



Tai Calon
Community Housing

**TAI CALON COMMUNITY
HOUSING LIMITED**

**REPORT & FINANCIAL
STATEMENTS**

FOR THE PERIOD ENDED 31 MARCH 2011

TAI CALON COMMUNITY HOUSING LTD

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Tai Calon Community Housing Limited is a charitable association, registered with the Welsh Government (registration number L153) and Registered with charitable rules under the Industrial and Provident Societies Act No. 30950R

TAI CALON COMMUNITY HOUSING LTD

BOARD MEMBERS AND PROFESSIONAL ADVISORS

Board

Tenant board members

Margaret Retallick (Vice-Chair)
Elaine Townsend
Julia Gregg
Philip White
Norman Price (resigned 28th February 2011)

Council board members

Godfrey Thomas
Shirley Ford
John Williams
David Rocke
Peter Abbott

Independent board members

Philip Crozier (chair)
Fred Davies
Nigel Perring
Kathryn Edwards (resigned September 2010)
Bill Voyce

Executive officers

Jen Barfoot – Chief Executive
David Lloyd – Resources Director & Company Secretary
Simon Carter – Director of Asset & Property Management
David Evans – Director of Community Housing
Hayley Selway – Asst. Director of Strategy & Performance

Registered Office

Solis One, Rising Sun Industrial Estate, Blaina, NP13 3JW

External Auditors

Haines Watts Wales LLP Statutory Auditors
Pagefield House, 24 Gold Tops
Newport
NP20 4PG

Internal Auditors

Audit Matters
Orbit Housing Group Limited
Garden Court, Harry Weston Road
Binley Business Park
Coventry
CV3 2SU

Bankers

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

Funders

The Royal Bank of Scotland Plc Global Banking & Markets Housing Finance 7th Floor, 135 Bishopsgate London EC2M 3UR	Barclays Bank Windsor Court 3 Windsor Place Cardiff CF10 3ZL
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TAI CALON COMMUNITY HOUSING LTD

OPERATING AND FINANCIAL REVIEW

For the period ended 31 March 2011

The Board is pleased to present its Operating and Financial Review, Board Report and the audited Financial Statements for Tai Calon Community Housing Ltd (Tai Calon) for the period ended 31st March 2011.

The Objectives and Strategies of Tai Calon

Aims & Objectives

Tai Calon was launched on the 26th of July 2010, following the transfer of housing stock from Blaenau Gwent County Borough Council.

Tai Calon is a new, not-for-profit-organisation and is Blaenau Gwent's largest provider of social housing with 6,207 homes. The organisation is set to invest over £111million in its homes to ensure they are brought up to the Welsh Housing Quality Standard (WHQS) by 2015.

Our aim is to ensure that all promises made to tenants are delivered, that tenants remain at the heart of everything we do, and that we shape the organisation and our people in line with our values and community mutual ethos. We are striving to build a positive reputation through real achievement!

Mission, Vision, and Values

Tai Calon has agreed its statement of purpose or 'mission statement' and the values by which it intends to operate:

The Mission for Tai Calon is:

'Deliver our promises, improving lives and communities'

The mission focuses on Tai Calon's commitment to realising the needs and aspirations of its tenants documented within the Formal Consultation Document (i.e. Offer Document) and maximising the regeneration and sustainability opportunities resulting from its core business and community investment activities.

The Vision for Tai Calon is:

'Excellent homes and services to make our communities proud'

Tai Calon will operate with these Values:

- Tenant focused
- Listening and Learning
- Excellent
- Show Respect
- Open

TAI CALON COMMUNITY HOUSING LTD

OPERATING AND FINANCIAL REVIEW

For the period ended 31 March 2011

Through a series of away days the Board and Executive Team have developed a range of themes to deliver our vision and measure our success, as follows:

- Service Delivery
- Asset management and WHQS delivery
- Resources delivery
- Partnership delivery
- Performance Management
- Tenant investment
- Communications and Marketing
- Early achievements

Throughout all of these themes runs the commitment to deliver the promises made to tenants on our behalf by Blaenau Gwent County Borough Council.

Delivering the Welsh Housing Quality Standard

During the financial year pilot schemes to deliver internal improvements were procured via an existing framework. The programme has been agreed and prioritised in consultation with tenants on a strategic and needs based approach. This culminated in the Board approving an Investment Strategy, Procurement Strategy and a Standards Procedure.

The investment plan to deliver WHQS is for a five year period to 2015 and will be driven by the Offer Document and the 100% Stock Condition Survey carried out in 2010 along with the documents mentioned above.

The table below shows the actual items installed against the targets contained in the offer document for 2010/11:

WHQS Items Installed	Target 2010/11	Completed 2010/11
Kitchens	239	236
Bathrooms	146	158
Rewires	75	75
Roofs	200	217
Heating Systems	400	396

Investing in involving tenants

Tai Calon is committed to ensuring tenants are placed at its heart. It has invested significant resources to ensure organisational development is tenant driven and that tenants are involved at every level of decision making.

The development of a robust involvement structure has allowed Tai Calon to listen and learn from its tenants ensuring its services are aligned to meet their needs.

