



REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2020

MELIN HOMES LIMITED

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MELIN HOMES LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

For the year ended 31 March 2020

Welsh Government Registered Social Landlord Number: **L110**
Co-operative and Community Benefit Societies Act 2014 Register Number: **27421R**

Chair J Thomas

Vice Chair A Hearn

Other Members:

W Bowler	G Thomas
L Morgan (resigned Sept 2019)	S Bees
C Jones	J Jackson
L Howells	M Reed (co-opted Sept 2019)
P Crockett	C Edmondson
P Kennedy	

Company Secretary: T Broadhead

Management Team:

- P Kennedy (Chief Executive)
- P Crockett (Deputy Chief Executive)
- D Cook (Executive Director of People, Homes & Communities)
- A Huckin (Executive Director of Innovation, Culture & Improvement)

Registered Office: Ty'r Efail, Lower Mill Field
Pontypool, Torfaen, NP4 0XJ

Internal Auditors: Mazars LLP
45 Church St
Birmingham, B3 2RT

Statutory Auditors: Haines Watts Wales LLP
7 Neptune Court
Vanguard Way, Cardiff CF24 5PJ

Solicitors: Blake Morgan
Bradley Court
Park Place
Cardiff, CF10 3DP

Bankers: Barclays Bank plc
PO Box 1015
3rd Floor, Windsor Court
3 Windsor Place, Cardiff, CF10 3ZL

MELIN HOMES LIMITED

VISION, VALUES AND STRATEGY

Melin Homes seeks to be a dynamic organisation that works with others to make a positive difference to the people and communities we work with. We provide quality homes and services in Blaenau Gwent, Monmouthshire, Newport, Powys and Torfaen.

As a registered social landlord, we work closely with local authorities and other partners to build thriving communities. Our mission is to make a positive impact on neighbourhoods by providing high-quality social housing to those who need it. We also give financial advice to our tenants and organise community events to enhance the lives of residents.

Why do we exist

We exist to create opportunities for people and communities to thrive

How do we behave?

Together we can...

- Do the right thing
- Find a way
- Make things happen
- Make a difference
- Enjoy the journey

What we do:

The Melin SMaC Recipe:

- Deliver our purpose and live our values
- Build and maintain affordable homes
- Be a good employer
- Be proactive about collaborative and partnership working
- Listen to and engage with our residents and communities
- Grow our business in a sustainable and ethical way
- Only do things that benefit our residents or communities
- Deliver core services only in South East Wales
- Don't undertake activity that will put our reputation, assets or financial viability at risk
- Only carry out core enabling activities if costs are covered or surplus generated, if commercial, that can be reinvested into core
- Not provide services that are the statutory duty of others unless we are so commissioned

Corporate Strategy

The Association's corporate strategy is set out in a separate document which is reviewed annually. The strategy outlines the direction of travel for Melin Homes, whilst recognising the landscape and operating environment in which we work will continue to change. We continue to be a social landlord at heart, delivering affordable housing and related services to a wide range of people in need.

MELIN HOMES LIMITED

CHAIR'S STATEMENT

I am proud to introduce the financial statements in my first year as Chair for Melin Homes. I would like to thank Christine Edmondson for her work as a Board Member for nearly 9 years and as Chair for the last three years.

It gives me great pleasure to report on another year of achievement for Melin Homes.

Our vision is one of enabling individuals and communities to thrive, so providing homes and services to our customers and communities is always at the forefront of our operations. We want to be known for providing consistently great services to our tenants as well as building new affordable homes.

This year we saw record levels of grant funding of £9.6m to support the development of 353 new homes for our residents. These houses form part of our commitment to develop 1,000 houses over 5 years.

Our subsidiary Candleston has had a successful first year with our first development at Coed Glas with only a few units remaining for sale. The benefit that this approach has brought for the group on this site has been 11 affordable rent units and 6 Low Cost Home Ownership units which demonstrates our long term commitment to the community, coupled with the reinvestment of surplus generated to supplement the building of more affordable homes on future schemes. I would also like to convey my thanks to the out-going Chair of Candleston, Ian Parfitt, his help and support has helped put our subsidiary in a position of strength from which we can now set our future aspirations.

The 100 Voices has proved successful in developing a wider group of engaged tenants who are able to feed their views into the organisation. We will continue to build on this engagement over the coming year, as a part of this we have developed a Board Committee which will focus on Tenant Engagement and the Quality of Service. My thanks go to Natalie Gardener the Chair of 100 Voices for her dedication and enthusiasm in reshaping tenant engagement.

As part of developing our wider understanding of what residents feel about our services, we undertake an annual satisfaction survey. It was encouraging to see that satisfaction levels across all the seven questions that we asked had increased from the 2018 figures. We still aspire to improve but it is particularly pleasing to see that satisfaction with our repairs and maintenance service was first within our benchmarking peer group.

We welcomed a new board member during the year bringing commercial financial experience to the Board. We are still considering ways to increase diversity both at Board and Executive level.

We received our latest Regulatory Judgement in December 2019. The judgement remained at Standard Standard, which is the highest level that can be achieved, and we have developed a Regulatory Assurance Plan to ensure that we continue to meet regulatory expectations.

This year saw Melin rise to 6th place in the UK wide Sunday Times Award for Best Employer in the Not for Profit category; as this is based entirely on feedback from staff and as our aim is to be an employer of choice this supports our view that supporting the work of our excellent health and wellbeing group, Zest, is very worthwhile. Although we are not required to report on our gender pay gap, as we employ fewer than 250 people, we do so as we feel pay transparency is an important driver of equality. I am, therefore, also delighted to report that our gender pay gap at the end of the financial year was zero and we will continue to strive to maintain this.

For Melin to be successful I depend on my board colleagues and our dedicated staff, I would like to take this opportunity to thank them all for their hard work. I have seen our staff work tirelessly, and always with respect and compassion, to deliver outstanding services to our tenants and their communities.

J Thomas
Chair

MELIN HOMES LIMITED

REPORT ON HOUSING ASSOCIATION GOVERNANCE

The Board is responsible for ensuring that the Association maintains a system of internal financial control, including suitable monitoring procedures to review its effectiveness. The system is designed to manage rather than eliminate risk of failure to achieve business objectives. However, any such system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

In fulfilling these responsibilities, the Board has reviewed the effectiveness of the system of identifying, evaluating and managing the significant risks on the basis of the principles of corporate governance contained in Community Housing Cymru (CHC) Code of Governance and Welsh Government Housing circular RSL 02/10, Internal Controls and Reporting. The Board has considered all of the major business and financial risks.

Governance and financial control have been subject to regular review and the following implemented:

- control of key financial risks through clearly defined authorisation levels and proper segregation of duties;
- risk assessment procedures for the appraisal of all property development schemes;
- regular budgetary monitoring and reporting of operating surpluses, balance sheets and cash flows to the Board;
- reports by senior officers, internal and external auditors on the system of internal financial controls and compliance with key internal procedures, including those relating to income, payroll and payments, contracts, treasury management, new developments and the safeguarding of the Association's assets;
- clear responsibilities on the part of key members of staff for the maintenance of sound financial controls and the production of reliable and timely financial management information;
- procedures and policies are in place to ensure the prevention, detection and reporting of frauds and including a review by the Board of the current register of frauds.

No weaknesses in internal control have been found which would result in any material losses, contingencies or uncertainties which would require disclosure as recommended by the above mentioned circular.

On the basis that a system can provide only reasonable, but not absolute assurance and that it relates to the needs of the business, the system as a whole was found at the time of approving the financial statements to be generally appropriate to the scale of the Association's activities.

MELIN HOMES LIMITED

REPORT ON HOUSING ASSOCIATION GOVERNANCE (continued)

To effectively discharge its functions the Board is required to have a knowledgeable and balanced membership. The Association actively seeks to maintain a membership which contains a broad range of skills, background and interests from which suitable members of the Board of Management can be drawn. The Board consider that it needs experience and understanding in all areas of the business that is Melin to discharge its responsibilities effectively. Where new skills are required which cannot be met by training the Association will use co-option.

The number of Board places reserved for residents will be limited to 1/5 of the Board. This is only available to residents of the Association which have been elected by the residents of the Association. Residents who have been elected to the Board will serve for 3 years from the date of the election and will be eligible to be nominated for re-election.

Residents elected to the Board must comply with the obligations on all Board members as laid down by the Association's rules and will immediately cease to be Board members if they cease to be a tenant of the Association.

