2,197
Major Repairs expenditure	850	-	-	-	850	509
Bad Debts	17	2	75	-	94	101
Depreciation of housing properties	1,626	-	-	-	1,626	1,350
Other Costs	144	-	-	-	144	258
Commercial Spend	-	-	-	1,339	1,339	-
Operating Costs on social housing activities	6,080	889	3,205	1,386	11,560	9,453
Operating surplus / (deficit) on social housing lettings	2,231	(22)	(68)	167	2,308	2,016
Rent Loss Due to Voids (memorandum note)					213	205
Tenant Support and Community Development (memorandum note)					66	66



Notes to the financial statements

For the reporting period ended 31 March 2019

4. Board Members and Executive Management Team

No emoluments were paid to the Board Members during the year (2018: £nil). Total Expenses reimbursed to the Board Members for the year amounted to £265 (2018: £577).

The emoluments paid to the highest paid director excluding pension contributions were £88,169 (2018: £105,235). In comparison to the lowest paid employee this represents a ratio of 5.3:1

Aggregate emoluments payable to key management personnel in the year:-

	Basic salary (Gross & ER's NIC)	Benefits in kind	Pension contributions	2019 Total	2018 Total
Aggregate emoluments	344,354	0	22,148	366,502	427,577

The Chief Executive retired in December 2018 and the position was not filled until March 2019 resulting in a lower remuneration cost for the year compared to previous.

Key Management personnel whose remuneration, excluding pension contributions, were in the following ranges:-

	2019 No.	2018 No.
£Nil	-	-
£1-£50,000	6	8
£50,001 - £60,000	2	2
£60,001 - £70,000	1	-
£70,001 - £80,000	-	1
£80,001 - £90,000	4	2
£90,001 - £100,000	-	-
£100,001 - £110,000	-	1

Pension costs are shown as contributions paid on the senior executives 'behalf. The Chief Executive is a member of the Social Housing Pension Scheme on the same basis as other members of the Association. Pension contributions made to the Social Housing Pension Scheme on behalf of the Chief Executive were calculated on the same basis as other eligible pension scheme members. No enhanced or special terms are applied. Total expenses reimbursed to the senior executives for the year amounted to £2,931 (2018: £2,472).

Notes to the financial statements

For the reporting period ended 31 March 2019

5. Employees

The average number of full time equivalents (including executives) employed during the year was:

2019	2018
No.	No.
106	117
2019	2018
£'000	£'000
3,526	3,036
214	284
163	172
3,902	3,493

6. Operating Surplus

Operating surplus

The operating surplus is stated after charging:-

2019	2018
£'000	£'000
1,389	1,241
15	14
94	101



Notes to the financial statements For the reporting period ended 31 March 2019

7. Gain/(Loss) on disposal of property, plant and equipment

	2019 £'000	2018 £'000
Sales Proceeds	386	815
Cost	(394)	(1,095)
Accumulated Depreciation	39	328
Gain/(loss) on disposal	31	48

8. Finance Income

	2019 £'000	2018 £'000
Interest receivable	5	6

As part of the terms of the loan THFC hold interest in advance. The movement represents interest earnt on the balance during the year.



Notes to the financial statements

For the reporting period ended 31 March 2019

9. Finance Costs

	2019	2018
	£'000	£'000
Interest on loans repayable in instalments within five years	335	354
Interest on loans repayable in instalments wholly or partly in more than five years	1,189	1,007
Capitalised Interest	(99)	(115)
Imputed Interest from effective interest rate	35	47
Finance charge on re-measurement of pension liability	-	16
Remeasurements - impact of any change in assumptions	-	(16)
Net Interest expense (pension)	(63)	-
HFG finance cost contribution	(55)	(46)
	1,342	1,247

Imputed Interest from effective interest rates relates to loan acquisition costs (e.g. commitment fees). Previously these were capitalised, now they are set against the available loan balance (creditor) and amortised over the minimum term of the associated financial instrument, using the effective interest method.

