



REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

REPORT AND FINANCIAL STATEMENTS 2014

CONTENTS	PAGE
Information	3
Operating and Financial Review	5
Board Report	13
Independent Auditors' Report	20
Income and Expenditure Account	22
Statement of Total Recognised Surpluses and Deficits	22
Balance Sheet	23
Cash Flow Statement	24
Notes to the Financial Statements	25

INFORMATION

Board Members

Tenant

Roger Williams

Nikki Buttland

Hilary Griffiths

Alan Sinfield

Brian Fleming

Kay Reed

Co-opted: 23 January 2014

Resigned: 30 October 2013

Appointed: 25 July 2013

Appointed: 25 July 2013

Resigned: 30 October 2013

Resigned: 30 January 2014

Council

Ted Latham

Rosalyn Davies

John Rogers

Alan Lockyer

Sheila Penry

Resigned: 4 November 2013

Independent

Steve Mundy

Brian Davis

Harry Lloyd

Jonathan Frost

Resigned: 23 January 2014

Senior Executives

Linda Whittaker

John Andrew

Claire Maimone

Steve Tucker

Jeffrey Loo

Chief Executive

Director of Finance & Corporate Services

Director of Housing & Community Regeneration

Interim Director of Assets

Director of Finance & IT

Appointed: 10 March 2014

Resigned: 31 July 2013

Company Secretary

John Andrew

Jeffrey Loo

Appointed: 10 March 2014

Resigned: 31 July 2013

Registered Office

Tŷ Gwyn

Brunel Way

Baglan Energy Park

Neath

SA11 2FP

Bankers

Barclays Bank

3 Windsor Place

Cardiff

CF10 3ZL

INFORMATION

Funders

Royal Bank of Scotland
 280 Bishopsgate
 London
 EC2M 4RB

Nationwide
 Moulton Park
 Northampton
 NN3 6NW

Santander
 17 Ulster Terrace
 Regent's Park
 London
 NW1 4PJ

Solicitors

Trowers & Hamlins
 40 Tower Hill
 London
 EC3N 4DX

Morgan Cole
 Bradley Court
 Park Place
 Cardiff
 CF10 3DR

Hugh James
 Hodge House
 114-116 St. Mary Street
 Cardiff
 CF10 1DY

Geldards
 Dumfries House
 Dumfries Place
 Cardiff
 CF10 3ZF

External auditors

PricewaterhouseCoopers LLP
 One Kingsway
 Cardiff
 CF10 3PW

Internal auditors

Barcud Shared Services
 Valleys to Coast Housing
 Tremains Business Park
 Tremains Road
 Bridgend
 CF31 1TZ

FSA registration number
WG registration number

31041R
 L154

OPERATING & FINANCIAL REVIEW

The Board presents its Operating and Financial Review, Board Report and the audited Financial Statements for NPT Homes Limited (the organisation) for the year ended 31 March 2014.

ACTIVITIES, VISION, VALUES AND OBJECTIVES

1. Principal Activities

The organisation's principal activity is to provide affordable homes within the County Borough of Neath Port Talbot (NPTCBC), owning, managing and maintaining 9,181 rented properties, 604 leasehold flats, 17 shops and 787 garage plots at 31 March 2014.

Established as a result of a Large Scale Voluntary Transfer from NPTCBC's housing stock on 4 March 2011, the primary activities have been to maintain and improve services to tenants and leaseholders formerly provided by NPTCBC and to meet the commitments made in the transfer Offer Document.

The organisation's most significant activity to date is to embark on a programme to update the transferred housing stock to Welsh Housing Quality Standards which is scheduled to complete by 31 March 2017. In 2014 the organisation has also started its inaugural Social Housing development project to deliver 15 new and affordable social housing units to the Borough by 2015.

2. Vision and Values

The organisation's vision is Great Homes, Great Communities. Staff, tenants, and Board members have worked together to agree that the organisation's values are:

- Teamwork
- Honesty
- Professionalism
- Respect
- Commitment



Through abiding by these values, 'Making A Difference' to people's lives and communities has become the organisation's strap line.

3. Objectives

In the year the Board, alongside the senior executives, updated the key strategic priorities of the organisation and these are:

- To be the landlord of choice for customers and the preferred employer for those seeking employment.

