

Merthyr Tydfil Housing Association Limited
Annual report and financial statements
for the year ended 31 March 2018

Welsh Government Registered number: LO42
Co-operative & Community Benefit Societies Registered number: 21919R



Board of Management

The following served on the Board of the Management during the year:

Dr A Batley	(Chair) to 24 October 2017, resigned 31 March 2018
Mr I Bell	(Chair) from 24 October 2017
Ms A Roberts	resigned 27 March 2018
Ms H Williams	
Ms D Morgan	
Ms G Zapata-Lancaster	resigned 27 February 2018
Mr T Broadhead	
Mr L Davies	
Mr T Smith	from 24 October 2017
Mr S Walters	from 26 September 2017
Mr R Wathen	from 24 October 2017
Mr H Williams	from 24 October 2017

Executive Officers

The following are Executive Officers of the Association:

Mrs K Courts	Chief Executive
Mr T Macdermott	Director of Operations
Mr R Humphreys	Director of Corporate Services & Company Secretary (to 31 May 2017)
Ms D Evans	Director of Corporate Services & Company Secretary (from 01 June 2017)

Registered Office 11/12 Lower High Street
Merthyr Tydfil
CF47 8EB

Auditor Bevan & Buckland
Langdon House
Langdon Road
Swansea
SA1 8QY

Solicitors Hugh James
114-116 St Mary Street
Cardiff
CF10 1DY

Bankers Barclays Bank plc
South Wales Valleys Group
PO Box 32
Pontypridd
CF37 4YA



Merthyr Tydfil Housing Association Limited

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Merthyr Tydfil Housing Association Limited

Board Report

The Board present their report on the affairs of the Association, together with the financial statements and auditors' report, for the year ended 31 March 2018.

Objectives and Strategy to achieve

During the year a full review of the Business Plan took place to formalise the direction of the Association for the next three years. It focuses the business on the path of growth and diversification whilst still maintaining the quality of the core services delivered to our tenants.

The purpose and vision of the Association is set out below.

Purpose *Working with people to improve their lives*

Vision *We will work with people within the borough of Merthyr Tydfil to improve their lives through:*

- *Providing sustainable tenancies in quality accommodation within vibrant communities*
- *Helping them to achieve their full potential*

Financial Performance

In 2017/18 the Association achieved a retained surplus of £777,942 (2017: £782,951). This has been achieved with continued cost control and seeking value for money opportunities at all times.

The net assets position at the year-end is £8.6m (2017: £7.8m) and the Board considers this and the performance of the Association to be satisfactory.

Future prospects

Through the new Business Plan 2018 to 2021, the Association has a clear and ambitious strategy for growth over the next three years. MTHA is committed to the Welsh Government target of 20,000 new homes by 2020 and will maximise its development opportunities wherever possible. There are a number of development sites in various stages of development and this growth increases the critical mass and will help make the Association more resilient to external pressures in the future.

However, the continued migration of tenants towards the Universal Credit regime will result in potentially more difficult financial times for our tenants. Our Rent Recovery and Community Development teams will need to continue their good work in helping tenants to manage their finances.

The Association's other key strategy of Diversification will look to take advantage of new business opportunities to generate income, and our Core Service strategy will continue to provide improved and efficient tenancy management, increase effectiveness of asset management and promote and contribute to community sustainability.



Merthyr Tydfil Housing Association Limited

Board Report

Principal Risks & Uncertainties

As noted above the Association faces an element of risk over the next few years with the move from Housing Benefit to Universal Credit. The impact of these uncertainties has been incorporated in to the 2018/19 budget and modelled as part of the latest 30 year plan submitted to Welsh Government.

Key Performance Indicators (“KPI”)

The Association uses a number of KPIs to assess the success of operations. The most important of these are the covenant KPIs imposed by the lenders, being Interest Cover and Gearing.

Internally, the Association uses a number of detailed KPIs and PIs including maintenance costs per unit, average rent per unit and non-financial indicators such as monitoring number of sick days. These are monitored at monthly Board meetings and by line management within the Association, and have been reset under the new Business Plan to ensure that the strategies will be achieved.

Governance

The Board has reviewed its strengths and weaknesses against the CHC Code of Governance and for the majority of aspects the Board is compliant with the Code. Any areas for improvement form part of the overall Board Development Plan which is designed to ensure that the Board offers excellence in its governance of the Association through a mix of skills, strengths and expertise.

All decisions are approved at Board meetings, with there being only one sub-committee being Business Assessment Panel (BAP). The BAP is responsible for scrutinising specific risks and other matters in greater detail in order to report its findings to a full Board meeting.

Board meetings are monthly and BAP meetings quarterly.

Responsibility for the day to day operations is delegated to the Chief Executive and the other two directors, who report to the Board, thus leaving the Board itself the work of reviewing strategic and policy matters and approving minutes.

Financial risk management objectives and policies

The Association’s activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Cash flow risk

The Association’s activities expose it primarily to the financial risks of changes in interest rates.