MELIN HOMES LIMITED

REPORT OF THE BOARD

The Board presents its report for the year ended 31 March 2020.

The Group

The Group is a not-for-profit organisation administered by a voluntary Board of Management. The Group is zoned to operate throughout Blaenau Gwent, Monmouthshire, Newport, Powys and Torfaen and operates from two offices based in Pontypool. The Group operates and provides 4,294 units of accommodation. It has housing properties which have a NBV of £272 million. It employs 239 people of whom 149 provide housing related services.

Principal Activities

The Group's principal activities are the development and management of social housing together with the provision of excellent services to our customers.

Board Members and Senior Officers

The present Board members and Senior Officers of Melin are set out on page 2, three members resigned during the year and four members were elected.

Employees

In addition to the Board, the strength of the Group lies in the quality and commitment of its employees. Our ability to meet our strategic aspirations is determined by the contribution that is made by all staff and in all parts of the business.

In recognition of this we have continued to invest in our people and create a positive working environment and culture.

We continue to support our staff in understanding the role they play in delivering the Group's objectives and the progress that is being made thanks to their input. The Group provides training to support both organisational and individual development and seeks peoples' views on how to meet challenges and improve services.

Our staff have been rewarded for their hard work with the national recognition of Investors In People Gold, Customer Service Excellence, Corporate Health Standard Platinum and Best Companies accreditation.

The Group is committed to providing equality of opportunity and embracing the diversity of all its current and future employees.

Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety. Melin employs a Head of Corporate Health and Safety, who has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

MELIN HOMES LIMITED

REPORT OF THE BOARD (continued)

Officers' Insurance

The Group has maintained insurance against the liabilities of all the Board members and Senior Officers in relation to the Group.

Performance for the Year

The Group achieved a surplus for the year of £2,814,000, compared to last year's deficit of £331,000.

Melin was also able to make significant achievements with some highlights stated below:

- Rent arrears remained low during the year and stood at 2.11% in March 2020;
- Former tenant arrears remained low in March 2020 at 0.81%;
- Voids losses stood at 0.72% at March 2020,
- Gas compliancy stood at 100.00% at March 2020;
- Average satisfaction with reactive repairs stood at 82.80% in March 2020;
- Melin's effective cash management, together with low interest rates, generated savings of £745k in loan interest against the budgeted amount.

The Association is committed to maximising the resources available to it and generating sufficient reserves to protect our core business and pursue our future aspirations. As we do this we have a clear understanding of our risk appetite and the need to meet the following funding requirements:

- Maintaining the Group's housing properties in a sound state of repair;
- Financing long term loan repayments;
- Providing a cushion against risk and future uncertainties; and
- Financing new schemes and developments internally.

Future Developments

The Group is zoned to operate and provide new homes in Blaenau Gwent, Monmouthshire, Newport, Powys and Torfaen Council areas.

- Melin has an agreed five-year development plan, and during 2019/2020 resources were allocated to start work on 355 new homes, as well as to purchase land for development.
- The Group will continue to seek new and innovative ways of providing new homes and improving service delivery, and is pleased to be involving residents in this ongoing process.

Housing Properties

The Group spent £24 million on the acquisition and development of housing properties. This was financed primarily through Grants of £7 million and internal financing of £17 million was recovered in the form of loans.

Cash Flow and Liquidity

The net cash outflow during the year was £4,201k compared to an inflow of £5,119k in 2018/19. £10 million loan funds were drawn down during the year and further draw down of private finance has been delayed until the new financial year, as capital expenditure incurred has been internally funded.

MELIN HOMES LIMITED

REPORT OF THE BOARD (continued)

Capital Structure

Housing properties (£273 million) are financed by grants of £145 million (53%), loans of £112 million (41%) and cumulative internal funds of £16 million (6%).

Going Concern

After making enquiries the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

Risk

Our approach to risk has always been to embed risk management practices into day-to-day activities as much as possible and ensure that it is part of the culture of the organisation to manage risk effectively. Melin's Board and staff are committed to ensuring that risk is minimised as we seek to achieve our objectives and that effective risk management continues to underpin the delivery of our corporate vision and values. Melin has consistently increased our focus on the management of risk and has aligned our risk register in accordance to the Welsh Government's assessment of sector-wide risks.

Our methods of reviewing, monitoring and assessing risk has ensured that we operate in an environment where emerging risks can be planned for in advance to minimise potential impact on our business and financial performance. Melin has developed a Board Assurance Framework (BAF) that links our strategic risks to our internal performance measures as well as our external assurances. This ensures that our risk management processes consider the bigger picture and we are able to identify emerging risks at an earlier stage. The Audit and Assurance Committee are responsible for monitoring the effectiveness of our BAF, which forms part of the quarterly reporting presented to the sub-Committee and Board. We encourage our leaders to monitor and manage their operational risks and ensure strategic links are made to the BAF where relevant.

Below are the most significant strategic risks currently facing Melin, along with a summary of control measures in place to manage the relevant risk:

- **Welfare Reform** – The Welfare Reform Act 2012 introduced a wide range of reforms to the benefits and tax credits system. So far, the impact upon Melin has been minimal, however we have continued to develop our systems and adapt our staff teams to be able to effectively manage the transition. We actively work with our residents to get them back into work and have a dedicated money advice team that aim to get more money back into our resident's pockets. We launched a 'we don't bite' campaign to encourage our residents to talk to us and consistently work with other local organisations in partnership to benefit our residents;
- **Pension costs** – The provision of an employer pension is a statutory requirement. Melin has historically operated two final salary schemes and then in 2010 introduced two defined contribution schemes. The final salary schemes are with Social Housing Pension Scheme (SHPS) and Local Government Pension Scheme (LGPS) and to minimise future liabilities these were closed to new staff in 2010. However, with a climate of poor return on investments, lower take up rates of new employees, significant changes in demographic assumptions and the appointment of a more prudent Actuary, these schemes are now significantly under-funded. Melin will be working closely with external advisors to best determine how to mitigate this risk further.

Covid-19

Covid-19 has had a major impact on the day to day the running of the Group. The Group moved quickly to suspend certain operations. These measures were taken in order to protect both our staff and our residents by limiting our potential to transmit the virus through contact that was not essential in its nature. Other measures to protect our workforce include the provision of PPE (Personal Protective Equipment). The Group had a thoroughly tested business continuity plan which was enacted and which has allowed the vast majority of staff to conduct their work from home. The Board has provided leadership and oversight during this period, and for our staff and our residents, as much as possible it is business as usual, just undertaken in a different way. Since the outbreak the Group has been meeting regularly to discuss all aspects of our activities in order to monitor our responses, and to keep them up to date as new information is released.

Statement of the Responsibilities of the Board for the Financial Statements

The Co-operative and Community Benefit Societies Act and Registered Social Housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Board has:

- selected suitable policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards and the Statement of Recommended Practice "Accounting by Registered Housing Associations"; and
- prepared the financial statements on a going concern basis unless it is inappropriate to presume the company will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Social Landlords registered in Wales General Determination 2015. It is also responsible for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Board is aware:

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

Annual General Meeting

The annual general meeting will be held on 16 September 2020 at the Melin Offices, Pontypool.

Auditors

A resolution to appoint Haines Watts Wales LLP will be proposed at the annual general meeting.

The report of the Board was approved on 15 July 2020 and signed on its behalf by:



Tom Broadhead
Company Secretary

Independent Auditor's Report to the Members of Melin Homes Limited

Opinion

We have audited the financial statements of Melin Homes Limited (the 'Parent Association') for the year ended 31st March 2020 which comprise the Consolidated Statement of comprehensive income, Consolidated Statement of Financial Position, Consolidated Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Association's affairs as at 31st March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, schedule 1 to the Housing act 1996 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 Parent 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 Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent 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 Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on the matters prescribed under Housing for Wales Circular HFW 02/10 "Internal controls and reporting"

In our opinion, with respect to the Board's statement on internal financial control:

- the Board has provided the disclosures required by the Circular and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

The impact of uncertainties on our audit owing to COVID -19

The Boards' view on the impact of COVID-19 is disclosed within the report of the board and accounting policies note 2.

Uncertainties related to the effects of COVID-19 are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability and valuation of assets, appropriateness of the going concern basis of preparation of the financial statements and associated disclosures. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

The COVID-19 viral pandemic is one of the most significant economic events for the UK, and at the date of this report, its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We have applied a standardised approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to the COVID-19 pandemic.