OPERATING & FINANCIAL REVIEW

- To have a high performing workforce who challenge the norm and are empowered to provide outstanding services.
- To continually work to understand our customer needs and deliver services based on "What Matters".
- To be commercially aware, and strive for development and growth across all aspects of the organisation.
- To ensure our business is strong and financially secure and our governance arrangements provide the highest level of assurance.

The organisation continues with its longstanding objective of achieving the Offer Document promises with 96 of the 118 promises signed-off by the Board. Of the 96 promises signed off to date, 59 were approved by Board during the year.

Listed below is a small selection of these:

- Improved enforcement of Anti-Social Behaviour throughout the community
- Better maintained and more frequent inspection of communal areas
- A higher degree of visual presence within the organisation's estate
- Timed appointments for all non-emergency repairs
- Improved sheltered housing services:
 - Waiting lists and allocation
 - Out of hours service
 - Support plans
 - Tenancy support service
- More tenant participation:
 - Membership committee
 - Tenant and leaseholder forums
 - Sheltered tenants forum

The organisation continues to undertake a significant Corporate Planning exercise with each department forming Operational Plans that are fully aligned with the corporate priorities.

KEY ACHIEVEMENTS

1. Delivery of Welsh Housing Quality Standard (WHQS) Improvement Programme

The WHQS programme consists of two Improvement Programmes.

- A. A major programme of works on Kitchens, Bathrooms, Electrics, Heating, Windows and Roofing upgrades.
- B. Rendering and External Wall Insulation (EWI).

OPERATING & FINANCIAL REVIEW

Progress to date is tabled below, with plans on track for completion by March 2017.

Component	Target	Completed at March 2014	% Complete
Kitchen	8,870	3,735	42%
Bathroom	7,979	3,393	43%
Rewire	4,858	2,362	49%
Heating	5,741	3,462	60%
Windows	2,500	1,399	56%
Roofing	1,800	841	47%
Render	1,500	68	5%
EWI	1,477	500	34%
Other	n/a	n/a	n/a

The programmes for 2014/15 are designed in line with loan agreements to deliver the maximum benefit possible to tenants and leaseholders with around £35m in improvements planned for 2014/15.

2. Assessment

The organisation underwent its first self-assessment exercise, 'Making A Difference', during the year which was recognised by Participation Cymru as an example of best practice in tenant participation and by Welsh Government as an example of best practice in the way the information was presented. The information gathered during the exercise has also been used to inform the development of the organisation's first Corporate Plan scheduled for publication in summer 2014.

The Welsh Government will undertake its regulatory assessment using the self-assessment outcomes and other information during 2014/15.

At 31 March 2014, the organisation has received the highest possible assurance from the Welsh Government's (WG) financial viability judgement in receiving its 'Pass' rating. WG has determined that the organisation "has adequate resources to meet its current and forecasted future business and financial commitments".

3. Customer Service

The quality of customer service provided by the organisation has been subject to review and particular attention with a programme in place to ensure all staff receive mandatory customer service training. This is expected to be completed in the first half of 2014/15.

OPERATING & FINANCIAL REVIEW

The organisation's Contact Centre has undergone a systems review in the year which has identified the need for varying levels of resources to match pressure points and quiet times throughout different times of a day, week or month. As a result, the section has been reconfigured to better meet the needs of tenants.

The detailed recording and subsequent classification of complaints has been introduced during the year with 252 informal complaints and 86 formal complaints recorded. Of the 86 formal complaints, 27 were upheld and 18 were partially upheld.

The organisation received 422 compliments during the year.

4. Welfare Reform

April 2013 saw the commencement of a programme of welfare reforms by the UK Government including the introduction of the Under-Occupancy Charge, or 'Bedroom Tax' as it is better known, by which it aimed to ensure recipients of housing benefit are housed in accommodation it considers to be appropriate to their needs. Tenants receiving housing benefit and who are deemed to have one or more spare bedrooms face a cut in their housing benefit if they do not move to smaller accommodation. To minimise the impact of this reform, the organisation proactively worked to engage with tenants deemed to be at highest risk from the changes presenting to them the support and options available to them to successfully manage such changes.

Some 2,000 tenants were contacted well in advance of the reforms resulting in a significant number of these tenancies having an active engagement with the organisation during the year. As a result, the Financial Inclusion unit were able to assist tenants in securing over £200,000 in Discretionary Housing Payments to offset the impact of reductions in housing benefit as part of a broader programme to help tenants access over £1.6m in benefits during the year which would otherwise have been unclaimed. This, along with the work of Landlord Services and finance staff has resulted in rent arrears and bad debt levels far lower than originally feared.