Interest bearing liabilities are held at a mixture of fixed and variable rates to balance the exposure in relation to future cashflows.

Credit risk

The Association’s principal financial assets are bank balances and cash, rent arrears and other receivables, and investments.

The Association’s credit risk is primarily attributable to its rent arrears. The amounts presented in the Statement of Financial Position are net of allowances for bad debts. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Association has no significant concentration of credit risk, with exposure spread over a large number of counterparties and tenants.



Merthyr Tydfil Housing Association Limited

Board Report

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Association uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in the statement of accounting policies in the financial statements.

Going Concern

The Association's activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposures to credit, liquidity and cash flow risk are described above.

The Association has considerable financial resources and, as a consequence, the Board believe that the Association is well placed to manage its business risks successfully despite current uncertainties in the social housing sector.

After making enquiries, the Board have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Statement of Board members' responsibilities

The Board members are responsible for preparing the report of the Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 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 members are 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 Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.



Merthyr Tydfil Housing Association Limited

Board Report

Disclosure of information to auditors

Each of the Board members at the date of approval of this report has confirmed that:

- As far as the Board members are aware, there is no relevant audit information of which the Association's auditor is unaware; and
- The Board members have taken all the steps that they ought to have taken as Board members in order to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

A resolution to reappoint the auditor under their current term of office will be proposed at the Annual General Meeting.

Internal Control

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable, but not absolute, assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial information and the safeguarding of the Association's assets and interests. The processes adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework include:

a) Corporate Governance

The Board focuses on decision-making, strategic planning and corporate risk management. There are monthly meetings of the Board and Senior Management Team to review strategic direction and risks, and performance against the Business Plan and including key organisational objectives. The Business Plan was approved by the Board in March 2018, with Key Performance Indicators (KPIs) and Performance Indicators (PIs) being agreed. These will be monitored at Board monthly and quarterly respectively. The Business Assessment Panel (BAP) has responsibility for managing detailed reviews and the Self-Evaluation process which is an integral part of the Performance Standards for Registered Social Landlords in Wales. A regulatory opinion will be provided for all associations in Wales by Welsh Government on an annual basis.

The Association has a well-defined reporting structure in place with established lines of reporting. The key internal regulatory documents establish the high-level internal control framework for the Association and are reviewed annually by the Board. Documented authority levels are in place and are embedded within IT systems where possible. Board took the decision to extend the remit of BAP to encompass the work of the audit sub-committee and incorporate the business improvement and self-assessment responsibilities that are articulated in the new Performance Standards. This involves BAP having an overview of self-evaluation, financial reporting, internal control, external audit, risk management and executive team salaries and staff performance matters.

The Board of Management continue to develop their approach to self-assessment and has completed a series of reviews in line with the regulatory outcomes. The Association published its latest Self-Evaluation report for tenants and stakeholders in September 2017. We are now fully engaged with Welsh Government in the new process of co-regulation, and our next regulatory review is to take place in June 2018.

b) Risk Management

All audit and risk matters are managed on behalf of the Board, by the BAP and Risk Assessment Panel (RAP). In meeting its responsibilities to the Board, BAP and RAP have adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. The Association has a documented Risk Management Strategy that outlines the Association's approach to risk management and which concentrates on the process of risk identification and evaluation, the identification of suitable controls and the monitoring of those controls. Key risks facing the Association are recorded on the high level Operational and Strategic risk map. These maps are monitored by the RAP (monthly meetings) and the BAP (quarterly meetings) and are cross-referenced to the Association's business plan. Management responsibility has been clearly defined for the identification,



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Board Report

evaluation and control of significant risks. Procedures include a risk evaluation section and a nominated Director to report risk to RAP for that area.

Individual risk assessments are undertaken by managers for all operational areas, e.g. safe working practices, stress and VDU equipment and working with young people. A more detailed risk scrutiny review process was introduced from January 2015, which involves managers assessing the risk again after considering the mitigating control. Decision trees to map out the options have also been introduced. An Anti-Fraud and Anti-Bribery Policy and Procedure is in place. The Association will continue to look at how to foster innovation and consider the relationship between risk, opportunities and innovation, and where appropriate to be prepared to accept a tolerable level of risk.

c) Performance Management

The latest Business Plan has resulted in the development of a new suite of KPIs and PIs to ensure that ongoing progress against the key strategies is being assessed on a regular basis. These indicators are used to assess the Association's progress over time internally, and are also benchmarked against the external Housemark data available for Housing Associations across the UK.

Continuous improvement is now well embedded throughout the organisation and ongoing improvements are monitored through the self-evaluation framework. The Association is committed to consulting and listening to staff to ensure involvement and empowerment. We recognise that good practice in leadership and management and developing the relevant skills is integral to improved organisational performance and recognition in the external environment.

