

Merthyr Tydfil Housing Association Limited
Annual report and financial statements
for the year ended 31 March 2017

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)
Mr I Bell	
Ms A Roberts	
Ms H Williams	
Ms D Morgan	
Ms G Zapata-Lancaster	
Ms D Morris *	resigned 25 October 2016
Mr T Broadhead	
Mr L Davies	
Ms K Howells*	appointed 26 July 2016, resigned 23 May 2017

* Tenant Board Member

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 22 May 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 2017.

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 will focus the business on the path of growth and diversification whilst still maintaining the quality of the core services delivered to our tenants.

The review has also resulted in the new purpose and vision set out below.

Purpose	<i>Working with people to improve their lives</i>
Vision	<i>We will work with people within the borough of Merthyr Tydfil to improve their lives through:</i> <ul style="list-style-type: none">- <i>Providing sustainable tenancies in quality accommodation within vibrant communities</i>- <i>Helping them to achieve their full potential</i>

Financial Performance

The effects of FRS102 are now fully embedded within the accounting processes of the Association, and both the current year and prior year are recorded on this basis.

2016/17 has been a successful year, achieving a retained surplus of £782,951 (2016: £163,821). However, the prior year was affected by the triennial valuation of the Social Housing Pension Scheme and the movement in values of investment properties, and excluding these a comparable figure would be £669,228.

This is seen as an exceptional performance for the Association and the whole organisation is to be praised for continued cost control and seeking value for money opportunities at all times.

The net assets position at the year-end is £7.8m (2016: £7.0m) and the Board considers this and the performance of the Association to be satisfactory.

Future prospects

Through the new Business Plan 2017 to 2020, 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 the first of these to be completed will result in the relocation of 23 families to brand new homes in the next 6 months. This growth increases the 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



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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 and help them keep a roof over their heads.

This situation will be further complicated from April 2019 when Housing Benefit will be capped at the Local Housing Allowance (“LHA”) for certain tenants. Currently, MTHA weekly rents are higher than LHA for some properties and therefore tenants in such properties receiving full Housing Benefit will be required to pay this shortfall themselves. The Association recognises that this could have an impact on net income levels and is taking steps to mitigate this situation.

The Association’s other key strategy of Diversification will look to take advantage of new business opportunities to generate income, that had not previously been considered and like the Growth strategy will make the Association more resilient to other pressures.

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 link to Local Housing Allowance and specifically the impact on the under 35s.

The impact of these uncertainties has been incorporated in to the 2017/18 budget has been modelled as part of the latest 30 year plan submitted to Welsh Government, and the impact of the LHA cap has been assessed in detail by the Board.

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.

Following the changes to reported figures caused by FRS102, it has been necessary to renegotiate the covenant levels with our main borrower during the current year. Whilst the method of calculation has changed, the level of headroom available to the business is unchanged and the Association remains well within its limits giving us the ability to borrow to fund future developments.

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 and approving minutes. strategic and policy matters and



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Board Report

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.

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 them
- make



statements, the Board members are

accounting policies and then apply consistently;

judgements and accounting estimates

Merthyr Tydfil Housing Association Limited

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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. The maintenance and integrity of the Association's website is the responsibility of the Board members. The Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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 Board in March 2017, with Key Performance Indicators (KPIs)



Board and Senior Management Team direction and risks, and performance Plan and including key organisational Business Plan was approved by the 2017, with Key Performance and Performance Indicators (PIs)

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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 2016. 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 Summer 2017.

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, 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 recognise that good management and integral to improved involvement and empowerment. We practice in leadership and developing the relevant skills is organisational performance and



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recognition in the external environment.

We currently hold IIP Gold 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 quarterly 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 financial control systems are reviewed annually. Welsh Government issued its last judgement on Financial Viability in November 2015 and again the Association received a Pass – the highest award.

The Association traditionally submits its 30 year Business Plan at the same time every year but due to changes in regulation in Welsh Government the timing of the issuing of the judgement has become variable as it has become part of the Regulatory Assessment. Therefore with 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 Summer 2017.