However, the organisation has experienced a significant increase in tenants terminating tenancies during the year due to them deciding to move to smaller properties or to move in with family or friends to address the impact of the 'bedroom tax'. This contributed to the organisation suffering a higher than anticipated level of voids during the year.

Over the next few years the UK Government intends to introduce Universal Credit which will see many tenants receiving their housing benefit into their own bank account as part of a bundle of benefits rather than being paid to NPT Homes directly to cover their rent. This is expected to present many tenants with new challenges such as budgeting their spending to ensure they can cover their rent. The organisation is actively working with tenants to put in place robust processes that safeguard them and their tenancies.

OPERATING & FINANCIAL REVIEW

These include new rent incentives such as monthly prize draws for those paying on direct debit and/or those with no rent arrears. The organisation's also working in partnership with Neath Port Talbot Credit Union providing free current accounts to tenants as well as budget management advice.

5. Work in the community

As a result of the organisation's Estate Rangers and Neighbourhood Services working closely in partnership with South Wales Police, problematic tenants have been jailed for breach of an ASB injunction thereby helping to restore peace to the affected street and surrounding area.

Our tenancy Support Team work to prevent homelessness by providing tenants with support and equipping them with skills to sustain a tenancy. During 2013/14 we helped 166 tenants in this way.

We have been a key partner in the 'Get NPT Online' project with Coastal Housing Group and Melincryddan Community Conference for which Communities 2.0 Digital Inclusion funding has been received. The project has worked with over 200 local residents to help them gain the skills and confidence to use IT equipment and access the internet, along with helping them access local facilities such as libraries.

A second round of Community Challenges that provide a day of resources from NPT Homes and its contractors to organisations in need within the Borough has been launched. This follows the success of the last round where Crynant Scouts, Tiddlywinks Child Care, Eastern Primary School and Wesley Chapel benefited.

The organisation continues to work with local suppliers wherever possible. We have adopted the Welsh Government Community Benefits Process throughout all procurement processes, whilst also holding our own select list of local contractors and consultants.

6. Health & Safety and Staff Wellbeing

The organisation was awarded the Gold Standard Corporate Health Award by the Corporate Health Standard, run by the Welsh Government (WG) during the year, receiving an Ambassador Award in appreciation of such an achievement by WG.

The organisation was also awarded the Bronze Travel Plan Award, from South West Wales Integrated Transport Consortium (SWWITCH) which is a formal Joint Committee which comprises four local councils in the region. The award is in recognition for an active travel plan and the organisation's work towards greener travel.

OPERATING & FINANCIAL REVIEW

During 2013/14:

- 27 workplace accidents were reported; of these, 6 were reportable to the Health and Safety Executive (HSE) through RIDDOR (Reporting of Injuries, Disease and Dangerous Occurrences Regulations)
- 42 incidents were recorded; none of which were RIDDOR reportable.

Work is progressing towards achieving an independent accreditation of the organisation's Safety Management System.

7. CIH Cymru Rising Star 2014

Lisa Evans, Corporate Governance Officer, won the Chartered Institute of Housing Cymru's 2014 "Rising Star" award, this being the second winner to come from the organisation since 2012.

MANAGEMENT OF KEY RISKS

The Board acknowledges its responsibility for the management of the organisation's assets to ensure its long-term financial viability and the delivery of its business strategy for the benefit of its tenants. The management of risk is acknowledged to be a primary concern of the Board.

The Welsh Government's assessment of housing sector risks has been taken as the starting point for identifying the risks facing the organisation. Amongst the key risks are: Welfare Reforms, changes in regulation, the successful completion of housing stock improvements, continued funding streams such as Supporting People and Social Housing Grants and fluctuating rates of inflation. The organisation also faces additional risks specific to its business and operations. Under its Risk Management Policy the organisation has compiled the strategic risks it has identified into a register. It has then assessed the likelihood of the risk occurring along with the significance of its impact whether financial, reputational or a matter of health and safety to give an overall score for each risk.

It is recognised that many of the organisation's activities involve risk, that risk cannot be entirely eliminated and that taking risks in a controlled manner is fundamental to current activities and future development. It has therefore worked to establish an effective level of risk appetite and to ensure action is taken to ensure risks are appropriately mitigated and managed. Risk management is embedded throughout the organisation's culture and as such the organisation reviews risks on a day to day, monthly and quarterly basis dependent on the task and significance and likelihood of each risk.