TAI CALON COMMUNITY HOUSING LTD

OPERATING AND FINANCIAL REVIEW

For the period ended 31 March 2011

The current involvement structure is composed of:

- A Membership of tenants and leaseholders that are shareholders of the company
- A Membership Scrutiny Committee that meets on a fortnightly basis to review Board papers and minutes therefore holding the Board to account and scrutinising the activities of the organisation
- A Tenant Compact Group that represents tenants and resident organisations from across the County Borough, monitoring the promises made to tenants through the Offer Document, distributing the Environmental Improvement Grant and scrutinising the work of the Involvement Team
- A Sheltered Housing Forum which represents those residents that live within Tai Calon's sheltered schemes
- The Quality Design Forum is a group of tenants, Board Members and staff that have been instrumental in establishing the programme of WHQS works, appointing the contractors and selecting the kitchen suppliers and kitchen units.
- The Theme Group is a collection of tenants that develop the various policies and associated procedures and service standards.
- The Leaseholders forum is a group of leaseholders who work with Tai Calon on leaseholder specific issues
- An Equalities Panel that is currently reviewing Tai Calon's approach to equality and diversity issues
- A Communications subgroup that reviews all communication material prior to it leaving Tai Calon

Tai Calon has invested in staffing resources by creating two additional posts to support the involvement structure and work within the three valleys of Tai Calon.

Financial Performance

The overall financial performance is well within the Business Plan and Annual Cashflow Covenant, agreed with the Lenders. The Income and Expenditure Account shows a net surplus of £0.974m for 2010/11, this is mainly due to lower than estimated operating costs in the first year of operation. It is likely that this surplus will turn into a continued loss in the Income and Expenditure account in the next five years due to the major works programme required to meet the WHQS.

Tai Calon's business plan illustrates our ability to meet the promises made in the Offer Document to tenants. This includes spending £111m on meeting the WHQS in the first five years.

Performance Indicators

Tai Calon has implemented a performance management framework across the organisation; part of this framework involves regularly monitoring key performance indicators. These indicators are continually reviewed, updated and improved. The table below shows some of the key indicators:

TAI CALON COMMUNITY HOUSING LTD

OPERATING AND FINANCIAL REVIEW

For the period ended 31 March 2011

Key Performance Indicator	Target 2010/11	Actual 2010/11
Responsive Repairs – emergency repairs on target (%)	96%	96.84%
Responsive Repairs – urgent repairs on target (%)	95%	86.87%
Responsive Repairs – non-urgent repairs on target (%)	95%	80.79%
Responsive Repairs – appointments made and kept	90%	100%
% Gas servicing completed within target time	100%	99.98%
WHQS: % tenants who rated the improvement works programme as good or excellent	90%	93.89%
WHQS: % of tenants who rated the completed work in their home as good or excellent	95%	98.48%
Responsive: % tenants who rated the overall repair process as good or excellent	97%	91.90%
Responsive: % tenants who rated the completed repair quality as good or excellent	97%	89.88%
Voids (Standard Lean) – average period (days)	56 calendar days	86 calendar days
Income loss from properties being empty (%)	3%	4.71%
Current tenant rent arrears (%)	4%	3.86%
Amount of rent collected (%)	98%	95.78%
Loan Covenants complied with	Yes	Yes
Staff Attendance (%)	95%	95.00%

Future Performance

Tai Calon has a 30 year business plan agreed by the Board, Welsh Government and Funders at the time of transfer. The business plan demonstrates Tai Calon's ability to meet the commitments made in the Offer Document to tenants. Tai Calon will meet the WHQS by 2015 which will require investment of £111m in the housing stock. To fund this major investment Tai Calon has a funding facility of £125m.

The business plan is based on a number of key assumptions, such as:

- Costs to meet WHQS
- Inflation rates
- Interest rates
- Rent increases
- Void rates
- Management costs

Tai Calon will regularly review these key assumptions to ensure their compliance against the assumptions in the business plan and to take corrective action if necessary.

TAI CALON COMMUNITY HOUSING LTD

OPERATING AND FINANCIAL REVIEW

For the period ended 31 March 2011

Risk Management

Tai Calon faces a wide variety of business and performance related risk, in mitigation of this Tai Calon has put in place a Risk Management Policy. This policy sets out the key risks that might impact detrimentally on the business objectives. This policy will develop as the organisation grows and matures. The following key principles outline Tai Calon's approach to risk management and internal control:-

- The Board categorises risks according to their impact and likelihood and assesses their financial and non-financial implications
- The Performance, Audit and Risk Committee on behalf of the Board has responsibility for reviewing the effectiveness of the risk management process
- The Executive Team has responsibility for overseeing risk management within Tai Calon as a whole. In this respect it supports, advises and implements policies approved by the Board
- Directors are responsible for encouraging good risk management practice within their respective areas of responsibility
- The risk management process is integrated with the business planning process
- Key risk indicators will be identified and closely monitored on a regular basis.

Treasury Management

Tai Calon has a Treasury Management Policy that is reviewed annually by the Board. Treasury Management activities are defined as:

“The management of the organisations cashflows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks”

Tai Calon regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities focus on their risk implications for Tai Calon.

Tai Calon acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Cashflows

The cashflow statement on page 17 shows that during the year Tai Calon generated net cash from operating activities of £0.634m and paid net interest of £0.59m. Tai Calon drew down a net £4.9m in Housing Loans in the year.

TAI CALON COMMUNITY HOUSING LTD

OPERATING AND FINANCIAL REVIEW

For the period ended 31 March 2011

Current Liquidity

Tai Calon's policy is to ensure that it has adequate cash facilities and borrowing arrangements in place to enable it at all times to meet its business objectives.