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 (Group Accounts) requires us to report to you if, in our opinion:

- the Group and Parent Association has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation; or

- the revenue account, any other accounts to which our report relates, and the balance sheet are not in agreement with the Group and Parent Association's books of account; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 10, 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 determines 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 is responsible for assessing the Group and Parent 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 intends to liquidate the Group and Parent Association or to cease operations, or has 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but, except to the extent otherwise explicitly stated in our report, not for the purpose of expressing an opinion on the effectiveness of the Parent Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or

Parent Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Parent Association to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's responsibilities in respect of the Housing for Wales Circular HFW 02/10 "Internal controls and reporting"

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

Use of Report

This report is made solely to the Parent Association's members, as a body, in accordance with the requirements of the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, schedule 1 to the Housing act 1996 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 Parent 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 Parent Association and the Parent Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Haines Watts Wales LLP

Haines Watts Wales LLP
Statutory Auditor
7 Neptune Court
Vanguard Way
Cardiff
CF24 5PJ

Date *7 September 2020*

MELIN HOMES LIMITED

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2020

	Notes	GROUP		ASSOCIATION	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Turnover	3	31,277	24,304	24,279	24,627
Less: Operating costs	3	(26,763)	(20,645)	(19,770)	(20,740)
Operating surplus	6	4,514	3,659	4,509	3,887
(Deficit)/Surplus on sale of fixed assets		0	2	0	2
Interest receivable	7	230	112	230	112
Interest payable	8	(3,346)	(3,033)	(3,346)	(3,033)
Pension Deficit Contributions	21	0	0	0	0
Finance impact of SHPS	21	0	0	0	0
Exceptional Income		-	-	-	-
Surplus before tax		1,398	740	1,393	968
Taxation	26	(9)	(6)	(9)	(6)
Surplus for the year after taxation		1,389	734	1,384	962
		<u>1,389</u>	<u>734</u>	<u>1,384</u>	<u>962</u>
Initial recognition of multi employer defined benefit scheme	21		(347)		(347)
Actuarial gain/(loss) on pension	21	1,425	(718)	1,425	(718)
		<u>1,425</u>	<u>(718)</u>	<u>1,425</u>	<u>(718)</u>
Total comprehensive income		<u>2,814</u>	<u>(331)</u>	<u>2,809</u>	<u>(103)</u>

CONTINUING OPERATIONS

None of the Group's or Association's activities were acquired or discontinued during the above two financial years.

HISTORICAL COST

There is no difference between the reported surplus and the historical surplus.

MELIN HOMES LIMITED

Consolidated Statement of Changes in Reserves For the year ended 31 March 2020

	GROUP	
	Revenue Reserve £'000	Total Reserves £'000
At 1 April 2019	16,120	16,120
Surplus from statement of comprehensive income	2,814	2,814
Actuarial movement	-	-
Transfers to reserves	-	-
Transfers (from) reserves	-	-
At 31 March 2020	<u>18,934</u>	<u>18,934</u>

	ASSOCIATION	
	Revenue Reserve £'000	Total Reserves £'000
At 1 April 2019	16,486	16,486
Surplus from statement of comprehensive income	2,809	2,809
Actuarial movement	-	-
Transfers to reserves	-	-
Transfers (from) reserves	-	-
At 31 March 2020	<u>19,295</u>	<u>19,295</u>

MELIN HOMES LIMITED

Consolidated Statement of Financial Position
As At 31 March 2020

	Notes	GROUP		ASSOCIATION	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Tangible fixed assets					
Housing properties - gross cost	10	312,242	288,940	305,295	284,361
- depreciation	10	<u>(40,350)</u>	<u>(36,869)</u>	<u>(40,350)</u>	<u>(36,869)</u>
		271,892	252,071	264,945	247,492
Long Term Investments	11	21,026	19,506	21,026	19,506
Other	12	3,256	3,226	3,256	3,226
Current assets					
Investments		63	63	63	63
Debtors: amounts falling due within one year	13a	2,705	3,530	10,555	8,712
Debtors: amounts falling due after more than one year	13b	11,269	9,014	11,269	9,014
Housing Properties Held for Sale	27	58	-	58	-
Cash at bank and in hand		<u>10,736</u>	<u>14,937</u>	<u>9,884</u>	<u>14,639</u>
		24,831	27,544	31,829	32,428
Current liabilities					
Creditors: amounts falling due within one year	14	(15,462)	(20,299)	(15,152)	(20,238)
Grants: amounts falling due within one year	17	<u>(1,309)</u>	<u>(1,235)</u>	<u>(1,309)</u>	<u>(1,235)</u>
		(16,771)	(21,534)	(16,461)	(21,473)
Net current assets					
		<u>8,060</u>	<u>6,010</u>	<u>15,368</u>	<u>10,955</u>
Total assets less current liabilities					
		304,234	280,813	304,595	281,179
Non-current liabilities					
Creditors: amounts falling due after more than one year	15	(136,731)	(119,397)	(136,731)	(119,397)
Grants: amounts falling due after more than one year	17	<u>(143,314)</u>	<u>(138,465)</u>	<u>(143,314)</u>	<u>(138,465)</u>
		(280,045)	(257,862)	(280,045)	(257,862)
Pension Liability	21	<u>(5,255)</u>	<u>(6,831)</u>	<u>(5,255)</u>	<u>(6,831)</u>
Net assets					
		<u>18,934</u>	<u>16,120</u>	<u>19,295</u>	<u>16,486</u>
Capital and reserves					
Revenue reserve		<u>18,934</u>	<u>16,120</u>	<u>19,295</u>	<u>16,486</u>
		<u>18,934</u>	<u>16,120</u>	<u>19,295</u>	<u>16,486</u>

The financial statements were approved by the Board of Management on 15 July 2020 and were signed on its behalf by:


Tom Broadhead
Company Secretary


Julie Thomas
Chair


Anthony Hearn
Vice chair

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

MELIN HOMES LIMITED

STATEMENT OF CONSOLIDATED CASH FLOW
Year Ended 31 March 2020

		GROUP		ASSOCIATION
	Note	12m ended 31 Mar 2020 £'000	12m ended 31 Mar 2019 £'000	12m ended 31 Mar 2020 £'000
Net cash inflow from operating activities	1	<u>6,969</u>	<u>7,262</u>	<u>5,843</u>
Returns on investment and servicing of finance				
Interest paid		(3,380)	(2,750)	(2,750)
Interest received		230	112	112
Tax paid		(6)	(8)	(8)
		<u>(3,156)</u>	<u>(2,646)</u>	<u>(2,646)</u>
Adjustments for reinvestment in existing properties				
Component replacements		(1,289)	(1,163)	(1,163)
Purchase of other replacement fixed assets		(53)	(48)	(48)
Free cash generated/(consumed) before loan repayments		<u>2,471</u>	<u>3,405</u>	<u>1,986</u>
Loans repaid (excluding revolving credit facilities)		(1,627)	742	742
Free cash consumed after loan repayments		<u>844</u>	<u>4,147</u>	<u>2,728</u>
Capital expenditure and financial investment				
Purchase and construction of housing properties		(25,672)	(23,434)	(22,092)
Component expenditure		(1,289)	(1,163)	(1,163)
Government grants received		5,705	10,444	10,444
Grants repaid		0	0	0
Purchase of other fixed assets		(627)	(435)	(435)
Sale of other fixed assets		120	37	37
Sale of housing properties and fixed asset investments		2,676	4,206	4,206
		<u>0</u>	<u>0</u>	<u>0</u>
Homebuy loans		0	0	0
Net cash inflow/(outflow) from investing activities		<u>(19,088)</u>	<u>(10,345)</u>	<u>(9,003)</u>
Free cash inflow/(outflow) before financing		<u>(15,275)</u>	<u>(5,729)</u>	<u>(5,806)</u>
Financing				
Housing loans received		10,000	10,000	10,000
Housing loans repaid		(1,627)	742	742
Free cash (outflow)/inflow from financing		<u>8,373</u>	<u>10,742</u>	<u>10,742</u>
(Decrease)/Increase in cash	2	<u>(6,902)</u>	<u>5,013</u>	<u>4,936</u>