We currently hold IIP Silver status and the Customer Service Excellence award following reviews in the past 12 months.

d) Controls & Monitoring

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury management strategy and new investment projects. It is supported by a framework of policies and procedures with which all employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, staff handbook and fraud prevention and detection. Line managers and staff have responsibility for developing, supporting and operating within the internal control framework. Quarterly internal control assurance statements from directors and senior managers are reported to BAP on an exceptions basis at each meeting. Action plans are prepared and monitored by managers where appropriate.

During the year the Association has replaced its existing servers and moved to a virtual environment, improved its connectivity and implemented a cloud-based back-up system. This streamlines the IT operations, making it more robust, and improves the ability to recover from a disaster situation.

From a controls perspective, all IT systems are password protected and are backed up on a regular basis, and staff comply with a signed IT User Policy.

The Tenant Service Standard Group (TSSG) meets on a bi monthly basis to discuss the monitoring and evaluation of a dedicated set of service standards. The standards were developed by this group and services are measured against each standard and improvements are discussed and implemented in a collaborative way. With the importance of interaction between tenants and Board, there is the intention for more regular collaboration between the Senior Management Team and TSSG to help inform strategic direction by adding a tenant's perspective.

The Association outsources several functions such as Development, IT, and Health & Safety advice. The service delivery standard and budget is agreed in the contract and performance against the standard is monitored by regular meetings and feedback sessions.

e) Information & Financial Reporting Systems

The Board of Management approves the Annual Budget and the Business Plan of the Association, and monitors performance against budgets, via quarterly Management Accounts, Trends Analysis and the Balanced Scorecard. Financial reporting procedures include a detailed budget for the year ahead and 3 year and 30 year business plans. The key documents of the Association concerning the internal



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Board Report

financial control systems are reviewed annually. Welsh Government issued its last judgement on Financial Viability in June 2017 and again the Association received Pass – the highest award.

The changes to annual regulatory reporting the timing of the submission of the 30 year business plan now aligns with the timing of the regulatory review. It is anticipated that the next Regulatory Judgement will be issued in June 2018.

Mazars internal audit term was extended in March 2018 for a further two years. The approach of a mix of compliance testing on a regular basis together with more strategic detailed reviews has helped the Association to feel confident in its systems and controls. They have undertaken an audit needs assessment and prepared a further two year strategic audit plan. This has formed the basis for an annual plan each year in the light of current needs and as identified by the self-evaluation framework. Internal Audit has provided a number of reports in the year which has provided opinions on assurance regarding the adequacy of the controls considered. The reports include their independent opinion on the adequacy and effectiveness of the Association's internal controls together with recommendations for improvement where necessary. Independent assurance concerning controls, the safeguarding of assets and the integrity of accounting and financial reporting systems is provided by the External Auditors.

The Association will always continue to develop its system of internal control (including its corporate governance and risk management arrangements) to ensure continual improvement, to respond to evolving best practice and to respond to changes in the business environment.

The Board of Management has reviewed the Association's system of internal control for the period from 1 April 2017 to 26 June 2018, the date of this report.

Approved by the Board and signed on its behalf by:

Chair

Date



Merthyr Tydfil Housing Association Limited
Independent auditor's report to the members of Merthyr Tydfil
Housing Association Limited registered under the Co-Operative and
Community Benefit Societies Act 2014
For the year ended 31 March 2018

In addition to our audit on the financial statements for the year ended 31st March 2018, we have reviewed the Board's statement of Merthyr Tydfil Housing Association's ("the Association") compliance with the Welsh Government Circular 02/10, Internal Financial Control and Financial Reporting ("the Circular").

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

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

Opinion

With respect to the Board's statement on internal financial control on page 6 to 8, in our opinion the Board of Management has provided the disclosures required by the Circular and the statement is consistent with the information of which we are aware from our audit work in the financial statements.

Bevan & Buckland

Chartered Accountants & Statutory Auditors

Langdon House

Langdon Road

Swansea

SA1 8QY

Date:



Merthyr Tydfil Housing Association Limited

Independent auditor's report to the members of Merthyr Tydfil Housing Association Limited

For the year ended 31 March 2018

Opinion

We have audited the financial statements of Merthyr Tydfil Housing Association Limited ("the Association") for the year ended 31 March 2018 which comprise the statement of comprehensive income, statement of changes to reserves, the statement of financial position, the cash flow statement and its 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

Basis for Opinion

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

Conclusions relating to going concern

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

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

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Merthyr Tydfil Housing Association Limited

Independent auditor's report to the members of Merthyr Tydfil Housing Association Limited

For the year ended 31 March 2018

Matters on which we are required to report by exception

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

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

Responsibilities of the board

As explained more fully in the Statement of Responsibilities of the Board (set out on page 5), the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Bevan & Buckland

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

Date



Merthyr Tydfil Housing Association Limited
Association Statement of Comprehensive Income
For the year ended 31 March 2018

	Note	2018	2017
		£	£
Turnover	3	5,474,776	5,352,580
Operating expenditure	3	(3,969,767)	(3,967,616)
Operating surplus		1,505,009	1,384,964
Deficit on disposal of property, plant and equipment	4	(99,435)	(14,508)
Other finance income	6	8,694	23,574
Interest and finance costs	5	(569,337)	(611,079)
Movement in fair value of investment properties	11	(66,989)	-
Surplus and total comprehensive income for the year	7	777,942	782,951

All activities relate to continuing operations.