Tai Calon has put in place a £125m loan facility with Barclays and the Royal Bank of Scotland (RBS). The loan arrangement contains two separate facilities, a £25m revolving loan facility which can be drawn, repaid and redrawn as required and a £100m long term facility.

Key Accounting Policies

The principle accounting policies are set out on pages 19 to 22 of the Financial Statements. The policies with most impact on the financial statements are the treatment of Gap Funding, calculation of depreciation on housing properties and the capitalisation of the investment in housing stock. Component accounting has been fully adopted.

Going Concern

The Board has a reasonable expectation that Tai Calon has adequate resources to continue operations for the foreseeable future. For this reason the going concern basis has been adopted for these financial statements.

Statement of Compliance

It is considered best practice for RSL's with over 5,000 units in management at the Balance Sheet date to publish an Operating and Financial Review. Therefore Tai Calon has adopted the Accounting Standards Board Reporting Standard 1: Operating and Financial Review in full.

TAI CALON COMMUNITY HOUSING LTD

BOARD REPORT

For the period ended 31 March 2011

The Board is please to present its report and the audited financial statements for the period ended 31 March 2011.

Principal Activities

Tai Calon owns, manages and maintains 6,207 rented homes, located in the County Borough of Blaenau Gwent. We also own and manage 327 leasehold properties, 25 shops and approximately 550 garages.

Board and senior executives

Tai Calon Community Housing Ltd. is managed by the Board, the Executive Team and the members. Tai Calon has issued 177 shares to members during the year.

Board and governance structure

The Board has sole responsibility for overall strategic direction, financial probity and for ensuring that it has appropriate resources to achieve its goals and standards of service.

The Board consists of up to fifteen members made up as follows:

- Five tenant Board Members – elected by the tenants of Tai Calon;
- Five council appointed Board Members – these members are appointed by Blaenau Gwent County Borough Council;
- Five independent Board Members – selected by the Board in accordance with the Board Membership policy
- The Board may appoint co-optees to serve.

The Board reviews its own Governance effectiveness, regulation, risk and audit, monitoring delivery, financial accounts, budgets, policies and strategies in a continuous cycle, year-on-year, to ensure it remains focused on achieving the objectives.

Committees

The Board has three committees, Performance Audit & Risk committee, Remuneration committee and Assets committee.

The Performance, Audit and Risk committee principal duties are recommending the appointment of internal and external auditors, to review internal and external audit reports, to review financial statements, review the Risk Register and to notify the Board and Welsh Government of any incidence of fraudulent activity of which the committee becomes aware. The committee meets at least 3 times a year and has a maximum membership of 7 board members.

The Remuneration committee reviews the performance, terms and conditions of the executive team and overall budgetary allocations for management and employee costs. The committee meets at least once a year and consists of a maximum of seven board members.

The Asset Management Committee has delegated responsibilities for the improvements programme. The committee meets at least four times a year and consists of a maximum of seven board members.

TAI CALON COMMUNITY HOUSING LTD

BOARD REPORT

For the period ended 31 March 2011

Responsibilities of the Board

The Board is responsible for preparing the financial statements in accordance with applicable law and regulations. The Board is required under Industrial and Provident Society law to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of Tai Calon 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 ensure they are applied consistently;
- Make judgements and estimates which are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that Tai Calon will continue to operate.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of Tai Calon and enable them to ensure that its financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales: General Determination 2009.

The Board has general responsibility for ensuring that the assets of Tai Calon are safeguarded and to prevent and detect fraud and other irregularities.

Performance for the year

The financial results for the period ended 31st March 2011 were as follows:

	£m
Turnover	11.9
Operating Costs	(10.5)
Operating Surplus	1.4
Surplus on Sale of Assets	0.3
Net Interest Payable	(0.6)
Net Exceptional Items	(0.1)
Surplus for the year	1.0

The majority of the major improvements to the housing stock have been capitalised and are shown in the balance sheet to be depreciated in line with the policy set out in the Accounting Policies on pages 19 to 22. In 2010/11 capital major improvements totalled £3.8m.

TAI CALON COMMUNITY HOUSING LTD

BOARD REPORT

For the period ended 31 March 2011

For the first year of operation the results show a small revenue surplus, however in line with the 30 year business plan it is expected that deficits will be made on the Income and Expenditure Account in the following 10 years of operation. This is mainly due to the non-capitalised improvements to the housing stock which will take place and the impact of increased depreciation charges from capitalisation of the major stock improvements.

Internal Controls Framework

The Board has a key role to play in the governance of Tai Calon and is responsible for ensuring that the business operates effectively and achieves its objectives.

It is the Board's responsibility to have in place a system to identify and manage risk that includes effective internal control systems and procedures to minimise the risk of loss through fraud, corruption, errors and mismanagement. The Board has approved a Fraud Policy which aims to achieve these objectives.

Whilst the Board cannot delegate ultimate responsibility for the system of internal control, it has delegated responsibility to the Performance, Audit and Risk Committee which will seek to rely on a number of forms of assurance. To do this Board will take three steps:

- Identify/review Tai Calon's business objectives, the possible opportunities and the risks and threats to achieving the objectives which in turn may lead to objectives being revised;
- Form/review Tai Calon's framework for managing and identifying risk; and
- Identify how the Board is to obtain assurance that the risk management policies adopted are adequate and operating effectively.

