

**MID-WALES HOUSING ASSOCIATION LIMITED**

**BOARD OF MANAGEMENT'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**



Whittingham Riddell

*chartered accountants*

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**MID-WALES HOUSING ASSOCIATION LIMITED**

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**ASSOCIATION INFORMATION**

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**BOARD OF MANAGEMENT**

Mr Nick Hoskins (Chair)  
Mr Brian Christopher (appointed 4 August 2010)  
Mr David Evans  
Mrs Margaret Dodd (resigned 4 August 2010)  
Mr Jim Lloyd  
Mrs Julie Pearce (appointed 4 August 2010)  
Ms Morag Bailey (appointed 4 August 2010)  
Mr Raymond Dowling  
Mr Richard Martin  
Mrs Susan Trevor  
Mr Wynne Davies (appointed 4 August 2010)

**CHIEF EXECUTIVE AND  
COMPANY SECRETARY**

Mr Shane Perkins

**DIRECTORS OF OPERATIONAL  
SERVICES**

Mr Aidan Ackerman

**DIRECTOR OF CORPORATE  
SERVICES**

Mr Charles Brotherton

**REGISTERED NUMBER**

MS21416R

**REGISTERED OFFICE**

Ty Canol House  
Ffordd Croesawdy  
Newtown  
Powys  
SY16 1AL

**AUDITORS**

Whittingham Riddell LLP  
Chartered Accountants & Statutory Auditors  
Hafren House  
St Giles Business Park  
Newtown  
Powys  
SY16 3AJ

**BANKERS**

Barclays Bank Plc  
PO Box 69  
Cardiff  
CF1 1SG

**SOLICITORS**

Morgan La Roche  
PO Box 176  
Bay House  
Swansea  
SA7 9YT

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MID-WALES HOUSING ASSOCIATION LIMITED

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## MID-WALES HOUSING ASSOCIATION LIMITED

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### BOARD OF MANAGERMENTS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

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#### Chair's Report

In our long history as Mid-Wales Housing this has undoubtedly been one of our more significant years. Starting with the Association's move at the beginning of the period into our new purpose built offices in Newtown; a building designed to facilitate our determined plans for accelerating our growth in providing affordable homes throughout Mid-Wales.

However, whilst our aspirations for the future are ambitious, the Association cannot ignore the barriers to operating successfully in the current economic environment. Accordingly, the Association has taken the opportunity to populate its key decision making roles with people that have the vision, the skills, the motivation, and the passion to make things happen.

In the process the Board Membership and Governance arrangements have been appreciably enhanced by attracting Members from a wide diversity of backgrounds and with an appropriate blend of skills. Equally, the Executive Team has been boosted with personnel selected for their qualities to implement the Association's strategy. Together this team is well equipped to navigate Mid-Wales Housing safely through the difficult economic and financial climate of the next few years.

So now the Association have the place and the leadership, so what have we achieved?

Importantly, we have taken a number of prudent actions to ensure that the required financial resource is suitably in place. Notably, for two years Mid-Wales Housing have run a planned deficit to make certain that all our properties would comply with the Welsh Housing Quality Standards (WHQS) as required by the Welsh Assembly Government (WAG). I am pleased to report that the Association remains on course to complete this work by the 2012 deadline set by WAG. I am also very pleased to report that the Association's results have this year returned to a surplus of £170,557. In addition to facilitate our ambitious programme of future development the Association has also arranged a new £10 million loan facility through Santander.

Next, Mid-Wales Housing have procured a new framework agreement with a "team" of contractors best equipped and suited to undertake our new developments and the Association's routine and planned maintenance programmes. With these tools and resources in place we are committed to deliver some exciting new projects. These will include schemes in Crynfryn Place and Heol Rhedyn, which together, will provide over 70 quality homes in Newtown.

The Heol Rhedyn scheme is particularly exciting as it will be the first to be developed as a Rent or Buy scheme. This will help those people who are at work but are unable to buy a home of their own and find private rents too expensive. Mid-Wales Housing future plans also include our continuing commitment to provide essential homes in the rural communities that reflect our area and to introduce new innovative technology that makes our homes more energy efficient and brings real benefits to our tenants.

It should not be overlooked that during the last twelve months the Association has completed a number of well received developments throughout the region. All have been to a high specification and we are particularly proud that amongst these we have attracted some prestigious industry awards.

With change very much on the Mid-Wales Housing agenda, during the last twelve months the Association have also taken some further bold steps. Noticeably we have chosen to rebrand the Association to reflect a more robust approach to the challenges of the marketplace. This has included a new logo and literature, a more informative web site and a complete overhaul of our promotional activity. The results have been considerable, not least in a marked increase in awareness of the Association and an appreciation of the work undertaken by Mid-Wales in the community. Following the boldness theme, the Association has also had the courage to introduce for consultation some deliberately thought provoking ideas to stimulate informed debate in the marketplace on new and innovative ways of delivering affordable housing.

No report by the Chair is complete without reference to our reason for existing – namely our tenants. We manage as an Association a much dispersed range of housing developments over a large geographical area.

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**MID-WALES HOUSING ASSOCIATION LIMITED**

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**BOARD OF MANAGERMENTS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2011**

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This makes meaningful tenant engagement a difficult issue to overcome, often due to distance and transport links. The Association has worked particularly hard to deal with this problem and to afford all tenants the equal opportunity, wherever they may be located, to add value to the running of the Association. Whilst we still have much to achieve, I am delighted to report that our endeavours are increasingly persuading tenants to make a worthwhile contribution to the workings of Mid-Wales Housing. For this the Association is extremely grateful and notes that the current wide interest by tenants in joining the Board this year heralds a new era for Mid-Wales Housing.

As I said at the outset this has been a significant year in the Association's history and we have achieved and change much in the time. However, we have also decided to further challenge ourselves over the coming years with some ambitious goals. To realise these, the Association recognises that it will be necessary to embrace the wider opportunities of the marketplace whilst at the same time adopting improved ways of delivering our core service and fulfilling a growing need.

In conclusion, I would like to thank my fellow Board Members, the Directors and of course our dedicated staff for their support and effort in contributing to a very successful year for the Association.

**Nick Hoskins**  
**Chair**  
**27th July 2011**

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## MID-WALES HOUSING ASSOCIATION LIMITED

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### BOARD OF MANAGERMENTS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

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#### Report of the Board

The Board of Management is pleased to present its report and the financial statements for the year ended 31st March 2011. The report and financial statements are prepared in accordance with the Industrial and Provident Societies' Act 1965 to 2002, the Housing and Regeneration Act 2008, the Welsh Assembly Government Accounting Determination 2009 and the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers update 2010.

#### Principal Activities

The principal activity of the Association is the provision of social housing accommodation.

#### Structure

The Association was registered with the (then) Housing Corporation on 24th March, 1975. It is registered with the Financial Services Authority (FSA) as a Friendly Society under the Industrial and Provident Societies Act 1965 under registration number MS21416R.

Under devolution in Wales, regulation passed to the Welsh Assembly Government, where the Association is registered as a Registered Social Landlord under number LO13.

At July 2011 the Association has filed with the FSA changed rules and adopted charitable objectives.

Mid-Wales Housing Association is a group of companies with currently one subsidiary – Care & Repair in Powys (CRP).

Care & Repair in Powys is an Industrial and Provident Society with charitable objectives registered with the Financial Services Authority under registration number 29535R. Care and Repair in Powys is also registered with the Welsh Assembly Government as a Registered Social Landlord under registration number J135.

#### The Board of Management

The Association is governed by a volunteer Board of Management, which provides the overall direction for the Association through the consideration of strategic issues, the setting of objectives and policies and the establishment of a framework of delegation.

The Association's Rules permits up to fifteen Members (plus Co-opted Members) on the Board. On the date of this report the Board comprised ten Members. Board Members are drawn from a wide background for their skills and experience and include tenants. The Board Members as at the date of this report are listed on Association Information page, together with brief biographical details.

Up to four Members may be tenants duly elected by the Association's tenants. The remainder of places on the Board are shareholders duly elected at the AGM. Each Member of the Board (other than tenant members) holds one fully paid share of £1 in the Association which is cancelled on cessation of membership.

The day-to-day management of the Association is delegated to the Chief Executive and Directors. The Executive team is outlined on Association Information page. They do not have the legal status of Directors, but they act as executives within the authority delegated by the Board. The Executives hold no interest in the Association share capital and are not Members of the Board.

The Board of Management has reviewed its effectiveness and has restructured the committees and has reduced the frequency of meetings to alternate months.

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## MID-WALES HOUSING ASSOCIATION LIMITED

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### BOARD OF MANAGERMENTS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

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#### Scrutiny Committee

This Committee meets on a monthly basis, with the exception of April, August and December, to provide assurance to the Board of Management that an effective internal control system is maintained.

The Scrutiny Committee has responsibility for reviewing the adequacy of all risk and control statements prior to endorsement by the Board, reviewing all internal control processes so that the Association can be reasonably assured that the appropriate and risk management arrangements are in place.

#### Remuneration Committee

The Committee's overall responsibility is to develop a remuneration policy to attract, retain and motivate those people of the highest competence who have the skills needed to realise the Association's objectives year on year, at the same time balancing the interests of the stakeholders, the Association and its employees.

#### Nominations Committee

The Committee's overall responsibility is to review the balance and effectiveness of the Board and of the Association, succession planning and reinforcement of the Board and the Executive Officers of the Board (Chair etc.) where necessary in order that the Association may achieve its objectives year on year.