Mazars are now entering the final year of an initial three year term. We are pleased to report that the approach of a mix of together with more the Association to controls. They have assessment and plan. This has



compliance testing on a regular basis strategic detailed reviews has helped feel confident in its systems and undertaken an audit needs prepared a three year strategic audit formed the basis for an annual plan

Merthyr Tydfil Housing Association Limited

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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 2016 to 23 June 2017, 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 on corporate governance

In addition to our audit on the financial statements for the year ended 31st March 2017, we have reviewed the Board's statement of Merthyr Tydfil Housing Association Limited'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 pages 6 and 9, 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



Merthyr Tydfil Housing Association Limited

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

We have audited the financial statements of Merthyr Tydfil Housing Association Limited for the year ended 31 March 2017 which comprise the consolidated and association statements of comprehensive income, the consolidated and association statements of changes in reserves, the consolidated and association statements of financial position, the consolidated 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".

This report is made solely to the group's housing association's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. Our audit work has been undertaken so that we might state to the group's housing 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 group's housing association and the housing association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the Statement of Responsibilities of the Board (set out on page 5 and 6), the Board is 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland.) Those standards require us to comply with the Auditing Practices Board's (APB'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 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 financial statements 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 affairs as at 31st March 2017 and of its income and expenditure for the year then ended, and
- 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.



Merthyr Tydfil Housing Association Limited

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

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; or
- we have not received all the information and explanations we need for our audit.

Bevan & Buckland

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



Merthyr Tydfil Housing Association Limited
Association Statement of Comprehensive Income
For the year ended 31 March 2017

	Note	2017	2016
		£	£
Turnover	3	5,352,580	5,386,092
Operating expenditure	3	(3,967,616)	(4,468,771)
Operating surplus		1,384,964	917,321
Deficit on disposal of property, plant and equipment	4	(14,508)	(47,650)
Other finance income	6	23,574	21,664
Interest and finance costs	5	(611,079)	(626,107)
Movement in fair value of investment properties		-	(101,407)
Surplus and total comprehensive income for the year	7	782,951	163,821

All activities relate to continuing operations.

The notes on pages 17 to 38 form part of these financial statements.



Merthyr Tydfil Housing Association Limited
Association Statement of Financial Position
 At 31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Housing properties	10	53,083,426	50,677,384
Investment properties	11	7,227,682	7,227,682
Other property, plant and equipment	11	777,079	739,714
		<u>61,088,187</u>	<u>58,644,780</u>
Current assets			
Debtors	12	988,243	623,871
Investments	13	2,500,000	2,501,629
Cash		1,405,979	2,618,492
		<u>4,894,222</u>	<u>5,743,992</u>
Creditors: Amounts falling due within one year	14	<u>(4,027,483)</u>	<u>(4,087,846)</u>
Net current assets		<u>866,739</u>	<u>1,656,146</u>
Total assets less current liabilities		61,954,926	60,300,926
Creditors: Amounts falling due after more than one year	15	(54,177,208)	(53,306,161)
Net assets		<u><u>7,777,718</u></u>	<u><u>6,994,765</u></u>
Capital and reserves			
Share capital	17	27	25
Revenue reserve		5,784,948	5,001,997
Revaluation reserve		1,299,993	1,299,993
Restricted reserve		692,750	692,750
Total reserves		<u><u>7,777,718</u></u>	<u><u>6,994,765</u></u>

The financial statements of Merthyr Tydfil Housing Association Limited were approved by the Board and signed on its behalf on 23 June 2017 by:

Board Member

Secretary

Board Member

The notes on pages
statements.



17 to 38 form part of these financial

Merthyr Tydfil Housing Association Limited
Association Statement of Changes to Reserves
For the year ended 31 March 2017

	Revenue reserve	Revaluation reserve	Restricted reserve	Total
	£	£	£	£
At 1 April 2016	5,001,997	1,299,993	692,750	6,994,740
Surplus for the year	768,951	-	-	768,951
Shares written back	1			1
At 31 March 2017	5,770,949	1,299,993	692,750	7,763,692

The notes on pages 17 to 38 form part of these financial statements.