The framework Tai Calon has implemented is based on the following processes:

- Experienced and suitably qualified staff take responsibility for key processes and decisions, staff are appropriately trained and performance supervised and monitored;
- The Performance, Audit and Risk Committee will continually review and receive reports upon all aspects of internal control to ensure they are working effectively and being followed;
- Regular reports from Directors and senior managers, which will cover operational and financial matters to give assurance that internal controls are working effectively;
- Regular monitoring and reporting of all risk related matters, including results of control of risk management procedures and strategic and operational risk maps;

TAI CALON COMMUNITY HOUSING LTD

BOARD REPORT

For the period ended 31 March 2011

- The Performance, Audit and Risk Committee will review and monitor reports from Internal Audit and External Audit to provide reasonable assurance that control procedures are in place and being followed;
- As appropriate Tai Calon will seek to achieve assurances on specific areas by use of a quality management system that receives external accreditation;
- Effective system of monitoring performance on key business areas;
- Effective corporate governance arrangements and compliance with regulatory requirements.

Employees

Tai Calon recognises that its strength lies in the quality of and commitment from its staff. Tai Calon's ability to meet its strategic and operational objectives relies upon the contribution of employees throughout Tai Calon.

Tai Calon is committed to providing equal opportunities in employment and to avoiding unlawful discrimination in employment or to tenants. Tai Calon's Equality and Diversity Policy is intended to assist the Organisation to put this commitment into practice. Compliance with the policy should also ensure that employees do not commit unlawful acts of discrimination. Striving to ensure that the work environment is free of harassment and bullying, and that everyone is treated with dignity and respect, is an important aspect of ensuring equal opportunities in employment.

In the first year of operation Tai Calon went through an extensive recruitment process to recruit experienced and quality staff to enable Tai Calon to meet its objectives.

Disclosure of information to auditors

The Board confirm that, as far as we are aware, there is no relevant audit information of which the Tai Calon's auditors are individually unaware. The Board also confirm that we have taken all reasonable steps that we ought to have taken to make ourselves aware of any relevant information, and to establish that the auditors of Tai Calon are aware of that information.

Approved on behalf of the Board by:


.....

Phil Crozier
Chair of the Board

Date: 25th July 2011

TAI CALON COMMUNITY HOUSING LTD

Independent Auditors Report to the members of Tai Calon Community Housing Ltd.

Period ended 31st March 2011

We have audited the financial statements of Tai Calon Community Housing Ltd ('Tai Calon') for the period ended 31st March 2011 which comprises the Income and Expenditure Account, Balance Sheet, the Cash Flow Statement and the related notes. 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).

This report is made solely to Tai Calon's members, as a body corporate, in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, schedule 1 to the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales - General Determination 2009. Our audit work has been undertaken so that we might state to Tai Calon'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 Tai Calon and Tai Calon'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 the auditor

As explained more fully in the Statement of Board's responsibilities, set out on page 10, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical standards for Auditors.

We review whether the Board's statement on internal financial control reflects Tai Calon's compliance with the Housing for Wales Circular HFW 02/10 "Internal controls and reporting" and we report whether the statement is not inconsistent with the information of which we are aware from our audit of the financial statements. We are not required to form an opinion on the effectiveness of Tai Calon's corporate governance procedures or its internal financial control.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Tai Calon's circumstances and have been consistently applied and adequate disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

TAI CALON COMMUNITY HOUSING LTD

Independent Auditors Report to the members of Tai Calon Community Housing Ltd.

Opinion on financial statements

In our opinion the financial statements:

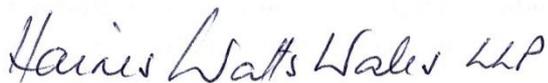
- give a true and fair view of the state of Tai Calon's affairs as at 31st March 2011 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, schedule 1 to the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales - General Determination 2009;

With respect to the Board's statement on internal financial control, 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

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



Haines Watts Wales LLP

Statutory Auditor

Pagefield House

24 Gold Tops

Newport

South Wales

NP20 4PG

Date 12 August 2011

TAI CALON COMMUNITY HOUSING LTD

INCOME AND EXPENDITURE ACCOUNT For the period ended 31st March 2011

	Notes	For the period ended 31 March 2011 £'000
Turnover	3	11,900
Operating costs	3	(10,529)
Operating surplus	7	1,371
Surplus on sale of fixed assets	6	305
Interest receivable		1
Interest payable and similar charges	11	(591)
Exceptional expenditure	23	(2,977)
Exceptional income	23	2,865
Surplus/(deficit) on ordinary activities before taxation		974
Taxation		-
Surplus/(deficit) for the year after tax		974
Transfer to reserves	20	(7)
		967
General reserve brought forward		-
General reserve carried forward		967

Tai Calon's income and expenditure relate to continuing operations. There is no difference between the historic cost results and those shown on the income and expenditure account above.