MELIN HOMES LIMITED

RECONCILIATION OF THE OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	GROUP		ASSOCIATION	
	12m ended 31 Mar 2020 £'000	12m ended 31 Mar 2019 £'000	12m ended 31 Mar 2020 £'000	12m ended 31 Mar 2019 £'000
1 Operating surplus	4,514	3,659	4,509	3,887
Depreciation of tangible assets	4,174	4,027	4,174	4,027
Surplus on sale of assets	(753)	(965)	(753)	(965)
(increase)/decrease in debtors	865	(558)	(1,803)	(2,334)
increase/(decrease) in creditors	(445)	1,292	(694)	1,421
Increase in stock	0	0	0	0
Non cash movement in pension	(151)	1,019	(151)	1,019
Amortisation of grant	(1,235)	(1,212)	(1,235)	(1,212)
Net cash inflow from operating activities	<u>6,969</u>	<u>7,262</u>	<u>4,047</u>	<u>5,843</u>

RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET DEBT

	12m ended 31 Mar 2020 £'000	12m ended 31 Mar 2019 £'000	12m ended 31 Mar 2020 £'000	12m ended 31 Mar 2019 £'000
2 (Decrease)/increase in cash in the year	(4,201)	5,119	(4,755)	4,873
Cash inflow from changes in debt	(8,373)	(10,742)	(8,373)	(10,742)
Non cash movement on debt	0	0	0	0
Movement in net debt in the period	<u>(12,574)</u>	<u>(5,623)</u>	<u>(13,128)</u>	<u>(5,869)</u>
Net debt at start of year	(89,017)	(83,394)	(89,315)	(83,446)
Net debt at end of year	<u>(101,591)</u>	<u>(89,017)</u>	<u>(102,443)</u>	<u>(89,315)</u>

3 ANALYSIS OF CHANGES IN NET DEBT

ASSOCIATION	31 Mar 2019 £'000	Cash flows £'000	Non cash amendments	31 Mar 2020 £'000
Cash in hand and at bank	14,639	(4,755)	-	9,884
	<u>14,639</u>	<u>(4,755)</u>	-	<u>9,884</u>
Debt due in less than one year	(9,859)	8,858	-	(1,001)
Debt due in more than one year	(94,095)	(17,231)	-	(111,326)
Balance at end of year	<u>(89,315)</u>	<u>(13,128)</u>	<u>0</u>	<u>(102,443)</u>
GROUP	31 Mar 2019 £'000	Cash flows £'000	Non cash amendments	31 Mar 2020 £'000
Cash in hand and at bank	14,937	(4,201)	-	10,736
	<u>14,937</u>	<u>(4,201)</u>	-	<u>10,736</u>
Debt due in less than one year	(9,859)	8,858	-	(1,001)
Debt due in more than one year	(94,095)	(17,231)	-	(111,326)
Balance at end of year	<u>(89,017)</u>	<u>(12,574)</u>	<u>0</u>	<u>(101,591)</u>

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. Legal Status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Social Landlord.

2. Accounting Policies

Basis of Accounting

The principal accounting policies of the Group and Association are set out below. The financial statements of the Association have been prepared in accordance with applicable accounting standards in the United Kingdom, including the Statement of Recommended Practice for "Accounting by Registered Social Housing Providers" as updated in 2018 (SORP 2018), and comply with the Accounting Requirements for Social Landlords registered in Wales General Determination 2015.

Turnover

Turnover comprises:

- a) rental income and service charges receivable from tenants less voids;
- b) management fees;
- c) housing property sales;
- c) revenue based grants; and
- d) sundry income.

Housing Properties

Housing properties are principally properties available for rent and are stated at cost.

Cost includes the:

- (i) cost of acquiring land and buildings;
- (ii) development expenditure;
- (iii) interest charges incurred during the development period (Interest on loans raised to finance the development are capitalised up to the date at which practical completion occurs); and
- (iv) development administration costs.

Following the implementation of component accounting, certain components of residential properties with asset lives which are different to the main structure, or shell, of those properties have been separately identified for depreciation purposes. On replacement of such assets the original asset is written off and the replacement asset is capitalised and depreciated over its useful life. On implementing the change in accounting policy the depreciation charges on all residential properties have been reinstated as if the policy had always been applied, replacement components previously written off as major repairs have been restated as fixed assets and components which have been replaced have been written off.

Where properties have been purchased from a private developer at a subsidised price due to local authorities recognising the lack of grant available, the cost of acquisition is grossed up by the value of the subsidised price.

"Housing properties in the course of construction" are stated at cost and are transferred into "housing properties" when completed. Any overhead costs directly attributable to bringing fixed assets into their working condition for their intended purpose are capitalised. Expenditure on the initial purchase of land and buildings is capitalised and disclosed as part of housing properties in the course of construction.

Where properties are sold under WG initiatives such as Right to Buy (RTB), Right to Acquire (RTA) or Shared Ownership the Association will deduct the original cost incurred and original SHG received from the balance sheet. Any surpluses that are made on the sale will be reinvested into our housing stock in the same way as any surplus made throughout the Association.

Basis of consolidation

The consolidated accounts include the results of Melin Homes Limited ("the Association") and its trading subsidiary undertaking Candleston Limited. Consolidated accounts are required under the Co-operative and Community Benefit Societies Act 2014. Melin Homes Limited is the parent entity and the ultimate parent entity. Where any conflict arises between the SORP 2018 and applicable financial reporting standards, then the SORP prevails.

Development Administration Costs

The cost of a housing property comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Directly attributable costs of the Association's staff arising directly from the construction, or acquisition of the property, and the incremental costs of the Association are capitalised where they relate to expenditure that would not have been incurred if the Association did not have an ongoing development programme. Detailed analysis of staff development activity is used as a basis of determining the amount of staff cost capitalised.

Abortive costs are capitalised where they form part of the Association's development programme unless it can be demonstrated that such costs are classed as excessive and are then charged to the income and expenditure account.

Properties awaiting sale

Properties awaiting sale are included in current assets at the lower of cost and net realisable value.

Social Housing Grant

Social Housing Grants are receivable from the Welsh Government and are utilised to reduce the capital costs of housing properties. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property.

Where properties have been purchased from a private developer at a subsidised price due to local authorities recognising the lack of grant available, the subsidy is treated as if grant had been received.

Where, following the sale of a property, SHG becomes repayable under certain circumstances, to the extent it is not subject to abatement, it is included as a current liability until it is recycled or repaid. SHG which is repayable will normally be restricted to net proceeds of sale. SHG is subordinated in respect of loans by agreement with the Welsh Government.

Grants received in relation to Housing Properties are shown within creditors and are disclosed as Deferred income net of amortisation. Grants held as deferred income are released over the useful life of the component to which they relate to in accordance with the depreciation policy set out below.

Other Grants

These include grants from local authorities and other organisations. Grants in respect of revenue expenditure are credited to the statement of comprehensive income in the same period as the expenditure to which they relate.

Loans & Interest Payable

Loans are advanced by Banks and Building Societies under the terms of individual mortgage deeds in respect of each property or housing scheme.

Interest is allocated at a constant rate on the carrying amount over the period of the borrowing, up to the date of practical completion.

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) interest on borrowings specifically financing the development programme after deduction of interest on Social Housing Grant (SHG) in advance; or
- b) interest on borrowings of the Association as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

Depreciation of Housing Properties

Where a housing property comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated over its individual useful economic life. Expenditure relating to the subsequent replacement or renewal of components is capitalised as incurred. Depreciation is charged on the historic cost of property components. Freehold land is not depreciated. Leasehold land is depreciated over the remaining term of leases. The depreciable amount is written off over the estimated useful lives from the date of purchase/build as follows:

Component Type	Useful Life
New Build Houses / Flats – Structure	150 Years
Refurbishments/Acquisitions Houses – Structure	125 Years
Refurbishments/Acquisitions Flats - Structure	100 Years
Windows and Doors	25 Years
Kitchens	15 Years
Bathrooms	25 Years
Central Heating	30 Years
Boilers	15 Years
Solar Panels	25 Years
Outside Works	30 Years

Components on leasehold land are depreciated over the shorter of the above and the remaining period of the lease. Freehold land is not depreciated.

Impairment

Housing properties are reviewed for impairment on a regular basis. Where there is evidence of impairment, properties are written down to their recoverable value.

Other Tangible Fixed Assets and Depreciation

Other fixed assets, except freehold office premises are stated at cost and depreciation is provided evenly on the other fixed assets to write them down to their estimated residual values over their expected useful lives.