#### Resident Involvement

The Board of Management believes it is vital to get its customers involved in the decisions made about the services it provides.

To make the most of customer involvement, the Association:

- has established a Tenants' and Residents' Forum;
- has established a Tenants Scrutiny Panel;
- has established a team of 'tenant inspectors' (Service Auditors);
- has encouraged the establishment of estate-based tenants' resident associations;
- has established the "Mid-Wales 50 group" of tenants who are regularly consulted;
- sends out regular newsletters and an annual report on performance;
- operates a comprehensive website;
- has developed an interactive game on its web site.

The main services are provided from the head office in Newtown where a fully equipped tenant's room is available. In addition the Llandrindod Wells office of Care and Repair in Powys is used on one day a week.

The above arrangements are considered to be the most appropriate way of making sure that the Association provides the best possible services to its customers.

#### Statement of the Board of Management's Responsibilities

The Board of Management is required by law to prepare the 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 these financial statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board of Management is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Industrial and Provident society law.

They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps

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## MID-WALES HOUSING ASSOCIATION LIMITED

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### BOARD OF MANAGERMENTS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

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for the prevention and detection of fraud and other irregularities.

#### **Internal Controls Assurance Statement**

The Board is responsible for the system of internal control and for reviewing its effectiveness.

The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board of Management confirms there is an on-going process for identifying, evaluating and managing the significant risks faced by the Association. This has been in place throughout the year and up to the date of approval of the annual report and accounts.

The Board of Management also confirm it has a Fraud, Corruption and Misappropriation Policy which was reviewed in 2011. The Association has in place procedures covering prevention, detection and reporting of fraud, that are designed to reduce the likelihood of fraud. The Association also has in place procedures that will facilitate dealing with fraud, including the preservation and recovery of assets.

The Risk Management Strategy, including the audit needs assessment, has been used to prioritise areas of internal control requiring review by internal audit. Such internal audits are carried out by professional auditors on areas considered a priority and written reports are provided for Executive Group and Board Review.

During the year the Board and or Scrutiny Committee have received the following evidence to support the effectiveness of internal controls:

- regular reports from internal auditors, including the 2010/11 annual report. These reports give an overall assessment of those controls; substantial, reasonable, limited or no assurance. With the exception of the audit of Anti-Social Behaviour (ASB) all reports received in the year were assessed as reasonable assurance;
- review of risk map quarterly, with focus upon the changes in risks, plus an annual review of the risk map;
- management reports on operational and financial matters. In addition all Board reports include a risk management summary;
- monthly performance reports and management accounts. These monitor against goals, projects, performance and budgets;
- setting of budgets and financial business plans in accordance with budget parameters and financial policies;
- development scheme viability assumptions;
- external auditors' reports and management letter;
- Welsh Assembly Government (WAG) Viability review;
- A regulatory Self Assessment undertaken by the Board.

No weakness in internal controls has been identified which has led to material losses, contingencies or uncertainties which require disclosure in these financial statements.

#### **Employees**

The Association is committed to promoting equality of opportunity in its employment practice. Applications for employment from persons with black or minority ethnic origins or disabilities are given full and fair consideration for all vacancies. In the event of an employee becoming disabled, every effort would be made to retain them so that their employment within the Association may continue.

It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

The Association continues its practice of consulting and keeping employees informed on matters that affect them, and on the progress of the Association. This is done in a number of ways including formal consultation with individual staff, departmental meetings and a weekly briefing with the Chief Executive.

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## MID-WALES HOUSING ASSOCIATION LIMITED

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### BOARD OF MANAGERMENTS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

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#### **Health and Safety**

The Board of Management is aware of its responsibilities relating to health and safety. It has prepared health and safety policies and all managers have undertaken a programme of training on health and safety matters.

#### **Insurance**

The Association maintains insurance policies for Members of the Board and Executive Directors against liabilities in relation to the Association.

#### **Political and charitable Donations**

The Association did not make any political donations but made charitable donations of £35 (2010: £nil).

#### **Post Balance Sheet Events**

The Board of Management considers that there have been no events since the year end that have had a significant effect upon the Association's financial position.

#### **Going Concern**

The Board of Management considers that it has adequate resources to continue in operation for the foreseeable future. For this reason, it continues to adopt the 'going concern' principle in the financial statements.

#### **Annual General Meeting**

The Annual General Meeting will be held on 3rd August 2011.

#### **External Auditors**

A resolution to re-appoint Whittingham Riddell LLP will be proposed at the Annual General Meeting.  
Disclosure of Information to Auditors

In the case of each of the persons who are Board Members at the date of this report, as far as each of the Board Members is aware:

- there is no relevant audit information of which the auditors are unaware;
- each Board Member has taken all steps they ought as Directors to make the auditors aware of any relevant information.

By order of the Board:

**Nick Hoskins**  
Chair  
27 July 2011

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## MID-WALES HOUSING ASSOCIATION LIMITED

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### BOARD OF MANAGERMENTS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

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#### Financial Review

##### Financial

The economic and financial climate has been one of great uncertainty over the last three years. The 'credit crunch,' as the recent recession has been called, started in the USA, in the summer of 2007. In essence the problem related to falling house prices in the USA meaning the value of investments purchased by UK banks and building societies reduced. This reduced the banks' ability to lend money given the various lending rules designed to maintain a 'sensible' balance between assets and liabilities.

To compensate for the reduced availability of credit the Bank of England (BoE) reduced the base rate to an historic low of 0.5% and embarked upon a programme of Quantitative Easing (QE) (akin to printing money). While these measures restored confidence in the financial markets the consequence was much higher Government borrowing and debt.

##### Economic

The level of public sector debt rose to unsustainable levels and all political parties agreed action had to be taken to reduce the deficit. The election in May 2011 led to the Conservative and Liberal Democrat Coalition Government, which has embarked on an 'ambitious' programme of public sector spending cuts and tax rises that will bring the Government spending back into balance in 2015.

The Comprehensive Spending Review published in October 2010 identified areas of cuts. This required public sector spending to be reduced by an average 25% over the next four years. The cuts to local government were higher, although the reductions to the Welsh Assembly Government were only 7.5%.

The economic indicators show the economic growth is subdued. The unexpected fourth quarter 0.5% reduction, while undoubtedly affected by the bad weather in December, illustrates the fragile nature of the growth. In particular, industrial growth and exports are not as robust as hoped. The limited growth is likely to continue in 2011 due to the cuts in public sector spending.

In the UK, inflation continues to be high with CPI in May 2011 at 3.7% (RPI 4.8%), which is significantly higher than the 2.0% target. With these pressures, the BoE is likely to increase base rate to show it is taking the inflationary threat seriously.

##### Summary

The economic situation will remain fragile for the next two to three years as the impact of the public sector spending cuts materialise. The amount of public sector grant will be limited while the pressures of inflation and lack of bank credit could constrain activities.

##### Financial Objectives

The Association is a traditional housing association which only borrows to invest in more housing properties or projects that add value to the Association's assets. The funders have set a 65% gearing limit, which means the borrowings of the Association cannot be more than 65% of the 'net worth' of the Association. A key aim of the Association is to provide more properties for those in housing need and therefore it will seek to maximise the number of properties it can develop each year within this 65% gearing limit.

With the 'backlog' of Welsh Housing Quality Standards (WHQS) completed, the Association aims to generate surpluses each year. It is the accumulation of these surpluses that will enable the loans to be repaid within the agreed timescales. This aim is reinforced by the funders' requirement for operating surpluses. While the requirement varies between each funder we work within the most restrictive and aim for operating surpluses to be at least 115% of interest payments each year.

Therefore, the financial plans are guided by two principles; only borrow to invest and generate surpluses. The surpluses increase the financial strength of the Association, while the borrowing to invest ensures new properties can be provided to meet housing need.

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**MID-WALES HOUSING ASSOCIATION LIMITED**