Statement of recognised surpluses and deficits

For the period ended 31st March 2011

	£'000
Surplus for the period before transfers to reserves	974
Actuarial gain/(loss)	(1,803)
Total recognised surplus/(deficit) for the period	(829)

TAI CALON COMMUNITY HOUSING LTD

BALANCE SHEET

As at 31st March 2011

	Notes	For the period ended 31 March 2011 £'000
Tangible fixed assets		
Housing properties	12	3,792
Capital grants	13	-
		<hr/>
		3,792
Other property	14	-
Other fixed assets	15	1,599
		<hr/>
		5,391
Current assets		
Stock		-
Debtors	16	2,618
Cash at bank and in hand		99
		<hr/>
		2,717
Creditors: amounts falling due within one year	17	(7,141)
		<hr/>
Net current liabilities		(4,424)
LGPS pension liability	25	(1,796)
		<hr/>
Total assets less current assets	24	(829)
Creditors: amounts falling due after more than one year	18	-
		<hr/>
		(829)
Capital and reserves		
Share capital	19	-
General reserves	20	(829)
Designated reserves	20	-
		<hr/>
		(829)

The financial statements were approved by the Board of Management on 25th July 2011 and signed on its behalf by:

P. A. Crozier, F.C.M.A.

P Crozier
Chair

M Retallick

M Retallick
Vice Chair

D Lloyd

D Lloyd
Secretary

TAI CALON COMMUNITY HOUSING LTD

CASH FLOW STATEMENT

For the period ended 31st March 2011

	Notes	For the period ended 31 March 2011 £'000
Net cash flow from operating activities	(a)	634
Returns on investment and servicing of finance		
Interest received		1
Interest paid		(591)
		<hr/>
		(590)
		<hr/>
Capital Expenditure		
Purchase and construction of housing & other properties		(3,271)
Capital grants received		-
Purchase of other fixed assets		(1,767)
Sale of housing properties		305
Sale of other fixed assets		-
		<hr/>
		(4,733)
		<hr/>
Exceptional Items		
Exceptional expenditure		(2,977)
Exceptional income		2,865
		<hr/>
		(112)
		<hr/>
Financing		
Housing loans received		4,900
Housing loans repaid		-
		<hr/>
	(b)	4,900
		<hr/>
Increase in cash	(c)	99
		<hr/>

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE CASH FLOW STATEMENT

For the period ended 31st March 2011

a. Reconciliation of operating surplus to net cash inflow from operating activities

	For the period ended 31 March 2011 £'000
Operating surplus	1,371
Depreciation of tangible fixed assets	202
LGPS - movement between current and past service cost and contributions paid	(7)
	<hr/> 1,566
Working Capital Movements	
(Increase) in stock	0
(Increase) in operating debtors	(2,962)
(Decrease) / increase in operating creditors	1,686
Increase in provisions	344
	<hr/> 634
Net cash flow from operating activities	<hr/> 634

b. Reconciliation of net cash inflow to movement in net debt

	For the period ended 31 March 2011 £'000
Increase in cash	99
Decrease / (increase) in loans	(4,900)
Decrease in net debt	(4,801)
Net debt at 26 th July 2010	-
	<hr/> -
Net debt at 31 March 2011	<hr/> (4,801)

c. Analysis of net debt

	Cash at bank and in hand £'000	Loans due in less than one year £'000	Changes in net debt £'000
At 26 th July 2010	-	-	-
Net cash flows	99	(4,900)	(4,801)
	<hr/>	<hr/>	<hr/>
At 31 March 2011	99	(4,900)	(4,801)
	<hr/>	<hr/>	<hr/>

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

1. LEGAL STATUS

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

2. PRINCIPAL ACCOUNTING POLICIES

A summary of the more important accounting policies, which have been applied consistently, are set out below:

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting in accordance with applicable financial reporting standards in the United Kingdom, including the Statement of Recommended Practice (SORP) for "Accounting by Registered Social Landlords" as updated in 2010, and comply with the Accounting Requirements for Social Landlords registered in Wales General Determination 2009.

Turnover

Turnover represents rental and other income receivable, income from property sales, and revenue grants receivable. It also includes grants reimbursing specific expenditure on the improvement programme. Disposals of fixed assets such as Right to Buy sales income are not included in turnover.

Housing properties

Housing properties are held at cost less depreciation and are stated at nil valuation as they transferred from Blaenau Gwent County Borough Council at nil cost and were also subject to a nil valuation based on an independent report using the basis of existing use value for social housing.

Any overhead costs directly attributable to bringing fixed assets into their working condition for their intended purpose are capitalised. Expenditure on initial purchase of land and buildings is capitalised and disclosed as part of housing properties in course of construction within tangible fixed assets. Any directly attributable finance costs (other than interest costs) are capitalised as the asset is developed and amortised over the life of that asset. Tai Calon does capitalise interest on loans raised to finance schemes prior to completion.

Some residents have rights under their tenancy agreement to purchase their homes at prices which are at a discount below the open market price. Profits or losses on disposals of properties are recognised as at the date a sale becomes certain. The profit or loss arising on a disposal of a property is the difference between the sale price and the aggregate of the depreciated cost, and any associated costs of disposal such as valuation and legal fees.

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

Interest payable

Interest payable is charged to the income and expenditure account to reflect the costs of loan finance attributable to each accounting period.

Depreciation

Tai Calon depreciates its housing properties in accordance with the 2010 Statement of Recommended Practice (SORP) "Accounting by Registered Social Landlords". Depreciation is charged on the historic cost of property (excluding land) after deducting grants and an amount for residual value. The depreciable amount is written off over the estimated useful lives from the date of purchase / build as follows:

	Houses	Flats
New build properties	150 years	110 years
Acquisition / refurbishments	100 years	100 years

Properties on long leases are depreciated over the shorter of the above and/or the remaining period of the lease.