Merthyr Tydfil Housing Association Limited
Association Statement of Cash Flows
For the year ended 31 March 2017

	2017	2016	
Note	£	£	
Net cash generated from operating activities	18	1,545,853	2,609,010
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,136,544)	(1,125,424)
Proceeds from sale of property, plant and equipment		-	171,638
Proceeds from sale of investment property		-	111,789
Grants received		1,715,596	1,524,572
Interest received		7,192	25,856
Net cash flows from investing activities		(1,413,756)	708,431
Cash flows from financing activities			
Interest paid		(594,228)	(610,945)
New loans		-	-
Repayments of borrowings		(746,416)	(741,929)
Withdrawal from deposits		1,629	(1,629)
Proceeds on issue of shares		3	4
Net cash flows from financing activities		(1,339,012)	(1,354,499)
Net (decrease)/increase in cash and cash equivalents		(1,212,511)	1,962,942
Cash and cash equivalents at beginning of year		2,618,492	655,550
Cash and cash equivalents at end of year		1,405,981	2,618,492

	2017	2016
	£	£
Free cash flow		
Net cash generated from operating activities	1,545,853	2,609,010
Interest paid	(594,228)	(610,945)
Interest received	7,192	25,856
Adjustments for reinvestment in existing properties		
Component replacements	(108,565)	(151,812)
Free cash generated before loan repayments	850,252	1,872,109
Loans repaid (excluding revolving credit and overdrafts)	(746,416)	(741,929)
Free cash generated after loan repayments	103,836	1,130,180

The notes on pages 17 to 38 form part of these financial statements.



Merthyr Tydfil Housing Association Limited

Notes to the financial statements

For the year ended 31 March 2017

1. Accounting policies

The Association is incorporated under the Co-operative & Community Benefit Societies Act in the United Kingdom, at 11/12 Lower High Street, Merthyr Tydfil, CF47 8EB.

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

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

This is the second year the Association has prepared its financial statements in accordance with FRS 102, accordingly the financial information as at 1 April 2014 (being the date of transition) and for the year ended 31 March 2015 have been restated for material adjustments on adoption of FRS 102.

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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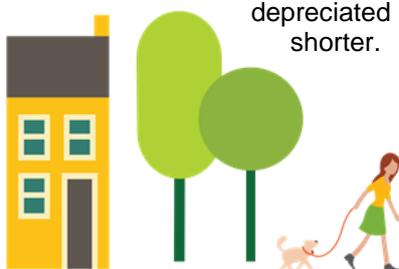
Major components

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 2017

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 2017

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 2017

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 and accruals or prepayments in the year. Differences between contributions payable and contributions actually paid are shown as either



Merthyr Tydfil Housing Association Limited

Notes to the financial statements

For the year ended 31 March 2017

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. 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 extinguished, that is, cancelled or expires.



derecognised only when the contractual obligation is discharged,

Merthyr Tydfil Housing Association Limited

Notes to the financial statements

For the year ended 31 March 2017

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 66 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 2016 year there was an impairment of £210,522, prior to this impairment the carrying value of these properties was £333,068.



Merthyr Tydfil Housing Association Limited

Notes to the financial statements

For the year ended 31 March 2017

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 2017

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

	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>

	Turnover £	2016 Operating costs £	Operating surplus £
Social housing lettings	5,173,517	(4,096,120)	1,077,397
Other social housing activities	108,893	(53,677)	55,216
	<u>5,282,410</u>	<u>(4,149,797)</u>	<u>1,132,613</u>
Non - social housing activities	103,682	(318,974)	(215,292)
Total	<u><u>5,386,092</u></u>	<u><u>(4,468,771)</u></u>	<u><u>917,321</u></u>



Merthyr Tydfil Housing Association Limited
Notes to the financial statements
For the year ended 31 March 2017

Particulars of Income and Expenditure from social housing letting

	General Needs Housing £	Supported Housing £	2017 Total £	2016 Total £
Income				
	4,539,567	-	4,539,567	4,547,748
Rents receivable (net of identifiable service charges)				
Service charge income	170,003	-	170,003	183,105
Amortised government grant	394,241	-	394,241	393,816
Physical Adaptation Grants	-	46,434	46,434	48,848
Turnover from social housing lettings	5,103,811	46,434	5,150,245	5,173,517
Expenditure				
Service charge costs	212,189	-	212,189	191,123
Management costs	641,055	-	641,055	533,659
Routine maintenance	1,507,787	-	1,507,787	1,627,081
Bad debts	37,360	-	37,360	29,998
Depreciation of housing properties	956,028	-	956,028	914,882
Impairment of housing properties	-	-	-	210,522
Other costs	187,239	-	187,239	191,663
Re-measurement of pension contribution schedule	33,000	-	33,000	397,192
Operating costs on social housing activities	3,574,658	-	3,574,658	4,096,120
Operating surplus social housing lettings	1,529,153	46,434	1,575,587	1,077,397
Void losses	28,185	-	28,185	41,614