The notes on pages 16 to 38 form part of these financial statements.



Merthyr Tydfil Housing Association Limited
Association Statement of Financial Position
 At 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Housing properties	10	55,243,419	53,083,426
Investment properties	11	7,160,693	7,227,682
Other property, plant and equipment	11	719,412	777,079
		<u>63,123,524</u>	<u>61,088,187</u>
Current assets			
Debtors	12	2,047,070	988,243
Investments	13	900,000	2,500,000
Cash		1,054,799	1,405,979
		<u>4,001,869</u>	<u>4,894,222</u>
Creditors: Amounts falling due within one year	14	<u>(3,468,531)</u>	<u>(4,027,483)</u>
Net current assets		<u>533,338</u>	<u>866,739</u>
Total assets less current liabilities		63,656,862	61,954,926
Creditors: Amounts falling due after more than one year	15	(55,101,202)	(54,177,208)
Net assets		<u><u>8,555,660</u></u>	<u><u>7,777,718</u></u>
Capital and reserves			
Share capital	17	27	27
Revenue reserve	18	6,562,890	5,784,948
Revaluation reserve		1,299,993	1,299,993
Restricted reserve		692,750	692,750
Total reserves		<u><u>8,555,660</u></u>	<u><u>7,777,718</u></u>

The financial statements of Merthyr Tydfil Housing Association Limited were approved by the Board and signed on its behalf on 26 June 2018 by:

Board Member
 Board Member

Secretary

The notes on pages 16 to 38 form part of these financial statements.



Merthyr Tydfil Housing Association Limited
Association Statement of Changes to Reserves
For the year ended 31 March 2018

	Revenue reserve	Revaluation reserve	Restricted reserve	Total
	£	£	£	£
At 1 April 2017	5,784,948	1,299,993	692,750	7,777,691
Surplus for the year	777,942	-	-	777,942
At 31 March 2018	<u>6,562,890</u>	<u>1,299,993</u>	<u>692,750</u>	<u>8,555,633</u>

The notes on pages 16 to 38 form part of these financial statements.



Merthyr Tydfil Housing Association Limited
Association Statement of Cash Flows
For the year ended 31 March 2018

		2018	2017
	Note	£	£
Net cash generated from operating activities	19	1,760,475	1,529,471
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,142,932)	(3,136,544)
Proceeds from sale of property, plant and equipment		-	-
Proceeds from sale of investment property		-	-
Grants received		730,706	1,715,596
Interest received		8,694	23,574
Net cash flows from investing activities		(2,403,532)	(1,397,374)
Cash flows from financing activities			
Interest paid		(556,337)	(594,228)
New loans		-	-
Repayments of borrowings		(751,786)	(752,013)
Withdrawal from deposits		1,600,000	1,629
Net proceeds on issue of shares		-	2
Net cash flows from financing activities		291,877	(1,344,610)
Net (decrease)/increase in cash and cash equivalents		(351,180)	(1,212,513)
Cash and cash equivalents at beginning of year		1,405,979	2,618,492
Cash and cash equivalents at end of year		1,054,799	1,405,979

	2018	2017
	£	£
Free cash flow		
Net cash generated from operating activities	1,760,475	1,529,471
Interest paid	(556,337)	(594,228)
Interest received	8,694	23,574
Adjustments for reinvestment in existing properties		
Component replacements	(183,260)	(108,565)
Free cash generated before loan repayments	1,029,572	850,252
Loans repaid (excluding revolving credit and overdrafts)	(751,786)	(752,013)
Free cash generated after loan repayments	277,786	98,239

The notes on pages 16 to 38 form part of these financial statements.



Merthyr Tydfil Housing Association Limited

Notes to the financial statements

For the year ended 31 March 2018

1. Accounting policies

The Association is incorporated under the Co-operative & Community Benefit Societies Act in the United Kingdom.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

Going concern

After reviewing the Association's forecasts and projections, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. The Association therefore continues to adopt the going concern basis in preparing its financial statements.

General information and basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. Merthyr Tydfil Housing Association Limited is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

Statement of compliance

The financial statements have been prepared in accordance with FRS102.

Property, plant and equipment - housing properties

Housing properties are stated at cost less depreciation less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Freehold land is not depreciated.

New build	100 years
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Major components

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure	100 years
Doors and windows	25 years
Kitchens	15 years
Bathrooms	25 years
Heating systems	12 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.



Merthyr Tydfil Housing Association Limited

Notes to the financial statements

For the year ended 31 March 2018

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in surplus or deficit in the Statement of Comprehensive Income.

Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by the Association is recharged to the leaseholder and recognised in surplus or deficit in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Non-housing property, plant and equipment

Non-housing property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold offices	50 years
Furniture, fixtures & fittings	6.7 years
Vehicles	6.7 years
Computer equipment	3 to 4 years

Investment properties

The classification of properties as investment property or property plant and equipment is based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property plant and equipment. Mixed use property is separated between investment property and property, plant and equipment.

Land is accounted for based on its intended use. Where land is acquired speculatively with the intention of generating a capital gain and/or a commercial rental return it is accounted for as investment property. Where land is acquired for use in the provision of social housing or for a social benefit it is accounted for as property, plant and equipment

Investment properties are measured at fair value annually with any change recognised in surplus or deficit in the Statement of Comprehensive Income.



Merthyr Tydfil Housing Association Limited

Notes to the financial statements

For the year ended 31 March 2018

Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

Social Housing Grant and other Government grants

Where grants are received from government agencies such as the Welsh Government, local authorities, devolved government agencies, health authorities and the European Commission which meet the definition of government grants they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model.

Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.



Merthyr Tydfil Housing Association Limited

Notes to the financial statements

For the year ended 31 March 2018

Restricted reserves

Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure is included in surplus or deficit in the Statement of Comprehensive Income and a transfer is made from the revenue reserve to the restricted reserve.

The Association's designated major repair reserve covers all property types (mixed and traditionally funded). The reserve is adjusted annually in line with the latest long term major repair programme. The balance on the reserve is based on the cost of all catch up repairs, plus a weighted average of the planned major repair expenditure for the first four years of the forward programme.

Leased assets

At inception the Association assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Interest payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

Pensions

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme

The Association participates in an industry wide multi-employer defined benefit pension scheme where the scheme assets and liabilities cannot be separately identified for each employer. This is accounted for as a defined contribution scheme as there is insufficient information available to account for the scheme as defined benefit. For this multi-employer scheme, there is a contractual agreement between the scheme and the Association that determines how the deficit will be funded and a liability is recognised in the Statement of Financial Position and the resulting expense in surplus or deficit in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

Defined contribution scheme

The Association participates in a defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.



Merthyr Tydfil Housing Association Limited

Notes to the financial statements

For the year ended 31 March 2018

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets such as properties developed for outright sale or shared ownership first tranche sales at completion together with revenue grants from local authorities and the Welsh Government amortisation of social housing and other grants and charitable fees and donations. Rent is recognised in line with tenancy agreements and lease agreements. Service charge income for adapted bungalows is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Supported housing and other managing agents

Where the Association has ownership of a supported housing or other scheme but also has an agreement with a third party to manage the scheme (including Supporting People funded schemes or services), where there has been a substantial transfer of the risks and benefits attached to the scheme to the third party, any scheme revenue and expenditure is excluded from these financial statements.

Investments

Investments that are publicly traded or whose fair value can be measured reliably are measured at fair value with changes in fair value recognised in surplus or deficit in the Statement of Comprehensive Income. Other investments are measured at amortised cost less impairment.

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.



Merthyr Tydfil Housing Association Limited

Notes to the financial statements

For the year ended 31 March 2018

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Value Added Tax

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

Deferred Service Charge income

Service charge income in respect of adapted bungalows is accounted for as a deferred service charge included within liabilities. Any service charge expenditure incurred on the adapted bungalows is then charged against the deferred service charge account.

2. Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

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

Impairment of social housing properties

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

The Association has identified a scheme where the future income stream is limited as these 65 units will not be viable in the next two years, and an impairment provision has been recognised to reduce the carrying value to its net recoverable amount. During the 2018 year there was a further impairment of £125,867, with the carrying value of these properties now £nil.



Merthyr Tydfil Housing Association Limited

Notes to the financial statements

For the year ended 31 March 2018

Defined benefit pension scheme

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

The triennial valuations by the independent actuaries of the schemes highlight the estimated pension liability in respect of past service commitments, and the requisite employer contributions resulting from the projected surplus or deficit. The present value of these estimated future contributions is recognised as a liability in the statement of financial position.

Categorisation of properties between investment properties and property, plant and equipment

The Association bases this assessment depending on the use of the asset and the level of rent charged.

Estimation uncertainty

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

Depreciation

Tangible fixed assets, other than investment properties, are depreciated over their useful lives based on various factors. The actual lives of the assets are re-assessed on a periodic basis and may vary depending on the standard of the asset.

For housing property assets, the assets are broken down into components based on management's assessment of the properties and the specific costs incurred in replacing these components. Individual useful economic lives are assigned to these components.

Investment property valuation

Investment properties that were previously treated as housing properties have been valued using a combination of rent yields and market information and has been valued internally.

The Association's largest investment property has been valued professionally based on the rent yield and the historic and unique nature of the property.