OPERATING & FINANCIAL REVIEW

The strategic risk register is presented to the Audit and Risk Committee and Board, where the residual risk is considered in line with the organisation's risk appetite. Where the residual risk is deemed to be greater than the organisation's risk appetite, further actions to mitigate the risk are agreed.

TREASURY

1. Treasury Function

The organisation has a treasury function within its Finance Department whose activities are defined as "the management of the organisation's cash flows, its banking, money market and capital market transactions and loan management; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

The organisation acknowledges that effective treasury management provides support towards the achievement of its corporate objectives. The treasury operation is not a profit centre so its objective is to manage risk on a cost effective basis and speculative transactions are not permitted.

The treasury function's key objectives are to:

- Ensure no cash is lost through poor investments
- Place timed investments to prevent need for short term borrowing
- Set term-loan borrowing plans that meet the organisation's business needs while revolver loans are taken only as required; and
- Ensure informed decisions are taken to safeguard the most efficient use of cash.

2. Treasury Risk

The organisation does not have any abnormal exposure to price, credit, liquidity and cash flow risks arising from its trading activities. The organisation does not enter into trading transactions in financial instruments but has arranged simple interest hedging through fixing of rates for loan drawdown requirements over the next 5 years.

3. Balance Sheet Debt and Liquidity

The organisation's financial instruments comprise cash, short term investments and borrowings. With regards to liquidity, with the WHQS improvements being a long term activity, the organisation's policy is to raise finance primarily by medium and long term borrowing. As a result, a loan facility of £135m was agreed with a syndicate of funders led by Banco Santander which is secured on the organisation's housing stock.

OPERATING & FINANCIAL REVIEW

The loan facility is measured against covenants (including net debt per unit, cumulative cash flow deficit and value of loans outstanding compared to the value of housing stock) whose output levels are set by funders' approval of the 30 Year Business Plan that is updated each year. Actual performance to set covenants are audited and signed off as part of the annual audit of financial statements. The output levels set by the funders for the covenants have been met for 2013/14.

Details of the loan facilities in place can be found on page 36 of the financial statements.

KEY ACCOUNTING POLICIES

The principal accounting policies are set out in Note 1 to the financial statements on pages 25 to 30. The most critical accounting policies in terms of the impact on the financial statements are the capitalisation of improvements to housing properties and the calculation of depreciation on housing properties. These two accounting policies have remained unchanged from the previous year.

STATEMENT OF COMPLIANCE

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

LEGAL STATUS AND PRINCIPAL ACTIVITY

NPT Homes is authorised and regulated by the Financial Conduct Authority as an Industrial and Provident Society with charitable rules as a not-for-profit social enterprise and is a Registered Social Landlord (RSL).

The organisation's principal activities are the management and improvement of housing for rent within Neath Port Talbot County Borough Council (NPTCBC) local authority area.

The organisation is owned by its members, all but one of whom are individuals holding one (£1) share and are Board members, residents, local community groups or business members of Neath Port Talbot. The one exception is the local Authority which also holds one £1 share.

The organisation operates a membership committee which actively seeks engagement with tenants to promote tenant participation within the organisation. The increased level of accountability to membership committee will create a 'value for money' culture across tenant groups with activities aimed at achieving tangible outcomes

PERFORMANCE FOR THE YEAR

The Board reports a surplus for the year of £14.4m (2013: £15.3m) after accounting for net interest charges of £2.1m (2013: £1.7m) and profit on sale of fixed assets of £0.9m (2013: £0.6m).

During the year, the organisation spent £10.3m (2013: £10.0m) on reactive, cyclical and planned repairs on its housing properties, with £25.4m (2013: £25.0m) spent on improving its properties to achieve Welsh Housing Quality Standards. The works were financed through operating surpluses and cash balances supported by additional loans for the year of £3.5m (2013: additional loans of £12.0m). Details of changes to the organisation's fixed assets are shown in notes 12 and 13 to the financial statements.

POST BALANCE SHEET EVENTS

There have been no events since the financial year-end that have had a significant effect on the financial position of the organisation.

BOARD AND SENIOR EXECUTIVES

The Board members (as detailed on page 3) have held office during the whole of the year and to the date of this report unless otherwise stated. Board members come from a wide background bringing together professional, commercial, tenant and local knowledge and experience.

The senior executives (as detailed on page 3) are appointed by the Board and have held office during the whole of the year and to the date of this report unless otherwise stated

The organisation has insurance policies that indemnify its Board members and senior executives against liability when acting on its behalf.