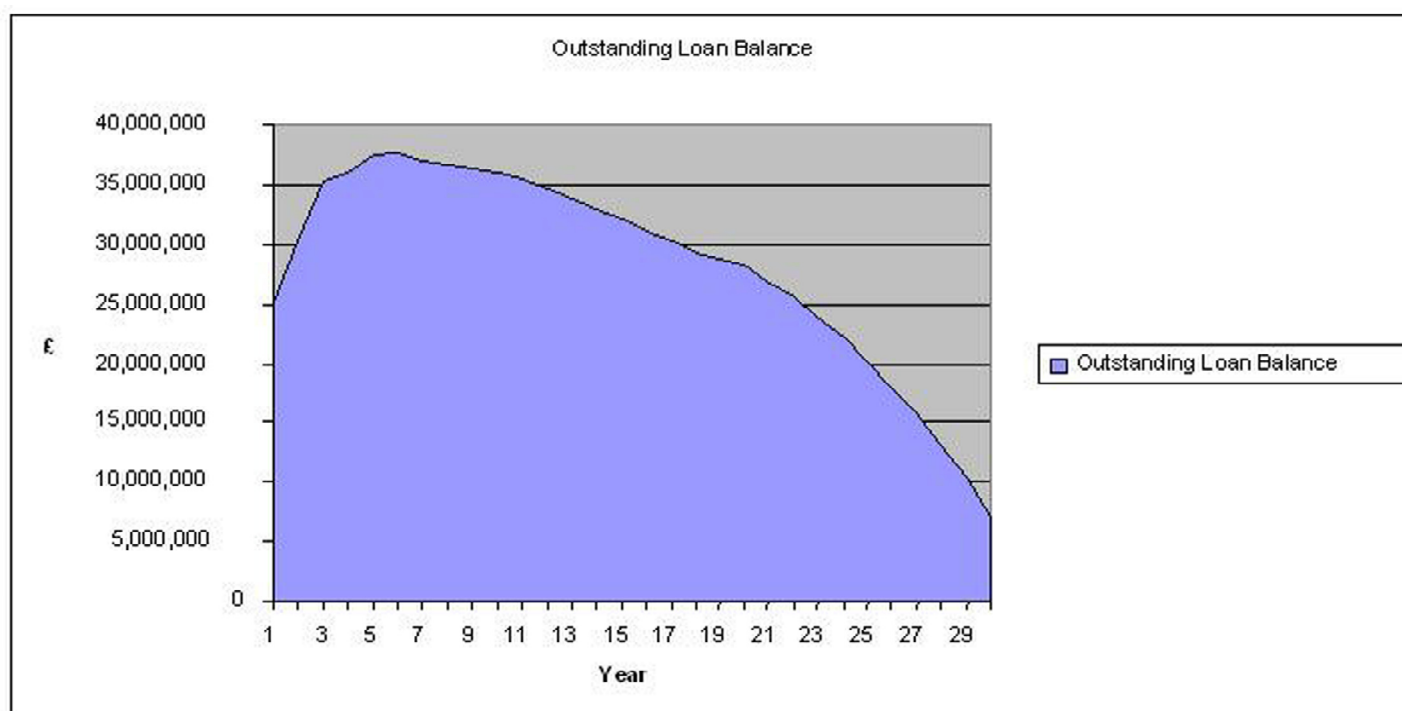
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**BOARD OF MANAGEMENTS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2011**

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**Loan Finance**

The Association finalised a new £10 million loan facility with Santander in December 2010. The loan facilities now total £39 million of which £24 million were drawn by the end of March 2011. The undrawn facilities are sufficient to meet the needs of the Association until March 2015.



**Income and Expenditure Account  
Five Year Summary**

	Budget	Actual	Actual Restated	Actual	Actual
	2012	2011	2010	2009	2008
	£'000	£'000			
Turnover	5,673	<b>5,390</b>	5,136	4,785	4,532
Operating costs	4,338	<b>4,202</b>	4,455	3,984	3,863
Operating surplus	<u>1,335</u>	<u><b>1,188</b></u>	<u>681</u>	<u>801</u>	<u>669</u>

The level of turnover has been increasing steadily, reflecting the annual rental increase and the additions to housing stock. The higher growth in turnover in 2011 reflects the success in the Care & Repair subsidiary being very successful in securing additional income in the year. This level of income will not continue into 2012 hence the lower growth in turnover budgeted for 2012.

The three years prior to 2011 show a much lower level of operating surplus reflecting the investment in catch up works required to bring the properties up to the Welsh Housing Quality Standard (WHQS). The works will be completed during 2012.

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MID-WALES HOUSING ASSOCIATION LIMITED

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BOARD OF MANAGERMENTS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2011

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**Balance Sheet  
Five Year Summary**

	Budget	Actual	Actual Restated	Actual	Actual
	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Fixed assets	80,423	<b>70,055</b>	66,559	61,293	56,375
Capital Grants	(48,830)	<b>(42,943)</b>	(40,602)	(38,482)	(36,195)
Net Current assets/(liabilities)	31,593	<b>27,112</b>	25,957	22,811	20,180
Net Assets	<u>1,552</u>	<u>(185)</u>	<u>(441)</u>	<u>(639)</u>	<u>(653)</u>
	<u>33,145</u>	<u>26,927</u>	<u>25,516</u>	<u>22,173</u>	<u>19,527</u>
Long term loans	29,918	<b>23,873</b>	22,988	19,202	16,644
Designated reserves	2,537	<b>2,537</b>	1,069	1,741	1,727
Revenue reserves	690	<b>515</b>	1,458	1,230	1,157
Total capital reserves	<u>33,145</u>	<u>26,927</u>	<u>25,516</u>	<u>22,173</u>	<u>19,528</u>

The balance sheet growth reflects the on-going construction of properties. The cost in 2010 also includes the construction of the Associations new offices in Newtown. The reduction in the designated reserves prior to 2011 reflects the funding of the catch up works to meet WHQS from the Planned Maintenance Reserve. The increase in the designated reserves in 2011 reflects the funding of the office.

**Charles Brotherton**  
**Director of Corporate Services**  
**27 July 2011**

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## MID-WALES HOUSING ASSOCIATION LIMITED

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### BOARD OF MANAGERMENTS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

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#### Operational Review

##### Mission Statement

The Association reviewed its mission, vision and values during 2010 to ensure that they reflected the organisation's ambitions for the future. This led to a redefined mission statement which is much more focused and reasserts the Association's commitment to the region of Mid-Wales.

"Making quality homes affordable to more people in Mid-Wales"

##### Corporate Goals

Over the next five years the Association has set the following goals:

a) To improve services to our customers by developing a clear customer service centred approach. A principal focus will be in improving the maintenance service, and ensuring tenants have good quality advice on changes to welfare benefits.

b) To enhance our understanding of our customers and the services they value, tailoring them accordingly. The Association will continue to place a high priority on tenant involvement, but will also invest in appropriate market research where necessary, as well as develop a clearer dialogue with the local communities in the region.

c) To grow as an organisation by at least 325 new homes over the next five years through the traditional use of Social Housing Grant; through innovation and through the potential for stock transfer/stock rationalisation from other social landlords in the area.

To grow by a further 975 properties through diversification and expansion of the Mid-Wales Housing Group, setting up additional companies where this provides the best opportunity for growth, for instance in the provision of student accommodation and/or medical accommodation.

d) To make the best use of resources through the adoption of a lean systems approach to our processes and by working in partnerships with other organisations where this secures best value for money. A major priority will be working with our new framework contractors.

e) To promote employment in the region, by ensuring our framework contractors meet agreed targets for the employment of local tradespeople, and by directly providing work placements/experience.

f) To enhance the governance of the Association still further by successfully adopting the principles of the Welsh Assembly Government's regulatory framework in Business Planning. Using the Association's self-assessment process in order to identify areas for service improvement in the 2012/13 Business Plan will be important.

To enhance the existing skills of the Board by attracting membership of the Board from someone with specialist financial knowledge, and by securing further tenant representation.

g) To ensure that its subsidiary Care & Repair in Powys continues to be able to provide a valued service to older owner occupiers.

##### Overview

At 31st March 2011, Mid-Wales Housing Association had 1,302 homes in management. It is the premier housing association in Mid-Wales. From its beginnings in Newtown in 1975, its geographical area has widened to include the whole of Mid-Wales: Montgomeryshire, Radnorshire, Brecknockshire and parts of Ceredigion. It also has developed five properties in Shropshire.

Its core area of activity is in the shires of Montgomery and Radnor in Powys, and Aberystwyth and environs in Ceredigion. The geographical spread of its housing stock can be found on its web site: <http://www.mid-walesha.co.uk/english/our-properties>

It employs a total of 39 people based at its offices at Ty Canol House in Newtown, plus a further 14 estate-based cleaners and gardeners. Its subsidiary Care & Repair in Powys employs a further 16 people based across two offices, one in Llandrindod Wells and the other in Ty Canol House, Newtown.

Mid-Wales Housing Association is part of the Undod consortium. Undod is a mechanism for collaborating with other Associations to achieve efficiencies in the procurement of services. It is primarily structured to deliver these efficiencies through the procurement of building services. Through Undod, the Association has recently entered into a new four-year framework agreement with a select number of contractors.

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## MID-WALES HOUSING ASSOCIATION LIMITED

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### BOARD OF MANAGERMENTS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

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The Members of Undod are:

- Cymdeithas Tai Clwyd.
- Cymdeithas Tai Eryri.
- Mid-Wales Housing Association.
- North Wales Housing Association.

#### **Regulatory Self Assessment**

The Association is regulated by the Welsh Assembly Government (WAG). In January 2011 it completed its first regulatory Self Assessment. The judgement was:

“The Association is meeting all of its regulatory requirements”

However, there are a number of areas where the Association would wish to improve performance:

- a better understanding of its clients and more tenant engagement;
- improvements in the provision of spoken Welsh services;
- better value for money;
- improved strategic relationship with Ceredigion County Council. (The Association has a good strategic relationship with Powys County Council, but during and since stock transfer in Ceredigion the strategic housing role, and organisational liaison has not been as good as the Association would like);
- more information on the specific personal needs of tenants so that we can better tailor services to those with particular support needs;
- ensure the Association delivers compliance with WHQS in 2012/13, and has an evidence base to demonstrate achievement.

#### **Rent Policy**

The Welsh Assembly Government (WAG) issued on 31st March a consultation document entitled ‘A New Policy for Social Housing Rents’. In addition, WAG issued its final guidance on ‘intermediate rents’. The Association will be assessing these documents, responding to the consultation and developing its own rent policy in the light of the final guidance issued by WAG.

#### **Allocating Housing**

During 2010 the Association issued a consultation paper entitled “How affordable housing in the Mid-Wales Region should be allocated”. This presented an argument that the lack of affordable housing in Mid-Wales constituted a crisis and that part of the solution should be a re-examination of how existing affordable housing could best be used for the benefit of the communities of Powys and Ceredigion.