The principal annual rates, except for freehold office premises, used for other assets are:

Office and Scheme Manager Equipment	10 years
Computer equipment	3 years
Scheme Equipment	5 – 30 years
Motor vehicles - Leased	3 years
Motor vehicles - Purchased	4 years

Scheme equipment assets are held at sheltered accommodation sites and are depreciated on a straight line basis over the useful economic lives. The economic lives vary with the type of asset and range from 5 – 30 years.

The freehold premises comprise two or more components with substantially different useful economic lives. Each component is accounted for separately and depreciated over its useful economic life. Expenditure relating to the subsequent replacement or renewal of components is capitalised as incurred. Depreciation is charged on cost on a straight line basis over the component's expected useful life as follows:

Component Type	Useful Life
Freehold Office Premises - Structure	100 Years
Windows and Doors	25 Years
Kitchens	15 Years
Bathrooms	25 Years
Central Heating	30 Years
Boilers	15 Years
Solar Panels	25 Years
Outside Works	30 Years

Pensions

The Association participates in four pension schemes:-

(i) *Social Housing Pension Scheme*

A centralised final salary Social Housing Pension Scheme funded by contributions from all participating employers and employees in the scheme. Payments are made to a fund operated by the Pensions Trust, an independent Trust providing superannuation benefits for employees of voluntary organisations. These payments are made in accordance with periodic calculations by consulting actuaries.

(ii) *Social Housing Pension Scheme – Defined Contribution*

The association set up the Social Housing Pension Scheme defined contribution scheme in April 2014. The scheme is used as the association's auto enrolment scheme.

(iii) *Greater Gwent (Torfaen) Pension Fund*

A defined scheme, based on final pensionable salary, where contributions to the scheme are determined on the advice of independent actuaries to Torfaen CBC following triennial valuations, using the projected unit method. Retirement benefits are funded from contributions made by the Association and its employees to a multi-employer pension scheme, which provides defined benefits to employees on retirement.

(iv) *Royal London*

A defined contribution scheme which offers flexibility over payment levels, investment choice and control and benefit flexibility at retirement.

The provisions of FRS102, have been adopted. The expected cost to the Association of pensions is charged to the income and expenditure account so as to spread the cost of pensions over the service lives of employees.

The Association is able to identify its share of the underlying assets and liabilities of the pension scheme with regards to the Greater Gwent (Torfaen) Pension Fund and Social Housing Pension Scheme, and in accordance with the requirements of FRS102, discloses certain information concerning assets, liabilities, income and expenditure related to the pension scheme for its employees.

Both the Social Housing Pension Scheme and the Greater Gwent (Torfaen) Pension Fund were closed to any new members with effect from 1 October 2009.

Disclosures relating to the pension scheme are set out in a note to the financial statements.

Value Added Tax (VAT)

The Association is partially exempt for VAT purposes and claims are made for repayment of VAT on items that are specifically allowable. Expenditure is shown inclusive of irrecoverable VAT.

Corporation tax

Melin Homes Limited is registered with Charitable status as a housing association and with the Friendly Societies and Charity Commission. It benefits from corporation tax exemptions available to charitable bodies. Those primary purpose activities that fall within its charitable purposes and where its funds are applied only for these purposes are exempt from corporation tax. Those activities that are not primary purpose are subject to corporation tax for which full provision is made.

The remaining member of the Group is liable to Corporation Tax at the prevailing rate of taxation.

Basis of Preparation

The financial statements have been prepared on a going concern basis. The Board have reviewed and considered relevant information, including the rolling forecasts and future cash flows in making their assessment. In particular, in response to the COVID-19 pandemic, the Board have tested their cash flow analysis to take into account the impact on their business of possible scenarios brought on by the impact of COVID-19, alongside the measures that they can take to mitigate the impact. Based on these assessments, given the measures that could be undertaken to mitigate the current adverse conditions, and the current resources available, the Board have concluded that they can continue to adopt the going concern basis in preparing the annual report and accounts.

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. Turnover, Operating costs and Operating surplus

	2020		2019	
	Turnover	Operating Costs	Turnover	Operating Costs
	£'000	£'000	£'000	£'000
Social housing lettings (Note 4)	20,085	(16,841)	19,141	(16,581)
Other social housing activities				
1st tranche property sales	2,185	(1,432)	3,250	(2,285)
Supporting people	-	-	-	-
Other	36	(30)	36	(31)
Non-social housing activities				
Lettings	127	(50)	246	(296)
Care & Repair	1,292	(1,228)	1,209	(1,142)
Rural Housing Enabler	-	(6)	-	(6)
Green Futures	106	(183)	257	(365)
Arbed 2	-	-	-	-
Other	448	-	488	(34)
	24,279	(19,770)	24,627	(20,740)
		4,509		3,887

The above analysis represents the results of the Association, which is the only Registered Social Landlord in the Group. Its subsidiary contributed as follows to the operating position. A turnover of £7,240k occurred in the year, profit amounted to £5,292 thus leading to the overall group surplus of £2,814k.

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. Income and expenditure from social housing lettings

				ASSOCIATION	
	General needs and sheltered housing £'000	Supported housing £'000	Other social housing letting income £'000	2020 Total £'000	2019 Total £'000
Income					
Rent receivable	17,289	73	68	17,430	16,488
Service charges income	1,293	5	98	1,396	1,367
Income for support services	8	-	-	8	51
Amortisation of grants	1,251	-	-	1,251	1,235
Turnover from social housing lettings	19,841	78	166	20,085	19,141
Cost					
Management costs	6,494	-	14	6,508	6,819
Service charge costs	1,220	3	43	1,266	1,207
Routine maintenance	4,535	1	21	4,557	4,195
Major repairs expenditure	683	-	5	688	669
Bad debts	95	-	-	95	95
Depreciation on housing properties	3,727	-	-	3,727	3,596
Operating costs on social housing activities	16,754	4	83	16,841	16,581
Operating surplus on social housing activities	3,087	74	83	3,244	2,560
Rent loss due to voids (memorandum note)	(78)	-	-	(78)	(147)

The above analysis represents the results of the Association, which is the only Registered Social Landlord in the Group.

This year we have reclassified our direct work force costs out of management costs and into the relevant repairs costs.

5. Accommodation in Management

At the end of the year the number of units of accommodation in management for each class of accommodation was as follows:

	GROUP & ASSOCIATION	
	2020 Number	2019 Number
Melin Rented	3,545	3,451
Other Rented	41	41
Service Costs Only	235	236
Home Ownership	441	413
Commercial	32	33
	4,294	4,174

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. Operating Surplus	GROUP		ASSOCIATION			
	2020 £'000	2019 £'000	2020 £'000	2019 £'000		
Is arrived at after charging:						
Bad Debts	95	95	95	95		
Depreciation of housing properties	3,727	3,596	3,727	3,596		
Depreciation of other tangible assets	243	290	243	290		
Depreciation of leased assets	234	191	234	191		
Auditors' remuneration - for audit services	19	27	17	24		
	<u>3,318</u>	<u>3,199</u>	<u>3,316</u>	<u>3,190</u>		
7. Interest Receivable and Other Income	2020 £'000	2019 £'000	2020 £'000	2019 £'000		
Interest receivable and similar income	230	112	230	112		
	<u>230</u>	<u>112</u>	<u>230</u>	<u>112</u>		
8. Interest Payable and Similar Charges	2020 £'000	2019 £'000	2020 £'000	2019 £'000		
Total Loan and overdraft interest payable	3,346	3,033	3,346	3,033		
Less: Capitalised overdraft interest	0	0	0	0		
	<u>3,346</u>	<u>3,033</u>	<u>3,346</u>	<u>3,033</u>		
On loans repayable in instalments wholly or partly in more than five years	3,346	3,033	3,346	3,033		
	<u>3,346</u>	<u>3,033</u>	<u>3,346</u>	<u>3,033</u>		
9. Employees	2020 Average	2019 Average	2020 Number	2019 Number	2020 Number	2019 Number
<i>FTE number of employees.</i>						
Office staff	159	163	160	160	158	158
Scheme Managers	11	11	11	11	11	11
Painters & Decorators	7	9	6	8	6	8
Cleaners (full time equivalents)	1	8	1	8	1	8
Electricians	14	12	15	13	15	13
DWF	45	44	42	43	42	43
Handypersons	2	2	2	2	2	2
	<u>239</u>	<u>249</u>	<u>237</u>	<u>245</u>	<u>235</u>	<u>243</u>
Staff costs (for the above persons)	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Wages and salaries	7,460	7,304	7,310	7,235	7,310	7,235
Social security costs	725	700	707	692	707	692
Pension costs	1,098	2,070	1,092	2,068	1,092	2,068
Permanent health costs	107	96	106	96	106	96
Medicals	15	19	15	19	15	19
	<u>9,405</u>	<u>10,189</u>	<u>9,230</u>	<u>10,110</u>	<u>9,230</u>	<u>10,110</u>
Officers and Senior Executives Emoluments						
The remuneration paid to officers and senior executives was -	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Emoluments (including pension contributions and benefits in kind) Benefits to be added	642	625	484	546	484	546
Emoluments within the following bands	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
£70,000 - £79,999	3	2	1	-	1	-
£80,000 - £89,999	1	2	1	2	1	2
£90,000 - £99,999	-	-	-	-	-	-
£100,000 - £109,999	1	1	1	1	1	1
£110,000 - £119,999	-	1	-	1	-	1
£120,000 - £129,999	1	-	1	-	1	-
	<u>6</u>	<u>6</u>	<u>4</u>	<u>6</u>	<u>4</u>	<u>6</u>
Emoluments include amounts paid to - (excluding pension contributions)	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
The highest paid senior executive	121	118	121	118	121	118