Merthyr Tydfil Housing Association Limited
Notes to the financial statements
For the year ended 31 March 2018

3. Particulars of turnover, cost of sales , operating costs and operating surplus

	Turnover £	2018 Operating costs £	Operating surplus £
Social housing lettings	5,223,104	(3,561,563)	1,661,541
Other social housing activities	121,281	(76,035)	45,246
	<u>5,344,385</u>	<u>(3,637,598)</u>	<u>1,706,787</u>
Non - social housing activities	130,391	(332,169)	(201,778)
Total	<u><u>5,474,776</u></u>	<u><u>(3,969,767)</u></u>	<u><u>1,505,009</u></u>

	Turnover £	2017 Operating costs £	Operating surplus £
Social housing lettings	5,150,245	(3,574,658)	1,575,587
Other social housing activities	109,418	(53,641)	55,777
	<u>5,259,663</u>	<u>(3,628,299)</u>	<u>1,631,364</u>
Non - social housing activities	92,917	(339,317)	(246,400)
Total	<u><u>5,352,580</u></u>	<u><u>(3,967,616)</u></u>	<u><u>1,384,964</u></u>



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Notes to the financial statements
For the year ended 31 March 2018

Particulars of Income and Expenditure from social housing letting

	General Needs Housing £	Supported Housing £	2018 Total £	2017 Total £
Income				
	4,600,839	-	4,600,839	4,539,567
Rents receivable (net of identifiable service charges)				
Service charge income	126,837	-	126,837	170,003
Amortised government grant	406,549	-	406,549	394,241
Physical Adaptation Grants	-	88,879	88,879	46,434
Turnover from social housing lettings	5,134,225	88,879	5,223,104	5,150,245
Expenditure				
Service charge costs	166,054	-	166,054	212,189
Management costs	686,481	-	686,481	641,055
Routine maintenance	1,473,979	-	1,473,979	1,507,787
Bad debts	73,681	-	73,681	37,360
Depreciation	813,917	-	813,917	956,028
Impairment of housing properties	125,867	-	125,867	-
Other costs	221,584	-	221,584	187,239
Re-measurement of pension contribution schedule	-	-	-	33,000
Operating costs on social housing activities	3,561,563	-	3,561,563	3,574,658
Operating surplus social housing lettings	1,572,662	88,879	1,661,541	1,575,587
Void losses	16,692	-	16,692	28,185



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Notes to the financial statements
For the year ended 31 March 2018

4. Deficit on disposal of property, plant and equipment

	2018	2017
	£	£
Loss on disposal of components	(99,435)	(14,508)
Deficit on disposal	(99,435)	(14,508)

5 Interest and finance costs

	2018	2017
	£	£
Bank loans and overdrafts	556,337	588,079
Net interest on defined benefit liability (see note 16)	13,000	23,000
	569,337	611,079

6. Other finance income

	2018	2017
	£	£
Bank interest receivable on current asset investment	8,694	23,574



Merthyr Tydfil Housing Association Limited
Notes to the financial statements
For the year ended 31 March 2018

7. Surplus on ordinary activities before taxation

Surplus on ordinary activities before taxation is stated after charging/(crediting):

	2018	2017
	£	£
Depreciation of property, plant and equipment	941,171	1,008,151
Government grants amortised	406,549	394,241
Loss on disposal of fixed assets	99,435	14,508
Audit fees:		
- Statutory audit	12,900	12,900
Operating lease rentals	4,011	5,531
Re-measurement of pension contribution schedule (see note 16)	(14,000)	33,000
	<u>941,171</u>	<u>1,008,151</u>

8. Staff costs

	2018	2017
	£	£
Wages and salaries	1,104,857	1,097,810
Social security costs	101,288	94,094
Other pension costs	71,547	67,425
	<u>1,277,692</u>	<u>1,259,329</u>

The Full Time Equivalent number of staff who received emoluments, including pension contribution, in excess of £50,000 were as shown below.

	2018	2017
Salary Band £	Number	Number
50,000 – 59,999	1	1
60,000 – 69,999	1	1
70,000 – 79,999	-	-
80,000 – 89,999	1	1
	<u>1</u>	<u>1</u>



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The average full time equivalent number of employees was:

2018 Number	2017 Number
<u>39</u>	<u>40</u>

9. Directors' remuneration and transactions

Key management personnel remuneration

Directors who are executive staff members	2018 £	2017 £
Wages and salaries	207,239	185,180
Social security costs	25,241	22,263
Other pension costs	13,443	12,718

Board members

Wages and salaries	-	-
Social security costs	-	-
Other pension costs	-	-
Expenses incurred as a Board Member	1,811	2,529
	<u>247,734</u>	<u>222,690</u>

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Senior Management team.

Remuneration of the highest paid director, excluding pension contributions:	2018 £	2017 £
Emoluments	<u>77,250</u>	<u>74,920</u>

The Chief Executive is an ordinary member of the SHPS defined benefit pension scheme. No enhanced or special terms apply and no contributions are made by the Association to any other fund.