The consultation generated a large amount of interest and many valuable responses. The Association will be considering during 2011/12 on how to change its allocation policy and procedure to reflect the responses of the consultation.

**Shane Perkins**  
**Chief Executive**  
**27 July 2011**

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**MID-WALES HOUSING ASSOCIATION LIMITED**

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**AUDITORS' REPORT ON STATEMENT OF INTERNAL CONTROLS  
FOR THE YEAR ENDED 31 MARCH 2011**

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In addition to our audit of the financial statements we have reviewed the Board of Management's statement on internal financial control and confirm that the Group complies with Housing Association Circular RSL 02/10 "Internal Controls and Reporting".

**BASIS OF OPINION**

We carried out our review in accordance with Bulletin 1995/1, "Disclosure Relating to Corporate Governance", issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not express any opinion on the effectiveness of either the Association's system of internal financial control or its housing association governance procedures, nor on the ability of the Association to continue in operational existence.

**OPINION**

With respect to the Board of Management's statement on internal financial control on pages 4 and 5, in our opinion the Board of Management has provided the disclosures required by Housing Association Circular RSL 02/10 and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements and the limited additional procedures carried out by us in accordance with the Auditing Practice Board Bulletin 1995/1 "Disclosure Relating to Corporate Governance and the Code of Audit Practice".

Based on enquiry of senior executives of the Association and examination of relevant documents, in our opinion the Board of Management's statements on page 4 and 5 appropriately reflect the Association's compliance with Housing Association Circular RSL 02/10 "Internal Controls and Reporting".

David Morris BSC FCA (Senior statutory auditor)  
for and on behalf of  
**Whittingham Riddell LLP**  
Chartered Accountants  
Statutory Auditors  
Newtown

27 July 2011

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## MID-WALES HOUSING ASSOCIATION LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MID-WALES HOUSING ASSOCIATION LIMITED

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We have audited the group and parent association financial statements of Mid-Wales Housing Association Limited for the year ended 31 March 2011, set out on pages 15 to 44. 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 the association's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968 and Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### RESPECTIVE RESPONSIBILITIES OF BOARD OF MANAGEMENT AND AUDITORS

As explained more fully in the Statement of board of management's responsibilities, the board of managements are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 Practices Board's Ethical Standards for Auditors.

#### 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 the group's and the parent association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board of management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board of managements' 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.

#### OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent association's affairs as at 31 March 2011 and of the group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Housing and Regeneration Act 2008 and The Accounting Requirements for Registered Social Landlords General Determination (Wales) 2009.

#### OPINION ON OTHER MATTER PRESCRIBED BY THE INDUSTRIAL AND PROVIDENT SOCIETIES ACTS

In our opinion the information given in the Board of managements' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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**MID-WALES HOUSING ASSOCIATION LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MID-WALES HOUSING ASSOCIATION LIMITED**

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**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:

- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent association financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Morris BSC FCA (Senior statutory auditor)

for and on behalf of

**Whittingham Riddell LLP**

Chartered Accountants

Statutory Auditors

Newtown

27 July 2011

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**MID-WALES HOUSING ASSOCIATION LIMITED**

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**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2011**

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	Note	2011 £	As restated 2010 £
<b>TURNOVER</b>	1,2	<b>5,389,806</b>	<i>5,136,316</i>
Cost of sales		<u>(164,821)</u>	<u>(115,222)</u>
<b>GROSS SURPLUS</b>	3	<b>5,224,985</b>	<i>5,021,094</i>
Operating costs	2	<u>(4,037,264)</u>	<u>(4,339,767)</u>
<b>OPERATING SURPLUS</b>	3	<b>1,187,721</b>	<i>681,327</i>
<b>EXCEPTIONAL ITEMS</b>			
Net surplus/(deficit) on sale of tangible fixed assets		<b>23,271</b>	<i>(16,574)</i>
Impairment review	5	<u>(22,000)</u>	<u>(201,242)</u>
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>1,188,992</b>	<i>463,511</i>
Interest receivable and similar income	8	<b>5,914</b>	<i>998</i>
Interest payable and similar charges	9	<u>(1,024,349)</u>	<u>(897,102)</u>
<b>SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>170,557</b>	<i>(432,593)</i>
Tax on surplus/(deficit) on ordinary activities	10	<u>-</u>	<u>-</u>
<b>SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR</b>		<b><u>170,557</u></b>	<i><u>(432,593)</u></i>

All amounts relate to continuing operations.

The notes on pages 21 to 44 form part of these financial statements.

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MID-WALES HOUSING ASSOCIATION LIMITED

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ASSOCIATION INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2011

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	Note	2011 £	As restated 2010 £
<b>TURNOVER</b>	1, 2	<b>4,675,592</b>	4,507,222
Operating costs	2	(3,516,641)	(3,828,699)
<b>OPERATING SURPLUS</b>		<b>1,158,951</b>	678,523
<b>Exceptional items</b>			
Net (deficit)/surplus on sale of tangible fixed assets		23,271	(16,574)
Impairment review	5	(22,000)	(201,242)
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>1,160,222</b>	460,707
Interest receivable		2,108	662
Interest payable	9	(1,024,349)	(897,102)
<b>SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>137,981</b>	(435,733)
Tax on deficit on ordinary activities		-	-
<b>SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR</b>		<b>137,981</b>	(435,733)

All amounts relate to continuing operations.

The notes on pages 21 to 44 form part of these financial statements.

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MID-WALES HOUSING ASSOCIATION LIMITED

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2011

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	Note	2011 £	As restated 2010 £
<b>SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR</b>		<u>170,557</u>	<u>(432,593)</u>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>		170,557	<u>(432,593)</u>
Prior year adjustment	20	<u>356,963</u>	
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS</b>		<u>527,520</u>	

The notes on pages 21 to 44 form part of these financial statements.

**MID-WALES HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 MARCH 2011**

	Note		2011 £	<i>As restated</i> 2010 £
<b>FIXED ASSETS</b>				
Housing properties depreciated cost	11	<b>66,769,738</b>	63,621,697	
Social Housing Grant	11	<b>(40,981,609)</b>	(38,641,781)	
Other Grants	11	<b>(1,960,695)</b>	(1,960,695)	
		<hr/>	<hr/>	
			<b>23,827,434</b>	23,019,221
Homebuy Loans		<b>770,148</b>	782,746	
Social Housing Grant		<b>(770,148)</b>	(782,746)	
Other Fixed Assets	12	<b>3,285,408</b>	3,294,114	
		<hr/>	<hr/>	
			<b>3,285,408</b>	3,294,114
<b>CURRENT ASSETS</b>				
Debtors	13	<b>960,340</b>	301,340	
Cash at bank		<b>3,729,895</b>	2,312,640	
		<hr/>	<hr/>	
Amounts falling due within one year	14	<b>4,690,235</b> <b>(5,213,460)</b>	2,613,980 (3,054,521)	
		<hr/>	<hr/>	
<b>NET CURRENT LIABILITIES</b>			<b>(523,225)</b>	<b>(440,541)</b>
			<hr/>	
			<b>26,589,617</b>	<b>25,872,794</b>
			<hr/> <hr/>	<hr/> <hr/>
<b>CREDITORS</b>				
Amounts falling due after more than one year	15		<b>23,534,659</b>	22,988,395
<b>CAPITAL AND RESERVES</b>				
Share capital	18	<b>66</b>	64	
Other reserves	19	<b>2,602,706</b>	1,069,314	
Revenue reserves	19	<b>452,186</b>	1,815,021	
		<hr/>	<hr/>	
			<b>3,054,958</b>	2,884,399
			<hr/>	
			<b>26,589,617</b>	<b>25,872,794</b>
			<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 July 2011.

.....Chairman

.....Member of the Board of Management

.....Secretary

WR

**MID-WALES HOUSING ASSOCIATION LIMITED**

**ASSOCIATION BALANCE SHEET  
AS AT 31 MARCH 2011**

	Note		2011 £	<i>As restated</i> 2010 £
<b>FIXED ASSETS</b>				
Housing properties depreciated cost	11	<b>66,769,738</b>	63,621,697	
Social Housing Grant	11	<b>(40,981,609)</b>	(38,641,781)	
Other Grants	11	<b>(1,960,695)</b>	(1,960,695)	
		<hr/>	<hr/>	
			<b>23,827,434</b>	23,019,221
Homebuy Loans		<b>770,148</b>	782,746	
Social Housing Grant		<b>(770,148)</b>	(782,746)	
Other Fixed Assets	12	<b>3,269,495</b>	3,274,942	
		<hr/>	<hr/>	
			<b>3,269,495</b>	3,274,942
<b>CURRENT ASSETS</b>				
Debtors	13	<b>968,739</b>	288,191	
Cash at bank		<b>3,335,548</b>	1,997,491	
		<hr/>	<hr/>	
Amounts falling within one year	14	<b>4,304,287</b> <b>(5,113,878)</b>	2,285,682 (2,977,273)	
		<hr/>	<hr/>	
<b>NET CURRENT LIABILITIES</b>			<b>(809,591)</b>	<i>(691,591)</i>
			<hr/>	
			<b>26,287,338</b>	<i>25,602,572</i>
			<hr/> <hr/>	<hr/> <hr/>
<b>CREDITORS</b>				
Amount falling due after more than one year	15		<b>23,532,587</b>	22,985,804
<b>CAPITAL AND RESERVES</b>				
Share capital	18	<b>66</b>	64	
Designated reserves	19	<b>2,436,737</b>	916,666	
Revenue reserve account	19	<b>317,948</b>	1,700,038	
		<hr/>	<hr/>	
			<b>2,754,751</b>	2,616,768
			<hr/>	
			<b>26,287,338</b>	<i>25,602,572</i>
			<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 July 2011.