The policy in respect of expenditure to refurbish or replace major components is that all such work is assessed against life cycle costing principles. Any cost in respect of repairs with a life of less than 10 years is charged direct to the income and expenditure account. Refurbishment or replacement of major components which have an estimated useful life in excess of 10 years are capitalised and depreciated over the useful life of the component as follows:

Kitchens	15 years
Bathrooms	25 years
Re-wiring	25 years
Boiler Installations	15 years
Central heating	30 years
Roofing	60 years
Windows	30 years
Doors	25 years
Structural works	50 years

Depreciation is charged over the expected useful economic life of other fixed assets as follows:

Office refurbishment	10 years
Office & I.T. equipment	5 years
Vehicles and equipment	5 years

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

Capital Grants

Tai Calon received financial assistance from the Welsh Government to fund set up costs relating to the transfer of the housing stock from Blaenau Gwent County Borough Council and to fund the refurbishment work required to meet the WHQS. Financial assistance of £19.67 million has been offered until 2015 and further financial assistance is intended to be offered until 2041. The amount of further financial assistance will depend upon satisfactory progress being made and compliance with the terms and conditions established by the Welsh Government.

Supporting People

Supporting People income and expenditure is accounted for on an accruals basis, matching income and expenditure and disclosures are made in accordance with relevant standards and legislation.

Impairment

Housing properties are annually reviewed for impairment. Where there is evidence of impairment, housing properties are written down to their recoverable amount. The review undertaken during the year has indicated that no impairment has occurred.

Repairs and maintenance

The costs of repairs and maintenance are expensed as incurred on the basis of work done at the balance sheet date.

Operating leases

Costs in respect of operating leases are charged to the income and expenditure account as they are incurred.

Right to Buy sales

Surpluses arising from sales of properties under the Right to Buy legislation are disclosed on the face of the income and expenditure account.

Taxation

Value Added Tax

Tai Calon is registered for VAT. The financial statements include VAT to the extent that it is suffered by Tai Calon and not recoverable from HM Revenue and Customs (HMRC). The balance of the VAT payable or recoverable at the yearend is included as a current asset or liability.

VAT Shelter

Tai Calon has a 15 year VAT shelter in place, approved by HMRC. The VAT Shelter transfers the VAT costs of the works required to meet the WHQS to Blaenau Gwent County Borough Council.

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

As part of the transfer agreement Blaenau Gwent County Borough Council transferred the properties to Tai Calon with an obligation to undertake the works to meet WHQS at the Councils expenses. Tai Calon paid the Council £258,709,806.16 for the properties which is based on the value of improvement works required to meet the WHQS. The Council discharged its obligation to carry out the works under the Transfer Agreement by entering into a Development Agreement with Tai Calon for 15 years. The Council paid a fixed price of £258,709,806.16 plus VAT of £51,741,961.23. Tai Calon will be entitled to reclaim VAT on the costs incurred in meeting the WHQS as detailed in the Development Agreement.

Corporation Tax

Tai Calon is registered with the Financial Services Authority as an Industrial and Provident Society with charitable objects. Due to its charitable status Tai Calon is not liable for Corporation Tax on its core activities.

Provisions

Provisions are recognised where uncertainty exists regarding the timing or amount that may be required to settle potential liabilities. Any amounts provided are charged to the income and expenditure account and credited to the balance sheet based upon Tai Calon's best estimate of potential liabilities.

Pension costs

Tai Calon participates in the Local Government Pension Scheme (LGPS), a defined benefits scheme managed by Torfaen County Borough Council (Greater Gwent). Contributions are assessed in accordance with the advice of an independent qualified actuary. Certain information concerning the assets, liabilities, income and expenditure relating to the LGPS scheme are disclosed in accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS17).

Designated Reserves

The Board will determine annually the amount of surplus that is to be transferred to the Major Repairs Reserve.

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

3. Turnover, operating costs and surplus

	Period ended 31 March 2011		
	Turnover	Operating Costs	Operating Surplus
	£'000	£'000	£'000
Social Housing Lettings			
General needs housing	11,641	10,528	1,113
Fully rented housing accommodation	11,641	10,528	1,113
Garages	13	0	13
Other activities	246	1	245
Total	11,900	10,529	1,371

4. Turnover from lettings

	General Needs and Sheltered Housing	Supported Housing	Other Social Housing Letting Income	For the period ended 31 March 2011
	£'000	£'000	£'000	£'000
Rents receivable	11,232			11,232
Service charges receivable	305			305
Income for Support Services	86			86
Other Revenue Grants	18			18
Turnover from Social Housing Lettings	11,641	-	-	11,641

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

5. Operating costs from lettings

	General Needs and Sheltered Housing £'000	Supported Housing £'000	Other Social Housing Letting Income £'000	For the period ended 31 March 2011 £'000
General needs housing				
Management costs	7,822			7,822
Service Charge Cost	-			-
Routine Maintenance	2,149			2,149
Major Repairs Expenditure	355			355
Bad Debts	-			-
Depreciation of housing properties	202			202
Operating costs on social housing activities	10,528	-	-	10,528
Operating Surplus (deficit) on social housing lettings	1,113	-	-	1,113
Rent losses due to voids (memorandum note)	613	-	-	613

6. Surplus on sale of fixed assets

Sale proceeds				For the period ended 31 March 2011 £'000 311
Cost of sales				(6)
Surplus on disposal				305

During the year Tai Calon sold nine properties under the Right to Buy.