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10. Tangible fixed assets – housing properties

	Completed properties £	Under construction £	Total £
Cost or valuation			
At 1 April 2017	57,858,087	3,775,423	61,633,510
Additions	3,206,569	(391,933)	2,814,636
Replacement components	315,400	-	315,400
Components disposed	(183,260)	-	(183,260)
	<u>61,196,796</u>	<u>3,383,490</u>	<u>64,580,286</u>
At 31 March 2018			
Depreciation			
At 1 April 2017	8,550,084	-	8,550,084
Charge for the year	882,028	-	882,028
Components disposed	(95,245)	-	(95,245)
	<u>9,336,867</u>	<u>-</u>	<u>9,336,867</u>
At 31 March 2018			
Net book value			
At 31 March 2018	<u>51,859,929</u>	<u>3,383,490</u>	<u>55,243,419</u>
At 31 March 2017	<u>49,308,003</u>	<u>3,775,423</u>	<u>53,083,426</u>

The net book value of housing properties comprises:

	2018 £	2017 £
Freehold	54,306,417	52,118,125
Long leasehold	-	60,740
Short leasehold	937,002	904,561
	<u>55,243,419</u>	<u>53,083,426</u>



Merthyr Tydfil Housing Association Limited
Notes to the financial statements
For the year ended 31 March 2018

11. Property, plant and equipment - other

	Land and buildings		Plant and machinery £	Motor Vehicles £	Service Charged £	Total £
	Investment properties £	Freehold £				
Cost or valuation						
At 1 April 2017	7,227,682	808,486	408,519	77,432	140,857	8,662,976
Additions	-	2,450	9,901	-	545	12,896
Revaluations	(66,989)	-	-	-	-	(66,989)
Disposals	-	(10,363)	(12,434)	-	-	(22,797)
At 31 March 2018	7,160,693	800,573	405,986	77,432	141,402	8,586,086
Depreciation						
At 1 April 2017	-	189,783	281,963	53,130	133,339	658,215
Charge for the year	-	14,331	37,617	5,806	1,389	59,143
Disposals	-	(2,116)	(9,261)	-	-	(11,377)
At 31 March 2018	-	201,998	310,319	58,936	134,728	705,981
Net book value						
At 31 March 2018	7,160,693	598,575	95,667	18,496	6,674	7,880,105
At 31 March 2017	7,227,682	618,703	126,556	24,302	7,518	8,004,761

One Investment property, Redhouse Old Town Hall, was valued to fair value at 31 March 2018, based on a valuation undertaken by Alder King LLP, an independent valuer with recent experience in the location and class of the investment property being valued.

Existing housing stock treated as investment properties, as it is market rented, has been valued internally by the Association based on market sales information and rent yields.

Freehold land and buildings with a carrying amount of £27.8m (2017: £26.5m) have been pledged to secure borrowings of the Association. The Association is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.



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If land and buildings had not been revalued they would have been included at the following amounts:

Investment Properties	2018	2017
	£	£
Cost	5,997,208	5,997,208
Depreciation	(669,774)	(629,403)
Net book value	<u>5,327,434</u>	<u>5,367,805</u>

12. Debtors

	2018	2017
	£	£
Amounts falling due within one year:		
Rent arrears	157,285	122,795
Provision for bad debts	(75,095)	(50,476)
	82,190	72,319
Other debtors	1,891,790	678,710
Prepayments and accrued income	73,090	237,214
	<u>2,047,070</u>	<u>988,243</u>

13. Current asset investments

	2018	2017
	£	£
Unlisted investments – at cost less impairment	<u>900,000</u>	<u>2,500,000</u>



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14. Creditors – amounts falling due within one year

	2018 £	2017 £
Bank loans and overdrafts (see note 15)	642,152	829,570
Trade creditors	211,446	359,284
Other taxation and social security	33,014	29,155
Other creditors	96,728	184,679
Government grants	1,714,285	1,818,747
Accruals and deferred income	770,906	806,048
	<u>3,468,531</u>	<u>4,027,483</u>

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

	2018 £	2017 £
Other creditors		
Loans	13,479,616	14,043,984
Government grants	40,647,586	39,014,224
Net defined benefit pension scheme liability (see note 16)	974,000	1,119,000
	<u>55,101,202</u>	<u>54,177,208</u>

The loans are secured on freehold housing properties. Interest is payable on both variable and fixed rates, with variable rates currently running at 0.86% and fixed rates running between 5.46% and 11.32%.

	2018 £	2017 £
Deferred income - Government grants		
At 1 April 2017	39,239,683	39,239,683
Grants receivable	3,414,348	1,710,000
Amortisation to Statement of Comprehensive Income	(406,509)	(394,241)
	<u>42,247,522</u>	<u>40,555,442</u>
At 31 March 2018		



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	2018 £	2017 £
At 1 April 2017	179,860	179,860
Recycling of grant	(163,000)	-
At 31 March 2018	16,860	179,860
Recycled Capital Grant Fund		
At 1 April 2017	97,669	97,669
Recycling of grant	-	-
At 31 March 2018	97,669	97,669

Borrowings are repayable as follows:

	2018 £	2017 £
Bank loans & Total Borrowings		
Between one and two years	567,471	564,367
Between two and five years	2,651,626	2,513,229
After five years	10,260,519	10,966,388
	13,479,616	14,043,984
On demand or within one year	642,152	829,570
	14,121,768	14,873,554

16. Retirement benefit schemes

Defined contribution schemes

The Association operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to Statement of Comprehensive Income in the period ended 31 March 2018 was £32,233 (2017: £28,706).