.....Chairman

.....Member of the Board of Management

.....Secretary

WR

**MID-WALES HOUSING ASSOCIATION LIMITED**

**CONSOLIDATED CASHFLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 £	2010 £
<b>Net cash inflow from operating activities</b>	28	<b>770,427</b>	<b>654,436</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		5,914	998
Interest paid		(993,965)	(896,689)
		<u>(988,051)</u>	<u>(895,691)</u>
<b>Capital Expenditure</b>			
Purchase and construction of housing properties		(3,301,471)	(3,523,420)
Social housing grant received		4,541,261	2,774,437
Purchase of other fixed assets		(129,254)	(2,270,652)
Sale of housing properties and other fixed assets		23,546	101,773
		<u>1,134,082</u>	<u>(2,917,862)</u>
<b>Financing</b>			
Issue of ordinary shares		-	6
Loans received		1,100,000	4,400,000
Loans repaid		(601,443)	(520,338)
		<u>498,557</u>	<u>3,879,668</u>
<b>Increase in cash in the year</b>		<u><u>1,415,015</u></u>	<u><u>720,551</u></u>

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## MID-WALES HOUSING ASSOCIATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of accounting

The financial statements are prepared in accordance with applicable Accounting Standards in the United Kingdom and in accordance with the Statement of Recommended Practice issued by the National Housing Federation of Housing Associations 'Accounting by registered social housing providers' Update 2010 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2009.

##### 1.2 Accounting convention

The financial statements are prepared under the historical cost convention.

##### 1.3 Consolidated accounts

The accounts are prepared on the basis that each company is an individual entity. The consolidated financial statements for Mid-Wales Housing Association incorporate the financial statements of Mid-Wales Housing Association Limited (MWAHA) and Care and Repair in Powys (CRP). These companies are all subsidiaries within the meaning of the Industrial and Provident Societies Act 1965 and the Housing Act 1996.

##### 1.4 Turnover

Turnover represents rental and service charge income, fees, revenue grants receivable from local authorities and the Welsh Assembly Government (WAG).

Proceeds from the first tranche disposals of shared ownership properties are accounted for in turnover in the income and expenditure account in the period in which the disposal occurs. The cost of sales includes the incidental costs of executing the sale and a proportion of the overall costs of the property determined by the percentage of the property sold under the first tranche sale. The cost of sale is adjusted, where necessary, to ensure the surplus on sale is restricted to the overall surplus on the scheme.

##### 1.5 Service charges

The Group operates variable service charges reflecting the requirements of the respective tenancy agreements. Where the charge is variable an assessment is made of whether costs have been over or under recovered and an appropriate prepayment or accrual provided for in the accounts.

##### 1.6 Property sales

Surpluses and deficits arising from the disposal of properties are disclosed on the face of the income and expenditure account after the operating result and before interest. The surplus or deficit is calculated by comparing the net proceeds received by the Group with the carrying value of the property sold.

##### 1.7 Shared ownership properties

Shared ownership properties under construction are proportionally split between current and fixed assets, determined by the percentage of the properties to be sold under the first tranche sales.

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MID-WALES HOUSING ASSOCIATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011

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1. ACCOUNTING POLICIES (continued)

1.8 Housing properties

Housing properties including shared ownership properties are shown at cost. The cost of properties is their construction cost and associated costs or purchase price together with improvement costs and incidental costs of acquisition.

As required by Financial Reporting Standard for Tangible Fixed Assets (FRS15), the Group has reviewed the economic useful lives of its housing properties and depreciates the property costs, less sum of grants, freehold land and residual value.

Depreciation is charged so as to write down the cost (net of Social Housing Grant) of freehold housing properties to their estimated residual value on a straight line basis over their expected useful economic lives as follows:

New build	- 150 years
Rehabilitation properties	- 100 years
Leasehold properties	- Over life of the lease
Shared ownership	- 150 years

Freehold land is not depreciated.

Housing properties in the course of construction are stated at cost less Social Housing or other grants received against expenditure and are not depreciated. They are transferred into housing properties when completed.

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant. Land donated, or acquired below market value is included in cost at its valuation, with the donation treated as a capital grant when it relates to a specific project.

1.9 Office premises

Offices premises are shown at cost less accumulated depreciation and impairment. The cost of the offices is their construction cost and associated costs or purchase price together with improvement costs and incidental costs of acquisition. Depreciation is charged on a straight line basis over the expected useful economic life of the offices.

Freehold	- 100 years
Leasehold	- Over life of the lease
Leasehold improvements	- Over life of the lease

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## MID-WALES HOUSING ASSOCIATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.10 Impairment

Impairment is a charge to the income and expenditure account and represents a permanent reduction in the economic value of an asset.

It is a requirement of Financial Reporting Standard for Impairment of Fixed Assets and Goodwill (FRS11) that all properties with an estimated useful life of more than 50 years have an impairment review. Where there is an indication that impairment has occurred, a review of the income stream is carried out. Impaired properties are valued at recoverable amount, being the higher of net realisable economic value and value in use.

Where there is an indication of impairment to the office premises a review is carried out. Impaired office premises are valued at the higher of net realisable economic value or the replacement cost of the asset which would be required to continue to provide the housing management and maintenance service at that office location.

##### 1.11 Other fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of those assets at the following annual rates:

Office furniture	-	10%
Office equipment	-	10%
IT networking	-	10%
Computer equipment	-	25%
Motor vehicles	-	20%

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

##### 1.12 Social housing grant

Social Housing Grant (SHG) is receivable from the Welsh Assembly Government (formally from the Housing Corporation) against the cost of development and major repairs. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates. SHG may be repayable under certain circumstances, but would normally be recycled, primarily on the sale of property. The amount repayable will normally be the lower of the SHG received and the net proceeds of the sale. SHG received in advance of expenditure incurred on individual schemes is included in creditors.

##### 1.13 Recycling of capital grant

Upon the sale of a property, any attributable SHG is recorded in the Recycled Capital Grant Fund (RCGF) for re-investment in eligible housing properties within a prescribed time-scale. The amounts are repayable if not used within the time-scale.

The RCGF is shown as a creditor until it is spent or repaid.

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MID-WALES HOUSING ASSOCIATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011

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1. ACCOUNTING POLICIES (continued)

**1.14 Disposal proceeds fund**

The net disposal proceeds as a result of the sale of a property under Social Homebuy, are credited to a disposal proceeds fund.

The main objective of the fund is to provide replacement properties for social rent at no greater subsidy cost than properties provided through the normal grant support system.

**1.15 Capitalisation of interest**

Interest on the loan financing a development, is capitalised, from the purchase of land or property and/or the start on site up to the date of practical completion. The amount takes into account interest earned on SHG received in advance. Interest is capitalised at the average interest rate of the year when the construction of the property occurred.

**1.16 Capitalisation of development overheads**

As a result of the introduction of Financial Reporting Standard for Tangible Fixed Assets (FRS15) together with the requirements outlined in the Statement of Recommended Practice for Registered Social Landlords, only specific and directly attributable costs are capitalised.

**1.17 Supported housing schemes managed by agents**

The Association owns a number of schemes that are run by specialist agencies. The agents carry the financial risk from operating the scheme and, therefore, the income and expenditure account only includes the income and expenditure that relates solely to the Association. Any other income and expenditure related to the scheme is excluded from the income and expenditure account.

**1.18 Supporting People (SP) income**

SP funding was introduced on 1 April 2003 and replaced Supported Housing Management Grant. SP contracts are entered into with local authorities and are of two types:

- block subsidy is determined on the support needs of each tenant.
- block gross is a fixed sum determined by the number of qualifying bed spaces and minimum occupying levels, or a number of support hours, as agreed with the local authority.

The Association has one block gross contract relating to the provision of a care line service to a number of older persons.

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## MID-WALES HOUSING ASSOCIATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.19 Major and cyclical repairs and maintenance

The Group only capitalises major repairs expenditure on housing properties where it increases the net rental stream by:

- extending its useful economic life, or
- the improvement enables a higher rental income to be charged (for example, first time central heating, double glazing and in-curtiledge parking)

All other major repairs expenditure is charged to the income and expenditure account as incurred.

##### 1.20 Provisions

The Group only provides for contractual and constructive liabilities where it has a present obligation to transfer economic benefits as a result of past events, it is probable that a transfer of economic benefit will result and a reliable estimate can be made of the amount of the obligation.

##### 1.21 Leased assets

Rentals paid under operating leases are charged to the income and expenditure account in the period to which they relate. There are no finance leases.

##### 1.22 Value Added Tax (VAT)

The Group is not VAT registered as the majority of its income, being housing rents, and service charges, is exempt for VAT purposes. Expenditure is therefore shown inclusive of VAT.

##### 1.23 Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS19.

Deferred tax is not provided for in respect of gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over, or on revaluation gains on housing properties unless there is a binding agreement to sell them at the balance sheet date.

##### 1.24 Pension costs

The Association operates a defined contribution scheme, contracted out of the state scheme. Contributions to pension schemes are calculated as a percentage of pensionable salaries of the employees, determined in accordance with the Associations Pensions Policy. The cost of providing pensions is charged to the income and expenditure account.