REMUNERATION OF BOARD AND SENIOR EXECUTIVES

Board

Board members do not receive any remuneration for their services. They are able to receive expenses to reimburse costs incurred, for example, in attending board meetings.

Senior Executives

- **Policy**

The Board agrees the appointment of senior executives and their remuneration.

The Chief Executive holds delegated responsibility for negotiating other senior executives pay awards with the Chief Executive's assessed by the Chair of the Board.

The Board established an 'Executive Team Assessment Framework' in the year to assess the senior executive remuneration levels. External consultants who know the business and its sector were engaged to propose any pay award that should be made to each member of the senior executive team.

- **Service contracts**

Three of the four senior executives are appointed on permanent contracts with a three month period of notice. Steve Tucker, Interim Director of Assets, provides his services under a contractor arrangement which can be terminated by either side without giving notice.

- **Pensions**

The three senior executives on permanent contracts are members of the Local Government Pension Scheme, a defined benefit final salary pension scheme. The senior executives participate in the scheme on the same terms as all other eligible staff. The organisation contributes to the scheme on behalf of its employees.

- **Other benefits**

Senior executives are not entitled to any other benefits over and above those available to all other staff such as those offered through the organisation's lifestyle benefits scheme provided through P&MM Limited.

EMPLOYEES

The strength of the organisation lies in the quality and commitment of its employees. The organisation's ability to meet its objectives and commitments to tenants in an efficient and effective manner depends on the contribution of employees throughout the organisation.

BOARD REPORT

The organisation continues to provide information on its objectives, progress and activities through regular office and departmental meetings, staff and tenant publications and electronic and billboard communications.

The organisation is committed to the employment of local people and all tenders for work contracted out contained a relevant scored criterion based on using a local workforce. The organisation is further committed to equal opportunities for all its employees and supports the employment of disabled people. NPT Homes has been accredited as an 'Exemplar Employer' by Chwarae Tag, the leading professional agency for the economic development of women in Wales, for the way in which the organisation has integrated equality and diversity into its working practices.

During 2013/14 the organisation's record in apprenticeships, placements, work experience opportunities and overall employment is as follows:

Apprenticeships

- 4 Second Year Foundation Modern Apprentices
- 6 Shared Apprentice Scheme Placements

Jobs Growth Wales Placements

- 5 Neighbourhood Operatives in Specialist Services
- 1 Administrative Assistant in Specialist Services

Work Experience

- 7 Trade placements
- 6 Administrative placements
- 1 Housing placement
- 2 Regeneration placements
- 9 School placements

Investment in Workforce

- At transfer – 358 full time equivalent posts, 384 headcount
- At 31 March 2014 – 454 full time equivalent posts, 469 headcount

HEALTH AND SAFETY

The Board is aware of its responsibilities on all matters relating to health and safety. The organisation has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

CORPORATE GOVERNANCE

Board Structure and Membership

The Financial Conduct Authority (FCA) approved an application for a partial Rule change to reduce the size of the Board from 15 to 12 members during the year.

The Board members are drawn equally from the following groups:

- | | |
|----------------|---|
| Tenant members | - elected by the tenants of the organisation |
| Councillors | - who are nominated by NPTCBC |
| Independents | - who are recruited through an open selection process |

In addition to their individual expertise gained from their own personal and work based experience, all the Tenant and Councillor Board members bring essential knowledge and expertise about the needs of tenants and local communities in Neath Port Talbot. As these Board members are elected or appointed, no requirements are set that they have particular qualifications or experience. Independent Board members are recruited on merit to bring additional expertise that the Board considers it needs in the housing, property, finance and business fields.

On 31 March 2014 the Board had 10 members (as detailed on page 3).

Each Board member's learning and development needs are identified on an annual basis as part of their appraisal and a robust training programme is delivered to meet their needs. There are a number of mandatory courses including Data Protection and Equality and Diversity that all Board members must undertake. Other training courses held during 2013/14 include:

- influencing skills, inquisitorial challenge and brave conversations
- strategic planning
- Board's role as an employer
- Executive Team appraisal
- media training

In addition, Board members are invited to attend relevant conferences during the year, e.g. Community Housing Cymru's Annual Governance Conference, and bite-sized pre-Board information sessions on service areas of the organisation are provided. During 2013/14, insight was given into the following service areas:

- property and maintenance
- capital finance
- IT
- community regeneration
- corporate services

Board Responsibilities and Operation

The Board members have a legal obligation to comply with the Rules of the organisation and must promote the success of the organisation. The Board is ultimately responsible for setting the future direction and strategy for the organisation, for determining policies, managing risk and monitoring performance but must ensure that there is active community involvement in these activities. The Board is accountable to the general members when carrying out these responsibilities.