The Chief Executive is a member of the Royal London Defined Contribution pension scheme. Melin Homes Ltd makes an employer contribution of 9% into the scheme.

Emoluments were paid to 12 members of the Board during the year. This amounted to £56,183 for the year. Expenses paid during the year to members of the Board amounted to £1,297 (2019: £2,063).

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

10. Tangible Fixed Assets - Housing Properties

	GROUP				
	<i>Housing Properties Held for Letting £'000</i>	<i>Housing Properties Under Construction £'000</i>	<i>Completed Shared Ownership Housing Properties £'000</i>	<i>Shared Ownership Properties Under Construction £'000</i>	<i>Total £'000</i>
Cost					
At 1 April 2019	264,968	23,346	626	0	288,940
Additions	1,090	22,565	0	0	23,655
Disposals	(812)	(587)	(27)	0	(1,426)
Disposals - LCHO	0	0	0	0	0
Schemes completed in year	10,624	(10,624)	0	0	0
Components - Additions	1,289	0	0	0	1,289
Components - Disposals	(216)	0	0	0	(216)
	-----	-----	-----	-----	-----
At 31 March 2020	276,943	34,700	599	0	312,242
	-----	-----	-----	-----	-----
Accumulated depreciation					
At 1 April 2019	(36,682)	0	(187)	0	(36,869)
Charge for year	(3,589)	0	(6)	0	(3,595)
Depreciation on component disposals	114	0	0	0	114
	-----	-----	-----	-----	-----
At 31 March 2020	(40,157)	0	(193)	0	(40,350)
	-----	-----	-----	-----	-----
Subtotal at 1 April 2019	228,286	23,346	439	0	252,071
Subtotal at 31 March 2020	236,786	34,700	406	0	271,892
	-----	-----	-----	-----	-----

Housing properties comprise:		2020 £'000	2019 £'000
Housing properties	- Freehold	310,692	287,390
	- Long leasehold	1,550	1,550
		-----	-----
		312,242	288,940
		-----	-----

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

10. Tangible Fixed Assets - Housing Properties

	ASSOCIATION				
	<i>Housing Properties Held for Letting £'000</i>	<i>Housing Properties Under Construction £'000</i>	<i>Completed Shared Ownership Housing Properties £'000</i>	<i>Shared Ownership Properties Under Construction £'000</i>	<i>Total £'000</i>
Cost					
At 1 April 2019	264,968	18,767	626	0	284,361
Additions	1,090	20,197	0	0	21,287
Disposals	(812)	(587)	(27)	0	(1,426)
Disposals - LCHO	0	0	0	0	0
Schemes completed in year	10,624	(10,624)	0	0	0
Components - Additions	1,289	0	0	0	1,289
Components - Disposals	(216)	0	0	0	(216)
At 31 March 2020	276,943	27,753	599	0	305,295
Accumulated depreciation					
At 1 April 2019	(36,682)	0	(187)	0	(36,869)
Charge for year	(3,589)	0	(6)	0	(3,595)
Depreciation on component disposals	114	0	0	0	114
At 31 March 2020	(40,157)	0	(193)	0	(40,350)
Subtotal at 1 April 2019	228,286	18,767	439	0	247,492
Subtotal at 31 March 2020	236,786	27,753	406	0	264,945
Housing properties comprise:			2020 £'000		2019 £'000
Housing properties			303,745		282,811
- Freehold			1,550		1,550
- Long leasehold			305,295		284,361

MELIN HOMES LIMITED

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For the year ended 31 March 2020

11. Long Term investments

These comprise of housing units acquired under the Homebuy initiative where by the Association retains an equity share following the initial 70% sale to first time buyers.

	Group and Association	
	2020 £'000	2019 £'000
Long term investments	20,668	19,315
Rent to Own	358	191
	<u>21,026</u>	<u>19,506</u>

The LT investment relates to an interest free loan representing 30% of the purchase price of the Homebuy property (£39k), and 50% of the purchase price of the Rural Homebuy property (£15,810k) by individuals under the Do It Yourself Homeownership scheme includes (£4,819k) self funded by Melin. The loan is fully funded by revenue and Social Housing Grant and the respective 30% and 50% of the sale proceeds are repayable when the property is sold.

12. Tangible Fixed Assets - Other

	Freehold Offices £'000	Office Equipment £'000	Computer Equipment £'000	Scheme Equipment £'000	Motor Vehicles £'000	Total £'000
Cost						
At 1 April 2019	2,438	833	1,801	1,531	514	7,117
Additions	-	237	264	53	73	627
Disposals	-	(214)	(4)	(10)	(42)	(270)
At 31 March 2020	<u>2,438</u>	<u>856</u>	<u>2,061</u>	<u>1,574</u>	<u>545</u>	<u>7,474</u>
Depreciation						
At 1 April 2019	377	455	1,634	1,165	260	3,891
Charge for year	29	118	137	58	135	477
Disposals	-	(96)	(2)	(9)	(43)	(150)
At 31 March 2020	<u>406</u>	<u>477</u>	<u>1,769</u>	<u>1,214</u>	<u>352</u>	<u>4,218</u>
Net book value						
At 31 March 2020	<u>2,032</u>	<u>379</u>	<u>292</u>	<u>360</u>	<u>193</u>	<u>3,256</u>
At 31 March 2019	<u>2,061</u>	<u>378</u>	<u>167</u>	<u>366</u>	<u>254</u>	<u>3,226</u>

Included in the above are motor vehicles and office equipment on hire purchase agreements with a net book value of £495,703 (2019: £564,223).

13. a) Debtors: Amounts falling due within one year	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Arrears of rent and service charges	497	605	497	605
Less: Provision for bad and doubtful debts	(226)	(240)	(226)	(240)
	<u>271</u>	<u>365</u>	<u>271</u>	<u>365</u>
Other debtors	510	311	8,360	5,493
Cash In Transit	174	140	174	140
Rechargeable Repairs	6	6	6	6
Prepayments and accrued income	1,078	2,098	1,078	2,098
Service charge debtors	427	451	427	451
Housing Finance Grant debtor	239	159	239	159
	<u>2,705</u>	<u>3,530</u>	<u>10,555</u>	<u>8,712</u>

Included within other debtors are amounts relating to staff car loans to Officers of the Association. As at 31 March 2020 the total value of loans was £NIL (2019: £1,583).

b) Debtors: Amounts falling due after more than one year	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Housing Finance Grant debtor	10,480	8,207	10,480	8,207
THFC deposit	598	598	598	598
Mor Homes Deposit	144	144	144	144
Loan Debtor	47	65	47	65
	<u>11,269</u>	<u>9,014</u>	<u>11,269</u>	<u>9,014</u>

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

14. Creditors: Amounts Falling Due Within One Year	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Debt due within a year	1,001	9,859	1,001	9,859
Rent and service charges received in advance	435	480	435	480
Purchase ledger	2,151	1,993	1,861	1,976
Accrued loan interest	364	398	364	398
Recycled Social Housing Grant	500	500	500	500
SHG received in advance	5,522	996	5,522	996
Accruals and deferred income	2,181	1,439	2,161	1,395
Corporation Tax	9	6	9	6
Service Charge Creditor	224	246	224	246
Land for Housing Loan	0	2,700	0	2,700
Promissory Note	2,700	0	2,700	0
WG Loan	0	885	0	885
Torfaen CBC Loan - Llantarnam School	0	423	0	423
Other creditors	375	374	375	374
	15,462	20,299	15,152	20,238