Finance charge on re-measurement of pension liability reflects the Associations liability in respect of obligations to make future payments into the scheme in respect of the scheme trustees recovery plans. This now appears as a liability, representing the net present value of those future payment obligations, on the Statement of Financial Position.

During the year there was a change in accounting policy for the Social Housing Pension Scheme. We now account for the scheme under defined benefit accounting reporting standards. This has resulted in a net interest expense.



Notes to the financial statements

For the reporting period ended 31 March 2019

10a. Property, Plant and Equipment

	Under		
	Completed	Construction	Total
Cost	£'000	£'000	£'000
At 31st March 2018	99,668	11,366	111,034
Schemes completed in year	7,256	(7,256)	-
Additions	1,283	3,203	4,486
Disposals	(978)	(28)	(1,006)
Transferred to Work In progress	(195)	(891)	(1,086)
At 31st March 2019	107,034	6,394	113,428
 Depreciation			
At 31st March 2018	19,611	-	19,611
Charge for the year	1,450	-	1,450
Eliminated on disposal	(321)	-	(321)
Transferred to Work In progress	(67)	-	(67)
At 31st March 2019	20,673	-	20,673
 Net book value			
At 31st March 2019	86,361	6,394	92,755
At 31st March 2018	80,057	11,366	91,423

Development administration costs amounting to £217,969 (2018: £264,507) have been capitalised and included in the above.



Notes to the financial statements

For the reporting period ended 31 March 2019

10a. Property, Plant and Equipment (continued)

The following adjustments were made in relation to the introduction of component accounting:

	2019 £'000	2018 £'000
Written off to the Income and Expenditure account	144	121
Capitalised components included in additions	1,092	864
	<hr/>	<hr/>
	2019 £'000	2018 £'000
The total net book value of housing properties comprises:-		
Freehold land and buildings	92,399	91,040
Long leasehold land and buildings	199	205
Short leasehold land and buildings	157	159
	<hr/>	<hr/>
	92,755	91,404



Notes to the financial statements
For the reporting period ended 31 March 2019

10b. Property, Plant and Equipment
(continued)

	Other Property Assets	Motor Vehicles	Office furniture and equipment	Property furniture and equipment	Capital Plant	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1st April 2018	901	429	1,848	934	59	4,172
Additions	-	3	29	102	1	135
Disposals	-	(58)	-	(8)	-	(67)
At 31st March 2019	901	374	1,878	1,027	60	4,240
Depreciation						
At 1st April 2018	379	279	1,388	561	15	2,622
Charge for the year	34	37	106	38	6	221
Eliminated on disposal	-	(51)	-	(5)	-	(56)
At 31st March 2019	413	265	1,495	593	21	2,786
Net book value						
At 31st March 2019	488	109	383	434	39	1,454
At 31st March 2018	522	150	459	373	45	1,550



Notes to the financial statements

For the reporting period ended 31 March 2019

11. Investments

	2019 Total	2018 Total
Value brought forward 1st April 2018	2,290	1,100
Additions	-	1,158
Disposals	-	-
Fair value adjustments	-	32
Value carried forward 31st March 2019	2,290	2,290

Formal valuations have been carried out, by independent qualified valuers, for all the commercial units held at the reporting date. The valuers valued the commercial units at £2.335m which is a small increase on the current value. This has not been adjusted for in the financial statements.

12. Stock

	2019 Total	2018 Total
Properties for sale	128	-
WIP	344	-
	471	-

At the year-end, we had 3 properties that were for sale. These were transferred from fixed asset to stock at the year end. The properties have been included at their net book value.

WIP represents work done on properties for resale as part of a contract with Cardiff Council.



Notes to the financial statements

For the reporting period ended 31 March 2019

12a. Trade Receivables – amounts falling due within one year

	2019 £'000	2018 £'000
Arrears of rent and service charges	413	360
Less: Provision for bad and doubtful debts	(81)	(70)
	332	290
Capital trade receivables	146	8
Other trade receivables and prepayments	1,849	686
	2,327	985

Included within Arrears of rent and service charges are arrears of £81k (2018: £119k) on payment plans. No interest is charged on the payment plans and all debts are due within one year from the reporting date.