Board meetings are held 11 times a year to discuss and agree the organisation's strategy and policy framework. Day-to-day management and implementation of that framework is delegated to the chief executive and other senior executives who meet regularly and attend Board meetings.

Board Committees

1. The Audit & Risk Committee – which gives the Board assurance on governance, risk management, internal control and matters relating to finance and risk, including the appointment of internal and external auditors.
2. Schedule 1 Committee – which meets as and when required with responsibility for matters relating to approval of the use of exemptions under Schedule 1 of the Housing Act 1996 and approval or rejection of applications for membership of the organisation.

The Board and its Committees obtain external specialist advice from time to time as necessary.

GOING CONCERN

After making enquiries, the Board has a reasonable expectation that the organisation has adequate resources to continue operations for the foreseeable future. For this reason the going concern basis has been adopted in these financial statements.

INTERNAL CONTROL

The Board acknowledges that it is ultimately responsible for ensuring that a system of internal control and risk management is in place that is appropriate to the business and its operating environment and that the effectiveness of controls are regularly reviewed throughout the year.

The Board is committed to these responsibilities having appointed strong external auditors and experienced shared services internal auditors who work in partnership with other similar organisations to promote best practice and increased business intelligence.

Through the Audit and Risk Committee, the Board reviews the effectiveness of the systems of internal control by approving the work programme for internal audit, which reflect the main risks identified in the organisation's strategic risk register. Outcomes of both internal and external audit reviews are considered by the Committee with all recommendations appropriately acted upon.

In addition, the Board and Committees receive regular reports from the executive on all matters, including performance and governance. These reports are explicitly linked to the organisation's risks, governance and finances along with all other areas relating to Offer Document Promises.

As part of the holistic view of internal control the organisation has implemented a number of key processes to its system of internal control:

- Policies and procedures are in place that are well regulated and reviewed
- Operational plans feed in to the annual budget and two re-forecasts (after six and nine months) that are prepared, reviewed and approved by Board
- Monthly management reports are tailored to each strategic level that report revenue and costs; these are designed to identify any exceptions or lack of control
- IT systems have been implemented to create a more efficient and effective operating environment that comes with a greater degree of transparency and control
- Experienced and suitably qualified staff are employed, with performance monitored through regular one-to-one meetings and annual appraisals; each staff members' goals, objectives and deliverables are aligned to that of the organisation
- All items of capital expenditure and/or major commitment are subject to formal authorisation procedures requiring executive approval prior to seeking Board approval

The Audit & Risk Committee has reviewed the effectiveness of the system of internal control in the organisation for the year ended 31 March 2014. No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the Auditor's Report on the financial statements and the Board are not aware of any such weaknesses from 1 April 2014 to date.

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are Members and Senior Executives of the organisation at the date when this report was approved:

- So far as each are aware, there is no relevant audit information (as defined in relevant legislation) of which the organisation's auditors are unaware; and
- Each have taken all steps that they ought to have taken to make them aware of any relevant audit information (as defined) and to establish that the organisation's auditors are aware of that information.

BOARD REPORT

STATEMENT OF BOARD'S RESPONSIBILITIES

The Board is responsible for preparing the Report and Financial Statements in accordance with applicable law and regulations.

The Friendly and Industrial and Provident Societies Act 1968 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 organisation and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

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

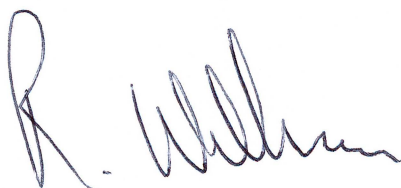
The Board is responsible for keeping proper accounting records that are sufficient to show and explain the organisation's transactions and disclose with reasonable accuracy at any time the financial position of the organisation and to enable it to ensure that the financial statements comply with the Friendly and Industrial and Provident Societies Act 1968, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales: General Determination 2009. It is also responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the organisation's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 24 July 2014.