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**MID-WALES HOUSING ASSOCIATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**1. ACCOUNTING POLICIES (continued)**

**1.25 Revenue reserve**

The revenue reserve reflects the surplus or deficit generated from the trading activities of each organisation within the Group. The aim of any organisation is to generate a surplus that can be re-invested into the business. If deficits are generated, this reserve is negative and, therefore, no 'free' reserves exist for re-investing in activities.

The earmarking of reserves to create a designated reserve requires a positive reserve. Therefore, the designation of reserves is restricted by the total revenue reserve generated.

**1.26 Replacement equipment reserve**

This reserve is established to fund the future replacement cost of equipment at all the supported housing schemes (including older persons, young persons and other specialist areas) for the Association. Equipment is defined as items such as lifts, door entry systems and fire alarm systems. Many of these items of equipment are recovered through a service charge.

**1.27 Furniture and fittings reserve**

This reserve is established to fund the future replacement cost of furniture and fittings at all the supported housing schemes including older persons, young persons and other specialist areas for the Association. Furniture and fittings are defined as items such as carpets, curtains, chairs and washing machines.

**1.28 Planned maintenance reserve**

This reserve is established to build up a fund to enable the replacement of property components in the future. Components are defined as items such as kitchens, bathrooms, heating systems, windows and doors.

**1.29 Rent restructure reserve**

The review of rent setting by the WAG has enabled the Association to increase some rents faster than originally envisaged. The Board of Management has decided this extra income should be credited to specific reserve. The Board in conjunction with the Tenant and Residents Panel (TaRF) and consultation with tenants have decided how to use the funds. The transfers from the reserve will occur when each spending initiative has been undertaken.

**1.30 Property disposal reserve**

When the Association disposes of a property including shared ownership property, the value is written out of the balance sheet and the disposal proceeds credited to the income and expenditure account. Any surplus between the proceeds and value is credited to the property disposal reserve.

This fund is to be used in creating another income producing asset. This can either be a new property, or an extension / improvement to an existing property where the rents can be increased.

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**MID-WALES HOUSING ASSOCIATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**1. ACCOUNTING POLICIES (continued)**

**1.31 Hardship fund**

This is a special reserve created by Care and Repair in Powys (CRP) to help those applicants for aids and adaptations who do not quite have enough resources to fund the works themselves.

**1.32 Restructure reserve**

This reserve is established by Care and Repair in Powys (CRP) to cover the potential cost of redundancy and any subsequent winding up costs that may arise from the fundamental restructuring of the business that would arise from the loss of grant funding.

**1.33 Office reserve**

This reserve reflects the investment of the Association's own resources in the provision of purpose build offices.

**MID-WALES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

**2. PARTICULARS OF TURNOVER, COSTS AND SURPLUS (GROUP)**

	2011			2010 <i>As restated</i>		
	Turnover £	Operating costs £	Operating Surplus / (Deficit) £	Turnover £	Operating costs £	Operating Surplus / (Deficit) £
Social housing lettings	4,668,264	(3,358,672)	1,309,592	4,507,222	(3,604,215)	903,007
Supporting People	7,328	(7,617)	(289)	-	-	-
Care and Repair	714,214	(685,444)	28,770	629,094	(626,290)	2,804
Development	-	(150,352)	(150,352)	-	(224,484)	(224,484)
	<b>5,389,806</b>	<b>(4,202,085)</b>	<b>1,187,721</b>	<b>5,136,316</b>	<b>(4,454,989)</b>	<b>681,327</b>
Surplus/(Deficit) on Disposal	-	-	23,271	-	-	(16,574)
Interest Receivable	-	-	5,914	-	-	998
Interest Payable	-	-	(1,063,456)	-	-	(907,947)
Interest Capitalised	-	-	39,107	-	-	10,845
Impairment review	-	-	(22,000)	-	-	(201,242)
Total	<b>5,389,806</b>	<b>(4,202,085)</b>	<b>170,557</b>	<b>5,136,316</b>	<b>(4,454,989)</b>	<b>(432,593)</b>

**MID-WALES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

**PARTICULARS OF TURNOVER, COSTS AND SURPLUS (ASSOCIATION)**

	2011			<i>2010 As restated</i>		
	Turnover £	Operating costs £	Operating Surplus / (Deficit) £	Turnover £	Operating costs £	Operating Surplus / (Deficit) £
Social housing lettings	4,668,264	(3,358,672)	1,309,592	4,507,222	(3,604,215)	903,007
Supporting People	7,328	(7,617)	(289)	-	-	-
Development	-	(150,352)	(150,352)	-	(224,484)	(224,484)
	<b>4,675,592</b>	<b>(3,516,641)</b>	<b>1,158,951</b>	4,507,222	(3,828,699)	678,523
Surplus/(Deficit) on Disposal	-	-	23,271	-	-	(16,574)
Interest Receivable	-	-	2,108	-	-	662
Interest Payable	-	-	(1,063,456)	-	-	(907,947)
Interest capitalised	-	-	39,107	-	-	10,845
Impairment review	-	-	(22,000)	-	-	(201,242)
<b>Total</b>	<b>4,675,592</b>	<b>(3,516,641)</b>	<b>137,981</b>	4,507,222	(3,828,699)	(435,733)

**MID-WALES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

**PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS**

	General needs and Sheltered housing £	Supported housing £	2011 £	2010 £
<b>Income</b>				
Rent receivable	4,072,453	335,213	4,407,666	4,242,814
Service charge income	212,392	48,206	260,598	264,408
Turnover from social housing lettings	<u>4,284,845</u>	<u>383,419</u>	<u>4,668,264</u>	<u>4,507,222</u>
<b>Cost</b>				
Management costs	(878,800)	(93,989)	(972,789)	(1,046,651)
Service charge costs	(195,381)	(41,918)	(237,299)	(231,626)
Routine maintenance	(1,034,766)	(86,366)	(1,121,132)	(1,155,969)
Major repairs expenditure	(733,967)	(28,077)	(762,044)	(925,310)
Bad debts	(88,247)	-	(88,247)	(34,548)
Depreciation of housing properties	(153,430)	-	(153,430)	(140,000)
Other costs	(23,731)	-	(23,731)	(70,111)
Operating costs	<u>(3,108,322)</u>	<u>(250,350)</u>	<u>(3,358,672)</u>	<u>(3,604,216)</u>
Operating surplus from lettings	<u><u>1,176,523</u></u>	<u><u>133,069</u></u>	<u><u>1,309,592</u></u>	<u><u>903,007</u></u>
Rent loss due to voids (memorandum note)	<u><u>(32,878)</u></u>	<u><u>(270)</u></u>	<u><u>(33,148)</u></u>	<u><u>(34,485)</u></u>

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MID-WALES HOUSING ASSOCIATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011

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**3. OPERATING SURPLUS**

The operating surplus is stated after charging:

	2011 £	2010 £
Depreciation of housing properties	153,430	140,000
Depreciation of tangible fixed assets: - owned by the group	115,688	69,058
	<u>                    </u>	<u>                    </u>

**4. AUDITORS' REMUNERATION**

	2011 £	2010 £
Fees payable to the association's auditor for the audit of the association's annual accounts	9,469	10,403
Fees payable to the association's auditor and its associates in respect of:		
All other services	2,200	2,200
	<u>                    </u>	<u>                    </u>

**5. IMPAIRMENT REVIEW**

The Board of Management have agreed an additional £22,000 of impairment in addition to the £201,242 in 2010 on the Head Office at Ty Canol House.

**6. DIRECTORS AND SENIOR EXECUTIVES REMUNERATION**

No remuneration was paid to members of the Board of Management who are not senior executives during the year (2010: £nil). Expenses in the amount of £18,439 (2010: £12,665) were paid in the year.

	2011 £	2010 £
Emoluments of Senior Executives (including Chief Executive)	151,447	130,255
	<u>                    </u>	<u>                    </u>

During the year retirement benefits were accruing to 3 senior executives (2010 - 3) in respect of defined contribution pension schemes.

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MID-WALES HOUSING ASSOCIATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011

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7. STAFF COSTS

Staff costs, including Executive Directors' remuneration, were as follows:

	2011 £	2010 £
Wages and salaries	1,405,670	1,343,707
Social security costs	135,961	127,579
Other pension costs	101,518	96,964
	<u>1,643,149</u>	<u>1,568,250</u>

The average monthly number of employees, including the Executive Directors, during the year was as follows:

	2011 No.	2010 No.
Office Staff	44	47
Gardeners	1	1
Cleaners	13	15
Technical & Caseworkers	10	10
	<u>68</u>	<u>73</u>

8. INTEREST RECEIVABLE

	2011 £	2010 £
Other interest receivable	<u>5,914</u>	<u>998</u>

9. INTEREST PAYABLE

	2011 £	As restated 2010 £
On bank loans and overdrafts	<u>1,024,349</u>	<u>897,102</u>

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**MID-WALES HOUSING ASSOCIATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**10. TAXATION**

	2011 £	2010 £
UK corporation tax charge on surplus/deficit for the year	-	-
	<u>          </u>	<u>          </u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2010 - lower than) the standard rate of corporation tax in the UK of 28% (2010 - 28%). The differences are explained below:

	2011 £	As restated 2010 £
Surplus/deficit on ordinary activities before tax	<b>170,557</b>	<i>(432,593)</i>
	<u>          </u>	<u>          </u>
Surplus/deficit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 - 28%)	<b>47,756</b>	<i>(121,126)</i>
<b>Effects of:</b>		
Depreciation on buildings not allowable for taxation	<b>47,796</b>	<i>44,054</i>
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	<b>67</b>	<i>-</i>
Profit on disposal of housing properties	<b>-</b>	<i>4,641</i>
Losses not recognised	<b>(54,162)</b>	<i>81,201</i>
Capital allowances in excess of depreciation	<b>(24,109)</b>	<i>(4,854)</i>
Interest capitalised	<b>(10,950)</b>	<i>(3,037)</i>
Untaxable income	<b>(6,398)</b>	<i>(879)</i>
	<u>          </u>	<u>          </u>
<b>Current tax charge for the year</b> (see note above)	<b>-</b>	<i>-</i>
	<u>          </u>	<u>          </u>

**Factors that may affect future tax charges**

Future tax charges will be affected by taxable losses carried forward which have not been recognised in these financial statements.