Included within debtors less than one year is £64k (£73k) relating to NuLife. In total we have been awarded £301k from Big Lottery, £30k from Comic Relief and £19k from Community Foundation in Wales to fund the NuLife project. In the year we have received £104,000 (2018 - £100,000) the balance represents the amount owed to Cadwyn at the reporting date. As part of the Big Lottery funding rules the money was held in a separate bank account. At the end of the year there were no unspent funds held.

Debtors include £397k owed from Cardiff Council in relation to the design and build contract to deliver the container project. This has longer credit terms than other invoices due to its nature, however there are no concerns over recoverability.

Notes to the financial statements

For the reporting period ended 31 March 2019

12b. Trade Receivables – amounts falling due after more than one year

	2019	2018
	£'000	£'000
Housing finance grant	1,002	828
Other trade receivable	15	
Interest in advance	265	264
	1,267	1,107

13. Cash at bank and in hand

The Association currently has a £21m revolving credit facility with its bankers. The outstanding amount available for drawing without prior notice is £10.6m which is in addition to the £500K overdraft facility that we have arranged with our bank. As stated in the accounting policies use of this facility allows the Association to maintain minimum cash balances and therefore maximize savings on interest payable.



Notes to the financial statements

For the reporting period ended 31 March 2019

14. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Creditors		
Loan interest	99	82
Other taxation and social security	332	91
Rent and service charges paid in advance	249	221
Trade Creditors	498	248
Maintenance accruals	141	57
Accruals	200	158
Housing Loans	4,248	1,135
Other Creditors	46	32
Amounts owed in respect of housing properties under construction	1,504	682
Recycled Capital Grant	78	78
SHPS Past Service Deficit liability		187
SHG in advance	275	
	7,672	2,972
Government Grant Creditor	360	320

Included within Amounts owed in respect of housing properties is income in advance on the container project with Cardiff Council.

Included within Housing Loans are the Housing loans for land. In accordance with the terms of the loan some has been repaid in the period with the balance repayable within one year £2.847m (this was included in greater than one year in 2018 £4.397m).

Due to a change in accounting policy in the year the pension liability is now shown in provisions (see note 19).



Notes to the financial statements

For the reporting period ended 31 March 2019

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

	2019 £'000	2018 £'000
Housing loans	34,176	34,604
Housing loans for land	-	4,397
HFG	-	-
Pension provision	-	974
Employee benefits - health insurance	-	16
Total	34,176	39,992

Housing loans are secured by specific charges on the association's housing properties. The interest rates are fixed at between 2.27% and 12.48% or vary with the market rate. The loans are repayable in the years 2022 to 2043. THFC loan is repayable as a bullet at maturity. Three of the loans are repayable within 3 years, of these one will need to be refinanced. Loans are repayable in instalments due as follows:-

	2019 £'000	2018 £'000
One year or less	4,248	1,135
Due between one and two years	6,469	5,780
Due between two and five years	4,045	9,144
Due in five years or more	23,662	24,077
	38,424	40,135

Under FRS102 acquisition costs are set against the available loan balance (creditor) and amortised over the minimum term of the associated financial instrument, using the effective interest method. At the end of the year there were £308,888 (2018: £313,512) of fees still to amortise.



Notes to the financial statements

For the reporting period ended 31 March 2019

The table below shows the effect on our most limiting covenants following the transition to FRS102:

	2018	Movement	2018
	Previous GAAP		Current FRS
	£000's	£000's	£000's
Gearing			
Borrowing	(40,450)	(314)	(40,135)
Share capital & reserves	(6,718)	322	(7,040)
SHG and other grants	(59,310)	(9,495)	(49,815)
Tangible net worth	(66,028)	(9,173)	(56,855)
<65%	61%		71%
Interest Cover			
Surplus before interest	1,862	202	2,064
Less 70% capitalised components	(605)		(605)
Add back property depreciation	1,283	65	1,348
Interest cost	2,540	267	2,807
>90%	1,201	47	1,247
	211%		225%