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

7. Operating surplus for the period

For the period
ended
31 March
2011
£'000

Operating surplus for the period is stated after charging:

Depreciation	202
Operating leases – Land & Buildings	39
Operating leases – Other	250
Auditor's remuneration (inclusive of VAT): in their capacity as auditors	11

8. Board members and senior executives emoluments

The remuneration paid to the senior executives of Tai Calon was:

For the period
ended
31 March
2011
£'000

Emoluments (including pension contributions and benefits in kind)	305
Emoluments (excluding pension contributions) paid to the highest paid senior executive	77

No remuneration was paid to the members of the Board of Management during the year.

The Chief Executive is a member of the LGPS pension scheme and no enhanced or special terms apply. Tai Calon's contribution in respect of the Chief Executive's pension fund amounted to £9,373. Tai Calon does not make any further contribution to any individual pension arrangement for the Chief Executive. The emoluments paid to the Chief Executive include relocation expenses.

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

9. Employee and employer costs

	For the period ended 31 March 2011 £'000
Staff costs during the period:	
Wages and Salaries	3,626
Social security costs	252
Other pension costs	480
	<hr/> 4,358 <hr/>
	For the period ended 31 March 2011 No.
Average number of full time equivalent employees during the period:	
Management and administration	109
Wardens, caretakers and cleaners	31
Housing repair service	122
	<hr/> 262 <hr/>

10. Interests and related party transactions

During the period Tai Calon provided rented accommodation to five Board members who were tenants of Tai Calon, and charged rent to those members on Tai Calon's standard terms. Tenant Board members are unable to use their position to their advantage. Where Board members are Councillors, any transaction with those local authorities is at an arm's length basis and as such Board members are unable to use their position to their advantage.

Debtors totalling £30k and Accruals totalling £199k relate to transactions associated with supplies and services provided by Blaenau Gwent County Borough Council.

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

11. Interest payable and similar charges

**For the period
ended
31 March 2011
£'000**

Interest payable and similar charges

591

591

12. Tangible fixed assets - housing properties

	Housing properties held for letting £'000	Housing properties in the course of construction £'000	For the period ended 31 March 2011 Total £'000
Cost			
As at 26 th July 2010	0	-	-
Additions during the period - Components	3,825		3,825
Disposals during the period	-	-	-
At 31 March 2011	3,825	-	3,825
Depreciation			
As at 26 th July 2010	-	-	-
Charge for the period	33	-	33
Disposals during the period	-	-	-
At 31 March 2011	33	-	33
Net book value			
At 31 March 2011	3,792	-	3,792
As at 26 th July 2010	-	-	-

Major repairs and investment in existing properties to let during the period amounted to £4.1 million. This has been accounted for as follows:

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

	For the period ended 31 March 2011 Total £'000
Planned maintenance (revenue)	355
Investment (capital)	3,825
	<hr/>

There was no investment works carried out on leasehold properties during the period.

	For the period ended 31 March 2011 No.
Units in Management:	
General needs housing properties in management	6,201
Shared ownership	-
Leasehold management services	327
	<hr/>
	6,528
	<hr/>

13. Tangible fixed assets - Capital grants

	Housing properties held for letting £'000	Housing properties in the course of construction £'000	For the period ended 31 March 2011 Total £'000
At 26 th July 2010	-	-	-
Additions during the period	-	-	-
Disposals during the period	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2011	-	-	-
	<hr/>	<hr/>	<hr/>

Gap Funding of £2.865m has been received from the Welsh Government during the period, this has been treated as a revenue grant to fund the initial set up costs relating to the transfer of the housing stock from Blaenau Gwent County Borough Council.

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

14. Other property

Other property consists of 25 commercial properties and approximately 550 garages in Blaenau Gwent, these were transferred at zero value.

15. Tangible fixed assets - other

	Office premises £'000	Scheme equipment £'000	Vehicles & office equipment £'000	For the period ended 31 March 2011 Total £'000
Cost				
At 26 th July 2010	-	-	-	-
Additions during the period	1,002	-	765	1,767
Disposals during the period	-	-	-	0
At 31 March 2011	1,002	-	765	1,767
Depreciation				
At 26 th July 2010	-	-	-	-
Additions during the period	66	-	102	168
Disposals during the period	-	-	-	-
At 31 March 2011	66	-	102	168
Net book value				
At 31 March 2011	936	-	663	1,599
At 26 th July 2010	-	-	-	-

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

16. Debtors: amounts falling due within one year:

For the period
ended
31 March 2011
£'000

Arrears of rent and service charges	700
Less: provision for bad and doubtful debts	(344)
	<hr/>
	356
Staff car loans	56
Recoverable VAT	469
Debtors and prepayments	210
	<hr/>
	1,091
Debtors: falling due after more than one year:	
Prepaid loan facility fees	1,527
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	2,618
	<hr/>

Staff car loans at 31 March 2011 consist of loans to 16 current employees. Loans are payable over periods up to five years with interest charged between 2% and 6%, all loans are currently due in more than one year.

17. Creditors: amounts falling due within one year

For the period
ended
31 March 2011
£'000

Accruals and deferred income	440
Capital creditors	555
Interest Payable & Similar Charges	115
Maintenance and other supplies	1,131
Housing Loans	4,900
	<hr/>
	7,141
	<hr/>

Tai Calon has a loan facility of £125m on which loan arrangement fees of 1.25% were incurred. The fees are to be written off over 30 years, being the expected life of the loans agreed. £4.9m has been drawn down on a variable rate basis at rates ranging from 0.61% to 0.81%. Loans are secured over the properties held by Tai Calon.

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

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

There are no creditors falling due in more than one year.