MID-WALES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011

11. HOUSING PROPERTY TANGIBLE FIXED ASSETS (ASSOCIATION AND GROUP)

	Housing Properties Completed £	Housing Properties under Construction £	Total £
<b>Cost</b>			
At 1 April 2010	61,457,138	3,208,077	64,665,215
Additions	165,733	3,135,738	3,301,471
Disposals	-	-	-
Transfers	2,356,693	(2,341,679)	15,014
At 31 March 2011	<u>63,979,564</u>	<u>4,002,136</u>	<u>67,981,700</u>
<b>Depreciation</b>			
At 1 April 2010	1,043,518	-	1,043,518
Charge for year	153,430	-	153,430
Disposals	-	-	-
Transfers	15,014	-	15,014
At 31 March 2011	<u>1,211,962</u>	<u>-</u>	<u>1,211,962</u>
<b>Depreciated Cost</b>	<u>62,767,602</u>	<u>4,002,136</u>	<u>66,769,738</u>
<b>Social Housing Grants</b>			
At 1 April 2010	36,604,993	2,036,788	38,641,781
Additions	-	2,339,828	2,339,828
Disposals	-	-	-
Transfers	1,313,513	(1,313,513)	-
At 31 March 2011	<u>37,918,506</u>	<u>3,063,103</u>	<u>40,981,609</u>
<b>Other Grants</b>			
At 1 April 2010	1,960,695	-	1,960,695
At 31 March 2011	<u>1,960,695</u>	<u>-</u>	<u>1,960,695</u>
<b>Net Book Values</b>			
At 31 March 2011	<u>22,888,401</u>	<u>939,033</u>	<u>23,827,434</u>
At 31 March 2010	<u>21,847,932</u>	<u>1,171,289</u>	<u>23,019,221</u>

**MID-WALES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

Improvement expenditure on existing properties totaled £227,693 (2010: £261,542) which was capitalised.

Included within the net book value of housing properties completed is £22,140,320 (2010: £21,128,985) relating to freehold property and land and £355,013 (2010: £361,983) relating to long term leasehold land and buildings.

Included within housing properties is freehold land at a cost of £9,525,735 (2010: £8,686,752).

Included within additions are amounts in respect of capitalised development department costs of £205,333 (2010: £181,593).

Included within additions are amounts in respect of capitalised interest costs of £39,107 (2010: £10,845). The interest rate for capitalisation used was 4.5% (2010: 4.9%). The aggregate amount of capitalised interest was £396,1070 (2010: £356,963).

**12. OTHER TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Freehold property £</b>	<b>L/Term Leasehold Property £</b>	<b>Fixtures &amp; Fittings £</b>	<b>Computer Equipment £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 April 2010	2,991,626	107,213	1,137,558	41,873	4,278,270
Additions	71,761	-	55,182	2,311	129,254
Disposals	-	-	(511,749)	-	(511,749)
Impairment charge	(22,000)	-	-	-	(22,000)
At 31 March 2011	<u>3,041,387</u>	<u>107,213</u>	<u>680,991</u>	<u>44,184</u>	<u>3,873,775</u>
<b>Depreciation</b>					
At 1 April 2010	-	107,213	839,307	37,635	984,155
Charge for the year	29,000	-	83,935	2,753	115,688
On disposals	-	-	(511,477)	-	(511,477)
At 31 March 2011	<u>29,000</u>	<u>107,213</u>	<u>411,765</u>	<u>40,388</u>	<u>588,366</u>
<b>Net book value</b>					
At 31 March 2011	<u>3,012,387</u>	<u>-</u>	<u>269,226</u>	<u>3,796</u>	<u>3,285,409</u>
At 31 March 2010	<u>2,991,626</u>	<u>-</u>	<u>298,251</u>	<u>4,238</u>	<u>3,294,115</u>

**MID-WALES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

<b>Association</b>	<b>Freehold property £</b>	<b>L/Term Leasehold Property £</b>	<b>Fixtures &amp; Fittings £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 April 2010	2,991,626	107,213	1,110,109	4,208,948
Additions	71,761	-	55,182	126,943
Disposals	-	-	(511,749)	(511,749)
Impairment charge	(22,000)	-	-	(22,000)
At 31 March 2011	<u>3,041,387</u>	<u>107,213</u>	<u>653,542</u>	<u>3,802,142</u>
<b>Depreciation</b>				
At 1 April 2010	-	107,213	826,791	934,004
Charge for the year	29,000	-	81,120	110,120
On disposals	-	-	(511,477)	(511,477)
At 31 March 2011	<u>29,000</u>	<u>107,213</u>	<u>396,434</u>	<u>532,647</u>
<b>Net book value</b>				
At 31 March 2011	<u>3,012,387</u>	<u>-</u>	<u>257,108</u>	<u>3,269,495</u>
<i>At 31 March 2010</i>	<u>2,991,626</u>	<u>-</u>	<u>283,318</u>	<u>3,274,944</u>

**13. DEBTORS**

	<b>Group</b>		<b>Association</b>	
	<b>2011 £</b>	<b>2010 £</b>	<b>2011 £</b>	<b>2010 £</b>
Trade debtors	461,676	341,227	461,676	329,427
Provision for bad debts	(245,278)	(190,133)	(245,278)	(190,133)
	<u>216,398</u>	<u>151,094</u>	<u>216,398</u>	<u>139,294</u>
Amounts owed by group companies	-	-	22,462	14,637
Other debtors	14,061	623	-	-
Prepayments & Accrued income	712,303	132,045	712,301	116,682
Deferred tax	17,578	17,578	17,578	17,578
	<u>960,340</u>	<u>301,340</u>	<u>968,739</u>	<u>288,191</u>

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**MID-WALES HOUSING ASSOCIATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**14. CREDITORS:  
Amounts falling due within one year**

	<b>Group</b>		<b>Association</b>	
	2011	2010	2011	2010
	£	£	£	£
Bank loans and overdrafts	<b>2,240</b>	-	<b>2,240</b>	-
Housing loans	<b>570,700</b>	657,955	<b>570,700</b>	657,955
Recycled capital grant fund	<b>97,921</b>	46,294	<b>97,921</b>	46,294
Trade creditors	<b>689,007</b>	803,480	<b>672,904</b>	792,511
Social Housing Grant in advance	<b>3,500,359</b>	1,311,524	<b>3,500,359</b>	1,311,524
Social security and other taxes	<b>10,322</b>	8,598	-	-
Other creditors	<b>70,609</b>	54,887	-	-
Accruals and deferred income	<b>68,918</b>	2,795	<b>66,371</b>	-
Interest on mortgages from date of last payment	<b>92,832</b>	62,448	<b>92,832</b>	62,448
Disposal proceeds fund	<b>61,614</b>	61,614	<b>61,614</b>	61,614
Rent and service prepaid	<b>48,936</b>	44,927	<b>48,936</b>	44,927
	<b>5,213,458</b>	3,054,522	<b>5,113,877</b>	2,977,273
	<b>5,213,458</b>	3,054,522	<b>5,113,877</b>	2,977,273

**MID-WALES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

**15. CREDITORS:  
Amounts falling due after more than one year**

	<b>Group</b>		<b>Association</b>	
	<b>2011</b>	<i>As restated</i> <b>2010</b>	<b>2011</b>	<i>As restated</i> <b>2010</b>
	£	£	£	£
Recycled capital grant	<b>231,797</b>	270,826	<b>231,797</b>	270,826
Housing loans	<b>23,300,790</b>	22,714,978	<b>23,300,790</b>	22,714,978
Government grants received	<b>2,072</b>	2,591	-	-
	<b>23,534,659</b>	22,988,395	<b>23,532,587</b>	22,985,804

Included within the above are amounts falling due as follows:

	<b>Group</b>		<b>Association</b>	
	<b>2011</b>	<i>As restated</i> <b>2010</b>	<b>2011</b>	<i>As restated</i> <b>2010</b>
	£	£	£	£
<b>Between one and two years</b>				
Recycled capital grant	<b>91,990</b>	270,826	<b>91,990</b>	270,826
Housing loans	<b>636,840</b>	784,724	<b>636,840</b>	784,724
<b>Between two and five years</b>				
Recycled capital grant	<b>139,807</b>	-	<b>139,807</b>	-
Housing loans	<b>2,374,833</b>	2,783,054	<b>2,374,833</b>	2,783,054
<b>Over five years</b>				
Housing loans	<b>20,289,117</b>	19,147,200	<b>20,289,117</b>	19,147,200

Creditors include amounts not wholly repayable within 5 years as follows:

	<b>Group</b>		<b>Association</b>	
	<b>2011</b>	<i>As restated</i> <b>2010</b>	<b>2011</b>	<i>As restated</i> <b>2010</b>
	£	£	£	£
Repayable by instalments	<b>20,289,117</b>	19,147,200	<b>20,289,117</b>	19,147,200

Loans are secured by a fixed charge on the Association's land and buildings. They are repayable by instalments at both fixed and variable rates between 1% and 10.17%.