15. Creditors: Amounts Falling Due After More Than One Year	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Debt (note 16)	111,326	94,095	111,326	94,095
Land for Housing Loan	2,700	0	2,700	0
SHG received in advance	2,322	5,491	2,322	5,491
Recycled Social housing Grant	4,162	4,839	4,162	4,839
Rent to Own Grant	116	62	116	62
Leaseholder Major Repairs Creditor	343	325	343	325
Leaseholder Cyclical Creditor	36	31	36	31
Investment Grants	15,692	14,526	15,692	14,526
Service Charges	34	28	34	28
	136,731	119,397	136,731	119,397

Recycled Social housing Grant	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Opening balance 1st April 2019	5,339	4,579	5,339	4,579
Movement during the year	-677	760	677	760
Balance at 31st March 2020	4,662	5,339	4,662	5,339

The net movement of (£677k) in the RCG balance between 1 April 2019 and 31 March 2020 represents the transfer of SHG resulting from the sale of low cost home ownership properties developed by the Association during the year of £572k and the use of £505k of RCG in mortgage rescue properties and £744k of RCG in development schemes.

16. Debt Analysis	GROUP		ASSOCIATION	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<i>Due within one year</i>				
Housing loans	1,001	9,859	1,001	9,859
<i>Due after more than one year</i>				
Housing loans	111,326	94,095	111,326	94,095
<i>Debt is repayable on loans as follows:</i>				
Due within one year	1,001	9,859	1,001	9,859
Between one and two years	12,505	1,848	12,505	1,848
Between two and five years	31,021	35,619	31,021	35,619
In five years or more	67,800	56,628	67,800	56,628
	112,327	103,954	112,327	103,954

All housing loans are secured by fixed charges on individual properties and are repayable by instalments. Interest payable on the loans at the year end was at either variable rates linked to either base rates or LIBOR ranging from 1.46% to 2.03% during the year or fixed rates ranging from 2.52% to 12.1428%. The repayment terms of the loans vary from 5 to 35 years.

The Bank and Building Society loans are secured by fixed charges on individual properties.

The loans from Fresh PLC, a member of Royal Bank of Scotland Group, are repaid in half-yearly instalments at an interest rate of 9.98582% and 12.1428% with the final instalment due to be repaid in 2041. The loan was consolidated from a number of Fresh PLC loans during the 1999/2000 financial year.

The loans from Bank and Building Societies are repaid in monthly or quarterly instalments over terms of 5 to 35 years at fixed and variable interest rates. The fixed interest rates at 31 March 2020 range from 2.52% to 8.38% and the variable from 1.46% to 2.03%.

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. Social housing and other government grants

	GROUP & ASSOCIATION				
	<i>Housing Properties Held for Letting</i>	<i>Housing Properties Under Construction</i>	<i>Completed Shared Ownership Housing Properties</i>	<i>Shared Ownership Properties Under Construction</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000
Gross grant creditor					
At 1 April 2019	150,276	7,324	405	0	158,005
Additions	466	6,070	0	0	6,536
Disposals/transfers	(357)	0	(21)	0	(378)
Disposals - LCHO	0	0	0	0	0
Schemes completed in year	3,784	(3,784)	0	0	0
At 31 March 2020	154,169	9,610	384	0	164,163
Amortisation					
At 1 April 2019	18,178	0	127	0	18,305
Credit for the year	1,247	0	4	0	1,251
Schemes disposed in year	(9)	0	(7)	0	(16)
At 31 March 2020	19,416	0	124	0	19,540
Net grant creditor					
At 31 March 2020	134,753	9,610	260	0	144,623
At 1 April 2019	132,098	7,324	278	0	139,700

the grants are amortised as follows

	GROUP & ASSOCIATION	
	2020	2019
	£'000	£'000
Amounts falling due:		
Within one year or less	1,309	1,235
Between one and two years	1,309	1,235
Between two and five years	3,927	3,705
In five years or more	138,078	133,525
In more than one year	143,314	138,465
Total grant creditor	144,623	139,700

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. Share Capital	GROUP & ASSOCIATION	
	2020	2019
	£	£
<i>Shares of £1 each issued and fully paid</i>		
At 1 April	41	43
New members during the year	2	6
Members written back during year	(6)	(8)
At 31 March	<u>37</u>	<u>41</u>

The shares were issued for cash at par.

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

19. Capital Commitments	GROUP & ASSOCIATION	
	2020	2019
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements.	<u>31,015</u>	<u>35,527</u>
Capital expenditure that has been authorised by the Board but has not yet been contracted for.	<u>2,919</u>	<u>813</u>

The Board of Management expect that the expenditure will be fully financed by the Welsh Government, Banks and internally through Melin's own resources.

20. Investment Grants

The investment grant is funding received from the Welsh Government to fund the Homebuy scheme, the assets of which are shown as a long term investment (Note 11).

	GROUP & ASSOCIATION	
	2020	2019
	£'000	£'000
Investment Grants	15,692	14,526

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. Pensions

Employees of the Association participate in one of the three pension schemes currently operated by the Association and Group, these being the Social Housing Pensions Schemes, Torfaen County Borough Council pension scheme, and the Royal London scheme.

The overall pension liability provision is £5,255k for 31st March 2020. This is made up of £4,692k for the LGPS and £563k for SHPS DB, as referred to below.

Following an extensive staff consultation exercise in October 2009, the Board closed both final salary pension schemes to new members, however opened a window in December 2014 for staff to transfer from SHPS to LGPS. Both schemes are now closed to any new members. The defined contribution schemes were introduced with Royal London from 1 July 2010 and SHPS from April 2014.

This is the second year where the SHPS DB accounting changes have been reflected in the accounts. This has resulted in an actuarial gain for the current year of £620k, so along with the £805k actuarial gain in the LGPS scheme, the total actuarial gain for the current year is £1,425k.

Pensions Obligations

a. Social Housing Pension Scheme (SHPS)

The Association participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.

SHPS is a multi-employer defined benefits scheme. Employer participation in the scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open defined benefit structure plus CARE 1/120th, plus the defined contribution benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The Association had elected to operate the final salary with a 1/60th accrual rate benefits structure for active members as at 1 April 2007 and the final salary with a 1/70th accrual rate benefit structure for new entrants from 1 April 2007.

The Trustee commissions an actuarial valuation of the scheme every 3 years. The main purpose of the valuation is to determine the financial position of the scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at an individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefits payments using a discount rate calculated by reference to the expected future investment returns.

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. Pensions Obligations - continued b. Social Housing Pension Scheme

As at the balance sheet date there were no active members of the scheme employed by the Association.

The Association made an annual contribution towards the past service deficit of £161,000 up to March 2020 and £205,000 up to March 2019

In accordance with FRS102 reporting requirements, Melin Homes Limited is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

The most recent valuation was carried out as at 30 September 2017, and has been updated by independent actuaries to the SHPS fund to take account of the requirements of FRS102 in order to assess the liabilities of the fund as at 31 March 2020. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value.

The main assumptions used for the purpose of FRS102 are as follows

	31 March 2020	31 March 2019
	% per annum	% per annum
Salary Growth	2.60%	2.28%
Inflation (RPI)	2.50%	3.10%
Inflation (CPI)	1.50%	2.10%
Discount rate	2.40%	2.60%

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

The following amounts were measured in accordance with the requirements of FRS102 for period ended 31 March 2020:

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

	31 March 2020	31 March 2019
	(£000s)	(£000s)
Fair value of plan assets	5,444	5,547
Present value of defined benefit obligation	6,007	6,853
Surplus (deficit) in plan	(563)	(1,306)
Defined benefit asset (liability) to be recognised	(563)	(1,306)

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. Pensions Obligations - continued

The following amounts were measured in accordance with the requirements of FRS102 for period ended 31 March 2020:

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2020 (£000s)
Defined benefit obligation at start of period	6,853
Expenses	6
Interest expense	174
Actuarial losses (gains) due to scheme experience	(250)
Actuarial losses (gains) due to changes in demographic assumptions	(62)
Actuarial losses (gains) due to changes in financial assumptions	(387)
Benefits paid and expenses	(327)
Defined benefit obligation at end of period	6,007

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period ended 31 March 2020 (£000s)
Fair value of plan assets at start of period	5,547
Interest income	142
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(79)
Contributions by the employer	161
Benefits paid and expenses	(327)
Fair value of plan assets at end of period	5,444

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2020 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(79)
Experience gains and losses arising on the plan liabilities - gain (loss)	250
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	62
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	387
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	620
Total amount recognised in other comprehensive income - gain (loss)	620

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

21 Pensions Obligations - continued

b. Greater Gwent (Torfaen) pension scheme

In accordance with FRS102 reporting requirements, Melin Homes Limited is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

Melin Homes Limited participates in the Greater Gwent pension scheme, which is administered by Torfaen County Borough Council and is a defined benefit scheme, based on final pensionable salary.