19. Non-equity share capital

	For the period ended 31 March 2011 £
Shares of £1 issued:	
At 26 th July 2010	-
Issued during the period	177
Cancelled during the period	-
	<hr/>
At 31 March 2011	-
	<hr/>

The shares provide members with the right to vote at general meetings. The shares carry no right to a dividend, there is no provision for the redemption of shares and there is no provision for a distribution following a winding up.

20. Reserves

	Designated Major Repairs £'000	Designated Total £'000	General Pension Reserve £'000	General reserve £'000	2011 General Total £'000
At 26 th July 2010	-	-	-	-	-
Surplus for period	-	-	-	974	974
Actuarial (loss) for the period	-	-	(1,803)	-	(1,803)
Transfers from revenue reserves	-	-	7	(7)	0
	<hr/>				
At 31 March 2011	-	-	(1,796)	967	(829)
	<hr/>				

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

21. Operating leases

At 31 March 2011 Tai Calon had annual commitments under operating leases as follows:

For the period
ended
31 March 2011
£'000

Motor vehicle and office equipment expiring :-

Within one year

-

Between two and five years

222

222

£'000

Land and buildings expiring :-

Within one year

-

Between two and five years

198

Over five years

-

198

Tai Calon signed a ten year lease term, with an option to buy in year 3, on office accommodation at Solis One, Rising Sun Industrial Estate, Blaina.

22. Capital commitments

For the period
ended
31 March 2011
£'000

Capital expenditure contracted but not provided for in the financial statements

0

Capital expenditure authorised by the Board but not contracted

0

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

23. Exceptional items

For the period
ended
31 March 2011

Expenditure

£'000

Pre-ballot costs	1,019
Salaries, wages and administration	330
Fees, consultants and contracts	994
Other items	634

2,977

Income

£'000

Gap Funding	2,865
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2,865

As part of the transfer process, Blaenau Gwent County Borough Council & Tai Calon incurred £2.977 million of costs which were all paid by Tai Calon on transfer. The transfer took place 26th July 2010. Tai Calon received £2.865 million of Gap Funding in the year to offset set up costs incurred.

24. Net Liabilities

The Balance Sheet shows Net Liabilities of negative £829k, this is due to the deficit on the Pension Fund of £1.796m as explained below in note 25. The future investment in the housing stock to bring it up to WHQS standards will result in an improved Net Liabilities position in future years.

25. Pension costs

Tai Calon participates in the Torfaen County Borough Council (Greater Gwent) pension scheme (LGPS). Further information on the scheme is given below:

LGPS

Tai Calon Community Housing Ltd participates in the Torfaen County Borough Council (Greater Gwent) pension scheme which is a defined benefit scheme based on final pensionable salary. Certain employees of Tai Calon participated in the scheme prior to the stock transfer taking place and, as such, assets or liabilities attributable to these individuals were identified at the transfer date i.e. 26th July 2010. As part of the transfer agreement, liability for the proportion of the debt attributable to these employees that relates to the pre-transfer period rests with Blaenau Gwent. The gains and losses recognised by Tai Calon therefore relate solely to the period since transfer.

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

The most recent valuation was carried out at the 31st March 2010. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value. Tai Calon's contribution rate from 26th July 2010 to 31st March 2011 was 14.8% of members' contributions.

The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the fund for FRS17 purposes were:

	2011 %pa
Discount rate	5.5%
Rate of increase in salaries	4.4%
Rate of increase in pensions	2.9%
Rate of RPI Inflation	3.4%
Rate of CPI inflation	2.9%

	2011 % pa
Expected rates of return on:	
Equities	7.5%
Government Bonds	4.4%
Other bonds	5.1%
Property	6.5%
Cash/liquidity	0.5%
Other	7.5%

	2011 £'000
Market value as at 31 st March	
Equities	18,012
Government Bonds	1,688
Other bonds	1,621
Property	466
Cash/liquidity	400
Other	22

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

The movement in the net surplus for the period to 31st March 2011 is as follows:

	2011 £'000
Reconciliation of funded status to balance sheet	
Fair value of plan assets	24,005
Value of funded obligations	(22,209)
Value of unfunded obligations	-
	<hr/>
Total estimated scheme deficit / (surplus)	1,796

Components of pension costs for year:

	2011 £'000
Current service cost	529
Interest on pension liabilities	796
Expected return on assets	(844)
	<hr/>
Total pension cost recognised in income and expenditure account	481

Statement of recognised surpluses and deficits

	2011 £'000
Actuarial (gains)/losses	(428)
	<hr/>
Total pension cost recognised in the statement of recognised surpluses and deficits	(428)

Changes to present value of liabilities during the year:

	2011 £'000
Present value of scheme liabilities at 31 March 2010	0
Current service cost	529
Interest cost	796
Member contributions	205
Actuarial(gains)/losses on liabilities	936
Benefits and transfers paid	8
Business combinations	21,531
	<hr/>
Total value of funded obligations	24,005

TAI CALON COMMUNITY HOUSING LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st March 2011

	2011
	£'000
Changes to the fair value of plan assets during the year:	
Present value of scheme assets at 31 March 2010	0
Expected return on assets	844
Business combinations	19,300
Actuarial gains on assets	1,364
Employer contributions	488
Member contributions	205
Benefits and transfers paid	8
	<hr/>
Total fair value of plan assets	22,209
	<hr/>

	2011
	£'000
Actual return on plan assets	2,208
Experience gains/(losses) on assets	1,364
Experience gains/(losses) on liabilities	-