The association has funding arrangements from the following companies:

Nationwide Building Society;  
Principality Building Society;  
Barclays Bank;  
The Housing Finance Corporation;  
Orchardbrook (ex Housing Corporation Loans)  
Santander

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**MID-WALES HOUSING ASSOCIATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**16. RECYCLED CAPITAL GRANT FUND RECONCILIATION**

	<b>2011</b>	<i>2010</i>
	£	£
Opening balance	<b>317,120</b>	<i>251,716</i>
Housing property disposal	<b>12,598</b>	<i>127,209</i>
Recycled grant	-	<i>(61,805)</i>
	<hr/>	<hr/>
Closing balance	<b>329,718</b>	<i>317,120</i>
	<hr/> <hr/>	<hr/> <hr/>

Loans are secured by a fixed charge on the Association's land and buildings. They are repayable by installments at both fixed and variable rates between 1% and 10.17%.

**17. DEFERRED TAX ASSET**

	<b>Group</b>		<b>Association</b>	
	<b>2011</b>	<i>2010</i>	<b>2011</b>	<i>2010</i>
	£	£	£	£
At beginning and end of year	<b>17,578</b>	<i>17,578</i>	<b>17,578</b>	<i>17,578</i>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The deferred tax asset is made up as follows:

	<b>Group</b>		<b>Association</b>	
	<b>2011</b>	<i>2010</i>	<b>2011</b>	<i>2010</i>
	£	£	£	£
Tax losses brought forward	<b>(17,578)</b>	<i>(17,578)</i>	<b>(17,578)</b>	<i>(17,578)</i>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**18. SHARE CAPITAL**

	<b>2011</b>	<i>2010</i>
	£	£
<b>Allotted, called up and fully paid</b>		
66 ( <i>2010 - 64</i> ) Ordinary shares of £1 each	<b>66</b>	<i>64</i>
	<hr/>	<hr/>

During the year 2 shares have been issued at par.

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MID-WALES HOUSING ASSOCIATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011

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19. RESERVES

<b>Group</b>	<b>Designated Reserves £</b>	<b>Revenue reserve £</b>
At 1 April 2010 (as previously stated)	<b>1,069,314</b>	<b>1,458,058</b>
Prior year adjustment (note 20)		<b>356,963</b>
		<hr/>
At 1 April 2010 (as restated)		<b>1,815,021</b>
Deficit for the year		<b>170,557</b>
Reserves transfer	<b>1,533,392</b>	<b>(1,533,392)</b>
	<hr/>	<hr/>
At 31 March 2011	<b>2,602,706</b>	<b>452,186</b>
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MID-WALES HOUSING ASSOCIATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011

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19. RESERVES (continued)

	Designated Reserves £	Revenue reserve £
<b>Association</b>		
At 1 April 2010 (as previously stated)	916,666	1,343,076
Prior year adjustment (note 20)		356,963
At 1 April 2010 (as restated)		1,700,039
Surplus for the year		137,980
Reserves transfer	1,520,071	(1,520,071)
At 31 March 2011	<u>2,436,737</u>	<u>317,948</u>

The Board has taken the opportunity to re-assess the designation of the reserves. In particular it wanted to ensure appropriate reserves were maintained for those sums collected as part of service charges. In addition it wanted to ensure that where properties are sold, with the specific intention that they would be used for investment in new properties, that these resources were appropriately allocated for that purpose. As a consequence the number of designated reserves has increased over previous years.

**Group**

Included within other reserves are restricted reserves of £3,483 (2010: £3,979) and designated reserves of £2,599,223 (2010: £1,065,335).

The restricted reserve relates to unspent monies in respect of the Electrical Safety Council £68 (2010: £3,979), Rapid Response £2,251 and Big Lottery Fund £1,164.

The Designated Reserves are made up of Hardship Fund £3,012 (2010: £12,478), Replacement Equipment £40,000 (2010: £nil), Furniture and Fittings £73,612 (2010: £nil), Planned Maintenance £nil (2010: £916,666), Property Disposal £159,125 (2010: £nil) and Offices £2,164,000 (2010: £nil).

The other designated reserves £159,474 (2010: £136,191) relate to amounts set aside for unforeseen and exceptional circumstances. The required contingency costs including redundancy for non-core staff, continuing fixed costs and contingency cover for staff costs.

**Association**

The Designated Reserves are made up of Replacement Equipment £40,000 (2010: £nil), Furniture and Fittings £73,612 (2010: £nil), Planned Maintenance £nil (2010: £916,666), Property Disposal £159,125 (2010: £nil) and Offices £2,164,000 (2010: £nil).

20. PRIOR YEAR ADJUSTMENT

The prior year adjustment relates to a change in accounting policy to capitalise bank interest in relation to properties during the course of their development.

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**MID-WALES HOUSING ASSOCIATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**21. CAPITAL COMMITMENTS**

At 31 March 2011 the group and association had capital commitments as follows:

	<b>Group</b>		<b>Association</b>	
	<b>2011</b>	<i>2010</i>	<b>2011</b>	<i>2010</i>
	£	£	£	£
Contracted for but not provided in these financial statements	<b>10,826,275</b>	<i>3,947,656</i>	<b>10,826,275</b>	<i>3,947,656</i>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**22. PENSION COMMITMENTS**

The association and the group both operate a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the association to the fund and amounted to £69,249 (2010: £66,843). The charge for the group was £101,518 (2010: £96,964). Contributions totalling £13,692 (2010: £12,027) were payable to the fund at the balance sheet date and are included in creditors.

**23. OPERATING LEASE COMMITMENTS**

At 31 March 2011 the Group had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2011</b>	<i>2010</i>	<b>2011</b>	<i>2010</i>
<b>Group and Association</b>	£	£	£	£
<b>Expiry date:</b>				
Within 1 year	<b>13,171</b>	<i>39,036</i>	<b>17,454</b>	<i>23,367</i>
Between 2 and 5 years	<b>1,432</b>	<i>13,507</i>	<b>15,465</b>	<i>8,493</i>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

At 31 March 2011 the Association had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2011</b>	<i>2010</i>	<b>2011</b>	<i>2010</i>
<b>Association</b>	£	£	£	£
<b>Expiry date:</b>				
Within 1 year	-	<i>35,161</i>	<b>4,780</b>	<i>11,428</i>
Between 2 and 5 years	<b>1,432</b>	-	<b>15,465</b>	<i>3,156</i>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**24. LEGISLATIVE PROVISIONS**

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Welsh Assembly Government under the Housing Association Act 1996.

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MID-WALES HOUSING ASSOCIATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011

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25. RELATED PARTY TRANSACTIONS

The board of management include members who are tenants of the association. During the year rent has been paid by said members under normal Association terms.

26. PRINCIPAL SUBSIDIARIES

Company name	Country	Description
Care and Repair in Powys Limited	UK	FSA Reg No: MS29535R

27. UNITS OF ACCOMMODATION IN MANAGEMENT

The units of accommodation in management are as follows:

	Supported and Sheltered	General Needs	Home buy	Total
Brought forward on 1 April 2010	166	1,090	26	1,282
New	-	21	-	21
Sales	-	-	(1)	(1)
Total	<u>166</u>	<u>1,111</u>	<u>25</u>	<u>1,302</u>

28. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011 £	2010 £
Operating surplus	1,187,721	681,327
Depreciation of housing properties	153,430	140,000
Depreciation of other fixed assets	115,688	69,058
(Increase)/decrease in debtors	(659,000)	(5,718)
Increase/ (decrease) in creditors	(27,412)	(230,231)
	<u>770,427</u>	<u>654,436</u>

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**MID-WALES HOUSING ASSOCIATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**29. ANALYSIS OF CHANGES IN NET DEBT**

	1 April 2010 £	Cashflow £	31 March 2011 £
Cash at bank and in hand	2,312,642	1,417,255	3,729,897
<b>Debt:</b>	-	-	-
Debts due within one year	(657,955)	85,015	(572,940)
Debts falling due after more than one year	(22,714,978)	(585,812)	(23,300,790)
	<hr/>	<hr/>	<hr/>
Total	<u>(21,060,291)</u>	<u>916,458</u>	<u>(20,143,833)</u>

**30. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT**

	2011 £	2010 £
Increase in cash in the year	1,417,255	720,551
Cash inflow from increase in debt financing	(500,797)	(3,879,662)
	<hr/>	<hr/>
<b>CHANGE IN NET DEBT RESULTING FROM CASHFLOWS</b>	<b>916,458</b>	<b>(3,159,111)</b>
<b>NET DEBT AT 1 APRIL 2010</b>	<b>(21,060,291)</b>	<b>(17,901,180)</b>
	<hr/>	<hr/>
<b>NET DEBT AT 31 MARCH 2011</b>	<b><u>(20,143,833)</u></b>	<b><u>(21,060,291)</u></b>