Merthyr Tydfil Housing Association Limited
Notes to the financial statements
For the year ended 31 March 2017

4. Deficit on disposal of property, plant and equipment

	2017	2016
	£	£
Profit on disposal of properties	-	12,794
Loss on disposal of components	(14,508)	(60,444)
Deficit on disposal	<u>(14,508)</u>	<u>(47,650)</u>

5 Interest and finance costs

	2017	2016
	£	£
Bank loans and overdrafts	588,079	610,107
Net interest on defined benefit liability (see note 16)	23,000	16,000
	<u>611,079</u>	<u>626,107</u>

6. Other finance income

	2017	2016
	£	£
Bank interest receivable on current asset investment	<u>23,574</u>	<u>21,664</u>



Merthyr Tydfil Housing Association Limited
Notes to the financial statements
For the year ended 31 March 2017

7. Surplus on ordinary activities before taxation

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

	2017	2016
	£	£
Depreciation of property, plant and equipment	1,008,151	1,125,404
Government grants amortised	394,241	393,816
Loss on disposal of fixed assets	14,508	47,650
Audit fees:		
- Statutory audit	12,900	12,888
Operating lease rentals	5,531	6,502
Re-measurement of pension contribution schedule (see note 16)	33,000	397,192
	<u><u>1,498,331</u></u>	<u><u>1,973,452</u></u>

8. Staff costs

	2017	2016
	£	£
Wages and salaries	1,097,810	1,068,367
Social security costs	94,094	78,868
Other pension costs	67,425	67,331
	<u><u>1,259,329</u></u>	<u><u>1,214,566</u></u>

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

Salary Band £	2017	2016
	Number	Number
50,000 – 59,999	1	2
60,000 – 69,999	1	-
70,000 – 79,999	-	1
80,000 – 89,999	1	-
	<u><u>3</u></u>	<u><u>3</u></u>



Merthyr Tydfil Housing Association Limited
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The average full time equivalent number of employees was:

2017 Number	2016 Number
<u>40</u>	<u>39</u>

9. Directors' remuneration and transactions

Key management personnel remuneration

Directors who are executive staff members	2017 £	2016 £
Wages and salaries	185,180	179,223
Social security costs	22,263	20,143
Other pension costs	12,718	12,811

Board members

Wages and salaries	-	-
Social security costs	-	-
Other pension costs	-	-
Expenses incurred as a Board Member	2,529	2,501
	<u>222,690</u>	<u>214,678</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:	2017 £	2016 £
Emoluments	<u>74,920</u>	<u>71,126</u>

The Chief Executive is an ordinary member enhanced or special terms apply Association to any other fund.

of the SHPS defined benefit pension scheme. No and no contributions are made by the



Merthyr Tydfil Housing Association Limited
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For the year ended 31 March 2017

10. Tangible fixed assets – housing properties

	Completed properties £	Under construction £	Total £
Cost or valuation			
At 1 April 2016	57,793,956	523,287	58,317,243
Additions	15,877	3,252,136	3,268,013
Replacement components	108,565	-	108,565
Components disposed	(60,311)	-	(60,311)
	<u>57,858,087</u>	<u>3,775,423</u>	<u>61,633,510</u>
At 31 March 2017			
Depreciation			
At 1 April 2016	7,639,859	-	7,639,859
Charge for the year	956,028	-	956,028
Components disposed	(45,803)	-	(45,803)
	<u>8,550,084</u>	<u>-</u>	<u>8,550,084</u>
At 31 March 2017			
Net book value			
At 31 March 2017	<u>49,308,003</u>	<u>3,775,423</u>	<u>53,083,426</u>
At 31 March 2016	<u>50,154,097</u>	<u>523,287</u>	<u>50,677,384</u>

The net book value of housing properties comprises:

	2017 £	2016 £
Freehold	49,188,793	49,703,357
Long leasehold	60,740	66,189
Short leasehold	904,561	907,838
	<u>50,154,097</u>	<u>50,677,384</u>



Merthyr Tydfil Housing Association Limited
Notes to the financial statements
For the year ended 31 March 2017