	2019	Movement	2019
	Previous GAAP		Current FRS
	£000's	£000's	£000's
Gearing			
Borrowing	(38,733)	(309)	(38,424)
Share capital & reserves	(7,984)	(1,722)	(6,262)
SHG and other grants	(61,209)	(1,900)	(59,310)
Tangible net worth	(69,193)	(3,622)	(65,571)
<65%	56%		59%



Notes to the financial statements

For the reporting period ended 31 March 2019

15a. Amortised Government Grants

	Under Completed construction	Total
Government Grants received:		
Brought forward 1st April 2018	54,031	5,278
Received in the year	209	1,900
SHG Transferred on completion	5,257	(5,257)
Transferred to Recycled grant	-	-
Carried forward 31st March 2019	59,497	1,921
Amortisation		
Brought forward 1st April 2018	9,495	-
Amortised in the year	359	359
Transferred to Recycled grant	-	-
Carried forward 31st March 2019	9,854	9,854
Unamortised grants at end of the year		
As at 31st March 2019	49,643	1,921
As at 31st March 2018	44,536	5,278
To be amortised as follows:		
Less than one year	360	360
More than one year	49,283	51,204
	49,643	1,921
Recycled Grant		
	2019 £000s	2018 £000s
Opening balance 1st April	78	-
Amounts added into the fund	-	78
Closing balance 31st March	78	78

During the year ended 31 March 2018 we disposed of a property and transferred the SHG received into the recycled grant fund. This will be used on another development following approval from Welsh Government.



Notes to the financial statements

For the reporting period ended 31 March 2019

16. Called up share capital

	2019	2018
	£	£
Allotted, issued and fully paid	47	47
At beginning of year	2	-
Shares issued during the year	(8)	-
Shares cancelled during the year	41	47
At end of year		

The shareholders have no equity interest in the Association and have no right to dividends or distributions on winding up. Shares cancelled or redeemed are written back to reserves.

17. Capital Commitments

	2019	2018
	£'000	£'000
Capital expenditure that has been contracted for; but has not been provided for in the financial statements	642	3,139
Capital expenditure that has been authorised by the Board but has not yet been contracted for	23,035	23,035

Capital commitments are to be funded primarily with private finance raised with some Social Housing grant anticipated.

The funding for capital commitments will be a mix of grants and loan finance.



Notes to the financial statements

For the reporting period ended 31 March 2019

18. Obligations under Leases

Operating lease agreements with Cadwyn as the Lessee

Cadwyn has the following annual commitments under operating leases:

	2019			2018		
	Motor Vehicles	Office Equipment	Land & Buildings	Motor Vehicles	Office Equipment	Land & Buildings
	£000's	£000's	£000's	£000's	£000's	£000's
Within 1 Year	15	8	855	18	8	27
In 2 to 5 years	7	15	40	23	23	50
Over 5 years	-	-	309	-	-	322
	-	-	-	-	-	-
	23	23	1,203	41	30	401

In the year the following lease payments were recognised as an expense in the statement of comprehensive income:

	2019	2018
	£000's	£000's
Pool Cars	23	41
Office Equipment	23	30
Property	1,203	401
	1,249	472



Notes to the financial statements

For the reporting period ended 31 March 2019

Operating lease agreement with Cadwyn as Lessor

Cadwyn has the following annual receipts under operating leases

	2019	2018
	Land & Buildings	Land & Buildings
	£000's	£
Within 1 Year	180	180
in 2 to 5 years	507	520
Over 5 years	704	871
	<hr/> 1,392	<hr/> 1,572



Notes to the financial statements

For the reporting period ended 31 March 2019

19. Pension Scheme

Social Housing Pension Scheme

The company participates in the Social Housing Pension Scheme (the Scheme), a multiemployer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK. The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1.522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.