Approved by the Board on 26 June 2014 and signed on its behalf by:



Chair of the Board

Independent auditors' report to the members of NPT Homes Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of NPT Homes Limited's ('the Organisation's') affairs as at 31 March 2014 and of the Organisation's surplus and cash flows for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Social Landlords Registered in Wales: General Determination 2009.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Organisation's financial statements (the 'financial statements'), which are prepared by the Organisation, comprise:

- the Organisation's balance sheet as at 31 March 2014;
- the Organisation's income and expenditure account and statement of total recognised surpluses and deficits for the year then ended;
- the Organisation's statement of historical cost surpluses and deficits for the year then ended;
- the Organisation's cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the Board has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 organisation's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the board; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matters on which we are required to report by exception

Adequacy of accounting records, system of internal control and information and explanations received

Under the Industrial and Provident Acts, 1965 to 2002 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the board

As explained more fully in the Statement of Board's Responsibilities set out on page 19, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the registered provider's members as a body in accordance with Schedule 1 of the Housing Act 1996 and Section 9 (1) of the Friendly and Industrial Provident Societies Act 1968 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
27 June 2014

INCOME AND EXPENDITURE ACCOUNT
Year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Turnover	2	39,164	38,323
Less: Operating costs	2	(23,955)	(22,163)
Operating surplus	5	15,209	16,160
Profit on sale of fixed assets	6	918	623
Interest receivable and other income	7	26	63
Interest payable and similar charges	8	(2,142)	(1,767)
Local Government Pension Scheme (LGPS) net financing gain	28	340	230
Surplus on ordinary activities before taxation		14,351	15,309
Tax on surplus on ordinary activities	11	-	-
Surplus for the year	20	14,351	15,309

There is no material difference between the surplus on ordinary activities before taxation and the surplus for the year stated above and their historical costs equivalents.

All items dealt with in arriving at the surplus for the year relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
Year ended 31 March 2014

		2014 £'000	2013 £'000
Surplus for the year		14,351	15,309
Total actuarial losses relating to the pension	20,28	(1,190)	(3,440)
Total recognised surpluses and deficits for the year		13,161	11,869

BALANCE SHEET
At 31 March 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Housing properties			
Depreciated cost	12	56,423	34,245
Social Housing and other grants	12	(18)	-
		56,405	34,245
Other fixed assets	13	6,097	6,694
		62,502	40,939
Current assets			
Stocks	14	80	71
Debtors	15	3,014	2,471
Cash at bank and in hand		4,330	7,187
		7,424	9,729
Creditors: amounts falling due within one year	16	(7,202)	(10,510)
Net current assets/(liabilities)		222	(781)
Total assets less current liabilities		62,724	40,158
Creditors: amounts falling due after more than one year	17	(19,800)	(11,775)
		42,924	28,383
Pensions liability	28	(11,140)	(9,760)
Net assets		31,784	18,623
Capital and reserves			
Non-equity share capital	19	-	-
Designated reserves	20	227	2,573
Revenue reserve	20	42,697	25,810
Pension reserve	20	(11,140)	(9,760)
		31,784	18,623

The financial statements on pages 22 to 43 were approved by the Board of Management on 26 June 2014.

Signed on behalf of the Board:

Board Member

Board Member

Secretary

CASH FLOW STATEMENT
For the year ended 31 March 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Net cash flow from operating activities	24		17,621		18,128
Returns on investment and servicing of finance					
Interest received		26		63	
Interest paid		(2,142)		(1,767)	
Other finance income		-		230	
			(2,116)		(1,474)
Capital expenditure					
Purchase & construction of housing & other properties		(23,252)		(23,821)	
Purchase of other fixed assets		(512)		(5,994)	
Social Housing Grant received		947		-	
Sales of housing properties		927		623	
Sales of other fixed assets		3		-	
			(21,887)		(29,192)
Net cash outflow before financing			(6,382)		(12,538)
Financing					
Housing loans received		13,025		15,025	
Housing loans repaid		(9,500)		(3,000)	
	25		3,525		12,025
Decrease in cash	25		(2,857)		(513)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

1. ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with applicable law and the United Kingdom Accounting & Financial Reporting Standards and comply with the Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers (Update 2010) and The Accounting Requirements for Social Landlords Registered General Determination (Wales) 2009. The Board is satisfied that the current accounting policies are appropriate. The primary Financial Statements and Notes to the Financial Statements reflect the activities of the organisation.

Accounting Convention

The financial statements are prepared on both an historical cost and a going concern basis. NPT Homes adopts the going concern basis in preparing the annual report and financial statements. The accounting policies within this note have been applied consistently.