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 2016	7,227,682	804,788	341,130	85,286	140,250	8,599,136
Additions	-	3,698	67,389	17,794	607	89,488
Revaluations	-	-	-	-	-	-
Disposals	-	-	-	(25,648)	-	(25,648)
At 31 March 2017	7,227,682	808,486	408,519	77,432	140,857	8,662,976
Depreciation						
At 1 April 2016	-	175,265	251,503	72,999	131,973	631,740
Charge for the year	-	14,518	30,460	5,779	1,366	52,123
Disposals	-	-	-	(25,648)	-	(25,648)
At 31 March 2017	-	189,783	281,963	53,130	133,339	658,215
Net book value						
At 31 March 2017	7,227,682	618,703	126,556	24,302	7,518	8,004,761
At 31 March 2016	7,227,682	629,523	89,627	12,287	8,277	7,967,396

One Investment property, Redhouse Old Town Hall, was valued to fair value at 31 March 2016, 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 £26.5m (2016: £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.



Merthyr Tydfil Housing Association Limited
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If land and buildings had not been revalued they would have been included at the following amounts:

Investment Properties	2017	2016
	£	£
Cost	5,997,208	5,997,208
Depreciation	(629,403)	(380,471)
Net book value	<u>5,367,805</u>	<u>5,616,737</u>

12. Debtors

	2017	2016
	£	£
Amounts falling due within one year:		
Rent arrears	122,795	135,803
Provision for bad debts	(50,476)	(48,281)
	72,319	87,522
Other debtors	678,710	315,568
Prepayments and accrued income	237,214	220,781
	<u>988,243</u>	<u>623,871</u>

13. Current asset investments

	2017	2016
	£	£
Unlisted investments – at cost less impairment	<u>2,500,000</u>	<u>2,501,629</u>



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Notes to the financial statements
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14. Creditors – amounts falling due within one year

	2017 £	2016 £
Bank loans and overdrafts (see note 15)	829,570	746,050
Trade creditors	359,284	210,582
Other taxation and social security	29,155	24,590
Other creditors	184,679	93,055
Government grants	1,818,747	2,286,971
Accruals and deferred income	806,048	726,598
	<u>4,027,483</u>	<u>4,087,846</u>

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

	2017 £	2016 £
Other creditors		
Loans	14,043,984	14,873,920
Government grants	39,014,224	37,230,241
Net defined benefit pension scheme liability (see note 16)	1,119,000	1,202,000
	<u>54,177,208</u>	<u>53,306,161</u>

The loans are secured on freehold housing properties. Interest is payable on both variable and fixed rates, with variable rates currently running at 0.84% and fixed rates running between 5.46% and 11.32%.

	2017 £	2016 £
Deferred income - Government grants		
At 1 April 2016	39,239,683	37,413,561
Grants receivable	1,710,000	2,286,971
Amortisation to Statement of Comprehensive Income	(394,241)	(393,816)
Grant released on disposal	-	(67,033)
At 31 March 2017	<u>40,555,442</u>	<u>39,239,683</u>



Merthyr Tydfil Housing Association Limited
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	2017	2016
	£	£
Disposal Proceeds Fund		
At 1 April 2016	179,860	132,712
Inputs to RCGF	-	47,148
	<hr/>	<hr/>
At 31 March 2017	179,860	179,860
	<hr/> <hr/>	<hr/> <hr/>
Recycled Capital Grant Fund		
At 1 April 2016	97,669	-
Recycling of grant	-	97,669
	<hr/>	<hr/>
At 31 March 2017	97,669	97,669
	<hr/> <hr/>	<hr/> <hr/>

Borrowings are repayable as follows:

	2017	2016
	£	£
Bank loans & Total Borrowings		
Between one and two years	564,367	750,787
Between two and five years	2,513,229	1,781,930
After five years	10,966,388	12,341,203
	<hr/>	<hr/>
On demand or within one year	14,043,984	14,873,920
	829,570	746,050
	<hr/>	<hr/>
	14,873,554	15,619,970
	<hr/> <hr/>	<hr/> <hr/>

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 2017 was £28,706 (2016: £20,932).