The most recent valuation was carried out as at 31 March 2019, and has been updated by independent actuaries to the Greater Gwent pension fund to take account of the requirements of FRS102 in order to assess the liabilities of the fund as at 31 March 2020. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value.

Melin Homes Limited's contribution rate from 1 April 2019 to 31 March 2020 was 26.3% of pensionable salary costs.

The main assumptions used for the purpose of FRS102 are as follows:

	31 March 2020	31 March 2019
	% per annum	% per annum
Rate of increase in salaries	1.5%	2.1%
Rate of increase in pensions	1.5%	2.1%
Discount rate	2.4%	2.6%

Assets are valued at fair value, principally market value for investments, and comprise:

	31 March 2020	31 March 2019
	%	%
Equities	73	78
Bonds	23	20
Property	3	2
Cash/Liquidity	1	0

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the fund as a whole at 31 March 2020.

As at the balance sheet date there were 42 active members of the scheme employed by the Association.

The pension charge includes contributions payable by the Association to the fund and amounted to £862,916 in 2020 (£862,905 in 2019).

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. Pensions Obligations - continued

The following amounts were measured in accordance with the requirements of FRS102 for period ended 31 March 2020:

	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
Fair Value of plan assets	11,624	-	11,624
Present Value of funded liabilities	-	17,149	(17,149)
Opening position as at 31 March 2019	11,624	17,149	(5,525)
Service Cost			
Current service cost	-	584	(584)
Total Service Cost	-	584	(584)
Net Interest			
Interest income on plan assets	312	-	312
Interest cost on defined benefit obligation	-	454	(454)
	312	454	(142)
Total defined benefit cost recognised in Profit or (Loss)	312	1,038	(726)
Cashflows			
Plan participants' contributions	109	109	-
Employer contributions	754	-	754
Benefits Paid	(120)	(120)	-
Expected closing position	12,679	18,176	(5,497)
Remeasurements			
Changes in demographic assumptions		(823)	823
Changes in financial assumptions		(1,591)	1,591
Other experience		511	(511)
Return on assets exc amounts included in net interest	(1,098)		(1,098)
Total remeasurements recognised in Other Comprehensive Income (OCI)	(1,098)	(1,903)	805
Fair Value of plan assets	11,581	-	11,581
Present Value of funded liabilities	-	16,273	(16,273)
Closing position as at 31 March 2020	11,581	16,273	(4,692)

The following amounts were measured in accordance with the requirements of FRS102 for period ended 31 March 2019:

	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
Fair Value of plan assets	10,237	-	10,237
Present Value of funded liabilities	-	14,984	(14,984)
Opening position as at 31 March 2019	10,237	14,984	(4,747)

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. Pensions Obligations - continued

	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
Service Cost			
Current service cost	-	548	(548)
Total Service Cost	<u>-</u>	<u>548</u>	<u>(548)</u>
Net Interest			
Interest income on plan assets	308	-	308
Interest cost on defined benefit obligation	-	442	(442)
	<u>308</u>	<u>442</u>	<u>(134)</u>
Total defined benefit cost recognised in Profit or (Loss)	<u>308</u>	<u>990</u>	<u>(682)</u>
Cashflows			
Plan participants' contributions	114	114	-
Employer contributions	749	-	749
Benefits Paid	(105)	(105)	-
Expected closing position	<u>11,303</u>	<u>15,983</u>	<u>(4,680)</u>
Remeasurements			
Changes in demographic assumptions		-	-
Changes in financial assumptions		1,166	(1,166)
Other experience		-	-
Return on assets exc amounts included in net interest	321		321
Total remeasurements recognised in Other Comprehensive Income (OCI)	<u>321</u>	<u>1,166</u>	<u>(845)</u>
Fair Value of plan assets	11,624	-	11,624
Present Value of funded liabilities	-	17,149	(17,149)
Closing position as at 31 March 2020	<u>11,624</u>	<u>17,149</u>	<u>(5,525)</u>

c. Royal London Defined Contribution Scheme

The Association set up the Royal London Defined Contribution Scheme from 1 July 2010. Only new staff are eligible to join the Group Person Pension which offers flexibility over payment levels, Investment Choice and control and benefit flexibility at retirement. The scheme is closed to existing employees

Between 1 April 2019 and 31 March 2020, the Association paid contribution rates between 4% and 9%. Member contribution rates varied between 2% and 21%. As at the balance sheet date, there were 112 active members of the scheme employed by the Association.

The pension charge includes contributions payable by the Association to the fund and amounted to £424,130 in 2020 (£402,512 in 2019).

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

21. Pensions Obligations - continued

d. Social Housing Pension Scheme (SHPS) Defined Contribution Scheme

The Association set up the SHPS Defined Contribution Scheme in April 2014.

The scheme is used as the Association's Auto Enrolment Scheme

Between 1 April 2019 and 31 March 2020, the Association paid contributor rates of 3%.

Member contribution rates were 5%. As at the balance sheet date, there were 63 active members of the scheme employed by the Association

The pension charge includes contributions payable by the Association to the fund and amounted to £50,888 in 2020 (£63,955 in 2019)

22. Controlling Interests

On the 23 June 1998 Melin Homes Ltd became the sole Trustee of Henry Burton Almshouse Charity. As at 31 March 2020, the total net assets of the Charity amounted to £954,022. The total turnover was £140,795 and the net deficit for the year was £14,926

As the Managing Agent, Melin Homes received a total of £33,370 in fees from the Charity during the current year (2019: £32,398). There was £19,090 balance owing as at 31 March 2020 (2019: £22,567).

The Registrar of Friendly Societies has agreed that the accounts of Henry Burton Almshouse Charity need not be consolidated with those of the Association

23. Related Parties

The terms and conditions of the tenancy are the standard terms and conditions for the type of tenancy held.

Melin Homes Ltd was owed £8,001k from its subsidiary Candleston Ltd as at 31st March 2020 (2019:£5,200k).

24. Taxation

Melin Homes Limited is registered with Charitable status as a housing association and with the Friendly Societies and Charity Commission. It benefits from corporation tax exemptions available to charitable bodies. Those primary purpose activities that fall within its charitable purposes and where its funds are applied only for these purposes are exempt from corporation tax. Those activities that are not primary purpose are subject to corporation tax for which full provision is made.

The remaining member of the Group is liable to Corporation Tax at the prevailing rate of taxation

MELIN HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

25. Contingent Liabilities

As stated in the accounting policies, social housing grant is repayable in certain circumstances and therefore any amounts written off could be liable for repayment. The amount to date that the Association may need to repay should these circumstances arise is £19,540k.

26. Corporation Tax

	2020 £'000	2019 £'000
Corporation tax charge	<u>9</u>	<u>6</u>

The basis of corporation tax charge is explained in note 24.

27. Housing Properties Held for Sale

	2020 £'000	2019 £'000
Housing properties held for sale at the beginning of the year	-	-
Housing properties transferred during the year	<u>58</u>	<u>-</u>
Housing properties held for sale at the end of the year	<u>58</u>	<u>-</u>

28. Group Note

The Association has one directly owned subsidiary, Candleston Limited of which 100% of the share capital is owned. The results of the subsidiary are shown in note 3 with the year end outstanding balances disclosed in note 23.

Melin Homes Limited is legally owned by its shareholders, but they are restricted and have no personal beneficial interest in the assets of the Association. The ultimate controlling party is considered to be the Board of directors.

Melin Homes Limited is the parent of the largest and smallest group in which the results of the Group are consolidated. Copies of the consolidated financial statements are available on request from the registered address of the Association.