Notes to the financial statements

For the reporting period ended 31 March 2019

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	Period Ending 31 March 2019 £'000	Period Ending 31 March 2018 £'000
Fair value of plan assets	8,049	7,575
Present value of defined benefit obligation	10,991	10,020
Surplus (deficit) in plan	(2,942)	(2,445)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(2,942)	(2,445)
Deferred tax	*	*

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period Ending 31 March 2019 £'000
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-



Notes to the financial statements

For the reporting period ended 31 March 2019

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period Ending 31 March 2019 £'000
Defined benefit obligation at start of period	10,020
Current service cost	244
Expenses	9
Interest expense	260
Contributions by plan participants	99
Actuarial losses (gains) due to scheme experience	(88)
Actuarial losses (gains) due to changes in demographic assumptions	29
Actuarial losses (gains) due to changes in financial assumptions	807
Benefits paid and expenses	(389)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	10,991



Notes to the financial statements

For the reporting period ended 31 March 2019

Reconciliation of opening and closing balances of the fair value of plan assets

	Period Ending 31 March 2019 £'000
Fair value of plan assets at start of period	7,575
Interest income	197
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	253
Contributions by the employer	314
Contributions by plan participants	99
Benefits paid and expenses	(389)
Assets acquired in a business combination	
Assets distributed on settlements	
Exchange rate changes	
Fair value of plan assets at end of period	8,049



Notes to the financial statements

For the reporting period ended 31 March 2019

Defined benefit costs recognized in Statement of Comprehensive Income (SoCI)

	Period Ending 31 March 2019 £'000
Current service cost	244
Expenses	9
Net interest expense	63
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	316

Defined benefit costs recognized in Other Comprehensive Income

	Period Ending 31 March 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	253
Experience gains and losses arising on the plan liabilities - gain (loss)	88
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(29)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(807)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(495)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	(495)



Notes to the financial statements

For the reporting period ended 31 March 2019

Assets

	Period Ending 31 March 2019 £'000	Period Ending 31 March 2018 £'000
Absolute Return	697	925
Alternative Risk Premia	464	287
Corporate Bond Fund	376	311
Credit Relative Value	147	0
Distressed Opportunities	146	73
Emerging Markets Debt	278	306
Fund of Hedge Funds	36	250
Global Equity	1355	1496
Infrastructure	422	194
Insurance-Linked Securities	231	199
Liability Driven Investment	2,944	2,760
Long Lease Property	118	-
Net Current Assets	15	7
Over 15 Year Gilts	-	-
Private Debt	108	67
Property	181	349
Risk Sharing	243	70
Secured Income	288	281
Total assets	8,049	7,575

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.



Notes to the financial statements

For the reporting period ended 31 March 2019

Key Assumptions

	Period Ending 31 March 2019 £'000	Period Ending 31 March 2018 £'000
Discount Rate	2.35	2.60
Inflation (RPI)	3.25	3.24
Inflation (CPI)	2.25	2.14
Salary Growth	3.25	3.14
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7



Notes to the financial statements

For the reporting period ended 31 March 2019

Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 31 January 2025:	£11,243,000 per annum	payable monthly and increasing by 3% each on 1st April)
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Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustees has asked the participating employers to pay additional contributions to the scheme as follows:

From 1 April 2016 to 30 September 2025	£12,945,440 per annum	payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2028	£54,560 per annum	payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.



Notes to the financial statements

For the reporting period ended 31 March 2019

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUES OF PROVISION

	Period Ending 31 March 2019 £s	Period Ending 31 March 2018 £s	Period Ending 31 March 2017 £s
Unwinding of the discount factor (interest expense)	1,067	1,777	2,000

	Period Ending 31 March 2019 £'s	Period Ending 31 March 2018 £'s
Provision at the start of period	1,777	2,000
Unwinding of the discount factor (interest expense)	28	25
Deficit contribution paid	(229)	(222)
Remeasurements - impact of any change in assumptions	10	(26)
Remeasurements - amendments to the contribution schedule	(519)	-
Provision at end of period	1,067	1,777



Notes to the financial statements

For the reporting period ended 31 March 2019

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2019 £'s	Period Ending 31 March 2018 £'s
Interest expense	28	25
Remeasurements – impact of any change in assumptions	(10)	(26)
Remeasurements – amendments to the contribution schedule	(519)	-
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