Merthyr Tydfil Housing Association Limited

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For the year ended 31 March 2017

The Pensions Trust – Social Housing Pension Scheme

The Association 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 Association 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

	2017 £	2016 £
Present value of provision	<u>1,119,000</u>	<u>1,202,000</u>

Reconciliation of opening and closing provisions

	2017 £	2016 £
Provision at start of period	1,202,000	887,000
Unwinding of the discount factor (interest expense)	23,000	16,000
Deficit contribution paid	(139,000)	(98,192)
Re-measurements - impact of any change in assumptions	33,000	(6,808)
Re-measurements - amendments to the contribution schedule	-	404,000
Provision at end of period	<u>1,119,000</u>	<u>1,202,000</u>

Income and expenditure impact

	2017 £	2016 £
Interest expense	23,000	16,000
Re-measurements - impact of any change in assumptions	33,000	(6,808)
Re-measurements - amendments to the contribution schedule	-	404,000
Costs recognised in income and expenditure account	<u>56,000</u>	<u>413,192</u>

Assumptions

	2017 % per annum	2016 % per annum
Rate of discount	<u>1.33%</u>	<u>2.06%</u>

The discount rates shown above are used to discount the future the same results as using a full the same recovery plan



the equivalent single discount rates which, when recovery plan contributions due, would give AA corporate bond yield curve to discount contributions.

Merthyr Tydfil Housing Association Limited
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17. Share capital

	2017 £	2016 £
Called up Share Capital at beginning of year	25	24
Issued during the year	3	4
Cancelled during the year	(1)	(3)
	<hr/>	<hr/>
Called up Share Capital at end of year	<u>27</u>	<u>25</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. Statement of Cash Flows

	2017 £	2016 £
Cash flow from operating activities		
Surplus for the year	768,951	163,821
Adjustment for non-cash items:		
Depreciation and impairment of property, plant and equipment	1,008,151	1,182,007
(Increase)/decrease in debtors	(301,347)	(101,785)
Increase in creditors	(45,674)	679,380
Pension costs less contributions payable	(95,000)	299,000
Carrying amount of property, plant & equipment disposals	14,508	465,216
Release of revaluation surplus on property disposed	-	(17,789)
Adjustments for investing or financing activities:		
Proceeds from the sale of property, plant and equipment	-	(372,894)
Government grants utilised in the year	(394,241)	(393,816)
Interest payable	614,079	626,107
Interest received	(23,574)	(21,644)
Movement in fair value of investment properties	-	101,407
	<hr/>	<hr/>
Cash generated by operations	<u>1,545,853</u>	<u>2,609,010</u>



Merthyr Tydfil Housing Association Limited
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Cash and cash equivalents

Cash at bank and in hand	<u>1,405,979</u>	<u>2,618,492</u>
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19. Financial commitments

Capital commitments are as follows:

	2017 £	2016 £
Contracted for but not provided for	<u>1,774,851</u>	<u>2,312,797</u>

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

	2017 £	2016 £
Payments due:-		
- within one year	4,296	5,936
- between one and five years	5,012	9,432
- after five years	-	-
	<u>9,308</u>	<u>15,368</u>

20. Housing stock

	2017 Units	2016 Units
Owned and managed		
General needs housing accommodation	999	999
Housing accommodation at intermediate rent	49	49
Supported housing accommodation	27	27
Housing accommodation let at market rent	49	49
Non-social housing accommodation	8	8
Total	<u>1,132</u>	<u>1,132</u>



Merthyr Tydfil Housing Association Limited

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21. Related party transactions

The Association let accommodation to its Tenant Board members during the year, all of whom are directly elected Tenant Board Members. All Tenant Board Members have tenancies let on the Association's standard terms and they cannot use their position to their advantage.

K Courts is a director of Merthyr Tydfil Leisure Trust Limited. During the year the Association charged the Leisure Trust £25,500 + VAT rent for Redhouse The Old Town Hall. The amount outstanding at the year-end was £nil.

Mrs A Roberts, Board member is also a Board member of Voluntary Action Merthyr Tydfil ("VAMT"). During the year the Association received Big Lottery funding in relation to the Magnet project of £26,641 (2016: £28,925).

During the year, following a decision by the Senior Management Team, the Association sponsored an award at the Merthyr Business Club's Annual Award ceremony for a cost of £2,000 (2016:£1,000). Mr T Macdermott, the Director of Operations is a director of the Merthyr Business Club.