Merthyr Tydfil Housing Association Limited

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The Pensions Trust – Social Housing Pension Scheme

The company participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2020 (Tier 1):

£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)

From 1 April 2016 to 30 September 2023 (Tier 2):

£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)

From 1 April 2016 to 30 September 2026 (Tier 3):

£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

From 1 April 2016 to 30 September 2026 (Tier 4):

£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011. This valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

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



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Present values of provision

	2018	2017
	£	£
Present value of provision	974,000	1,119,000

Reconciliation of opening and closing provisions

	2018	2017
	£	£
Provision at start of period	1,119,000	1,202,000
Unwinding of the discount factor (interest expense)	13,000	23,000
Deficit contribution paid	(144,000)	(139,000)
Re-measurements - impact of any change in assumptions	(14,000)	33,000
Provision at end of period	974,000	1,119,000

Income and expenditure impact

	2018	2017
	£	£
Interest expense	13,000	23,000
Re-measurements - impact of any change in assumptions	(14,000)	33,000
Costs recognised in income and expenditure account	(1,000)	56,000

Assumptions

	2018	2017
	% per annum	% per annum
Rate of discount	1.72%	1.33%

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



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17. Share capital

	2018 £	2017 £
Called up Share Capital at beginning of year	27	25
Issued during the year	4	3
Cancelled during the year	(4)	(1)
Called up Share Capital at end of year	<u>27</u>	<u>27</u>

The shares provide members with the right to vote at general meetings but do not have a right to any dividend or distribution in a winding-up, and are not redeemable.

18. Revenue Reserve

	At 01/04/17 £	Net movement in year £	At 31/03/18 £
Revenue Reserve	5,784,948	701,432	6,486,380
Designated reserve	-	76,510	76,510
Total	<u>5,784,948</u>	<u>777,942</u>	<u>6,562,890</u>

The designated reserve represents monies allocated for future spend regarding anticipated repair/ dilapidation costs of Redhouse.



Merthyr Tydfil Housing Association Limited
Notes to the financial statements
For the year ended 31 March 2018

19. Statement of Cash Flows

	2018 £	2017 £
Cash flow from operating activities		
Surplus for the year	777,942	768,951
Adjustment for non-cash items:		
Depreciation and impairment of property, plant and equipment	941,171	1,008,151
(Increase)/decrease in debtors	145,876	(317,729)
Increase in creditors	(267,072)	(45,674)
Pension costs less contributions payable	(158,000)	(95,000)
Carrying amount of property, plant & equipment disposals	99,435	14,508
(Increase)/decrease in fair value of investment property	66,989	-
Government grants utilised in the year	(406,509)	(394,241)
Interest payable	569,337	614,079
Interest received	(8,694)	(23,574)
	<hr/>	<hr/>
Cash generated by operations	1,760,475	1,529,471
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents		
Cash at bank and in hand	1,054,799	1,405,979
	<hr/> <hr/>	<hr/> <hr/>



Merthyr Tydfil Housing Association Limited
Notes to the financial statements
For the year ended 31 March 2018

20. Financial commitments

Capital commitments are as follows:

	2018 £	2017 £
Contracted for but not provided for	<u>4,855,876</u>	<u>1,774,851</u>

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018 £	2017 £
Payments due:-		
- within one year	4,011	4,296
- between one and five years	668	5,012
- after five years	-	-
	<u>4,679</u>	<u>9,308</u>

21. Housing stock

	2018 Units	2017 Units
Owned and managed		
General needs housing accommodation	985	991
Housing accommodation at intermediate rent	41	41
Supported housing accommodation	27	27
Housing accommodation let at market rent	54	51
Non-social housing accommodation	10	8
Awaiting demolition	62	32
Total	<u>1,179</u>	<u>1,150</u>



Merthyr Tydfil Housing Association Limited

Notes to the financial statements

For the year ended 31 March 2018

22. Related party transactions

Mrs K Courts was a director of Merthyr Tydfil Leisure Trust Limited until 23 October 2017. During the year the Association charged the Leisure Trust £26,010 + VAT rent for Redhouse The Old Town Hall. The amount outstanding at the year-end was £nil.

Mrs A Roberts and Mr H Williams, Board members are also Board members of Voluntary Action Merthyr Tydfil ("VAMT").

During the year the Association received Big Lottery funding in relation to the Magnet project of £31,578 (2017: £26,641).

Mrs D Morgan, Board member is also on the Board of Global Village. During the year the Association contributed £1,000 to Global Village.