ASSUMPTIONS

	31 March 2019 £'s	31 March 2018 £'s	31 March 2017 £'s
Rate of discount	1.39	1.71	1.32

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions



Notes to the financial statements

For the reporting period ended 31 March 2019

Deficit Contributions Schedule

	Period Ending 31 March 2019 £s	Period Ending 31 March 2018 £s	Period Ending 31 March 2017 £s
Year 1	177	229	222
Year 2	182	236	229
Year 3	188	243	236
Year 4	193	250	243
Year 5	199	258	250
Year 6	171	265	258
Year 7		273	265
Year 8		141	273
Year 9			141

CARE Pensions

A Career average related pension (CARE) has been offered through the SHPS scheme since April 2010. Cadwyn pays contributions at the rate of 9.66% of earnings and members pay contributions at the rate of 7.04%. As at the date of Statement of Financial Position there were 29 active members of the Scheme employed by Cadwyn Housing Association. The annual pensionable payroll in respect of these members was £932,116. Cadwyn Housing Association continues to offer membership of the CARE Scheme to all its employees.

Defined Contribution

A defined contribution (DC) section of the SHPS Scheme has been available since September 2010. Cadwyn pays contributions at the rate of 6% of earnings and members pay contributions at the rate of 4%.

As at the date of Statement of Financial Position there were 41 active members of the Scheme employed by Cadwyn Housing Association. The annual pensionable payroll in respect of these members was £1,090,680

Cadwyn Housing Association continues to offer membership of the DC Scheme to all its employees.



Notes to the financial statements

For the reporting period ended 31 March 2019

20. Number of units in Social Housing management

The number of units of housing accommodation under development and in management at 31st March 2019:

	2019	2018	Increase/ (decrease) in units
<u>Owned by Cadwyn</u>			
Cadwyn Properties - units	1,363	1,315	48
Hostel Accommodation - bedspaces	52	52	-
Substance Mis-use - bedspaces	6	6	-
Hostel Familly - bedspaces	26	26	-
	1,447	1,399	48
<u>Managed by Cadwyn</u>			
CanDo Lettings	111	136	(25)
Four Walls	93	92	1
Calon Adref	1	1	-
Temporary Accommodation	330	300	30
The Mill	69	-	69
	604	529	75
<u>Units in Development</u>			
Cadwyn Properties	-	48	(48)
	-	48	(48)
Total Units	2,051	1,976	75

The Association's schemes have been developed primarily within the Inner City with the exception of those situated in Caerphilly. CanDo lettings works on an agency basis and the number of social properties has decreased during the year. The Calon Adref and Temporary accommodation schemes are where properties leased from private landlords are managed and let by Cadwyn. The Mill properties are leased from Tirion and Cadwyn is responsible for the management.



Notes to the financial statements

For the reporting period ended 31 March 2019

21. Related Parties

The Association lets accommodation to both current and former tenants who are Board Members. Currently, one tenant has been appointed to the Board. The tenancy has been let on the Association's standard terms and cannot use their position to their advantage.

22. Post Balance Sheet Events

The Board consider that there are no post Balance Sheet events worthy of disclosure.

23. Contingent Liability

Social Housing Grant (SHG) is repayable under certain circumstances primarily following the sale of a property, but will normally be restricted to the net proceeds of sale. However the Association is able to recycle the grant over an unspecified period although this will be periodically reviewed by Welsh Government. The total amount of SHG received to date is £61,500,000 (2018:£59,388,000). The total amount of SHG amortised to date is £9,854,000 (2018: £9,495,000).



Notes to the financial statements

For the reporting period ended 31 March 2019

24. Taxation

	2019 £'000	2018 £'000
Tax charge for the year	-	7

25. Group Structure

During the year Cadwyn set up a subsidiary called Igneous Limited company number 11464895. The subsidiary is 100% owned by Cadwyn with the same year end.

The subsidiary was dormant in the reporting period and therefore group accounts have not been prepared.

The company was set up to run all development projects.



REGISTERED OFFICE
197 Newport Road, Cardiff
CF24 1AJ

www.cadwyn.co.uk



mail@cadwyn.co.uk