Turnover

Turnover represents rental and service charge income net of empty properties. It also includes revenue grants reimbursing specific expenditure items and sundry other income receivable. Rental and service charge income is recognised in line with tenancy and lease agreements.

Grants Received

Grants received, including the Welsh Government dowry, are received and accounted for in accordance with the grant terms and conditions. Revenue grants are recognised in the year to which they relate.

Social Housing Grants

Where developments have been financed wholly or partly by Social Housing Grant, the cost of those developments has been reduced by the amount of the grant received. The amount of the grants received is shown separately on the balance sheet. Grant received in advance of works expenditure is shown as deferred grant in current liabilities, and is credited to tangible fixed assets as it is spent.

Social Housing Grant is repayable in certain circumstances, such as when properties are sold or disposed of. Grant on properties that have been sold, net of abatement, is transferred to creditors as Recycled Capital Grant due after more than one year.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the income and expenditure account. Upon disposal of the associated property, the organisation is required to recycle these proceeds, as such a contingent liability is disclosed to reflect this where required.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

Capital Expenditure

Capital expenditure is defined as expenditure where the benefits last more than 12 months and relates to the acquisition, creation or enhancement of a fixed asset such as land, housing properties, new buildings, vehicles, furniture and equipment. This is different to revenue spending, which covers day-to-day items to run services such as staffing and purchase of services. A de minimis cost threshold of £1,000 for capitalisation applies.

Any abortive costs incurred relating to developments that do not proceed are written off to the Income and Expenditure Account in the year identified as abortive.

Fixed Assets

Fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. The surplus or deficit made on the sale of fixed assets is recognised in the Income and Expenditure Account in the period of sale.

Housing Properties

Housing Properties are those available for rent.

Housing properties principally comprise:

1. The properties transferred from Neath Port Talbot County Borough Council (NPTCBC) on 4 March 2011 which were initially recorded at nil cost and subsequently include the value of the works required to bring them up to Welsh Housing Quality Standard.
2. Purchased properties cost is the cost of acquiring the property plus associated fees and works required to bring them into use.
3. New development is where new homes are commissioned and built. These properties are held at cost. The development cost of properties includes the following:
 - cost of land and buildings;
 - professional fees;
 - management costs directly related to the development scheme;
 - interest incurred during the development period is capitalised and added to the cost of completed housing properties based on the organisation's net investment and its average borrowing costs during the year; and
 - provision for the cost of work completed but not paid for at the year end.

The cost of housing properties includes directly attributable costs in bringing them into working condition for their intended use or developing new properties. Directly attributable costs are the labour costs of the organisation's employees arising directly from the construction or acquisition of property and incremental costs that would have been avoided only if individual properties had not been constructed or acquired.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

Expenditure on existing housing properties is capitalised to the extent that it improves the economic benefit of the asset. Such enhancement can occur if the improvements result in either:

- an increase in rental income;
- a material reduction in future maintenance costs; or
- a significant extension to the life of the property.

Only main elemental improvements that meet these criteria are capitalised and these are depreciated over their estimated elemental life span, on a straight line basis.

Depreciation periods are shown below. All other costs are written off to the Income & Expenditure Account as incurred.

Surpluses or deficits on sale of properties are recognised at the date a sale becomes certain. The surplus or deficit is the difference between the sale price and the aggregate of the depreciated cost and any allocated cost of disposal such as legal and valuation fees.

Depreciation

Freehold Land

Freehold land is not depreciated.

Housing Properties and office premises

Depreciation of buildings is charged by component so as to write down the net book value to their residual value on a straight line basis over their useful economic lives to the business.

The depreciable amount is calculated on the basis of original cost less the proportion of Social Housing Grant and/or other grants receivable, less any residual value.

The expected economic lives of the principal components are as follows:

Traditional housing structures	80 years
Office structures	50 years
Roofs	50 years
Non-traditional housing structures	40 years
Whole house rewires	30 years
Windows	25 years
Bathrooms	20 years
Door entry systems	20 years
Central heating boilers	15 years
Kitchens	15 years

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

Other Fixed Assets

Depreciation is calculated to write off the cost of the fixed asset less any residual value, on a straight line basis over its estimated useful life. The rates used for other assets are:

Motor vehicles	5 years
Office furniture and other equipment	5-10 years
IT	2-5 years

Impairments

Housing properties are subject to an annual impairment review in accordance with Financial Reporting Standard 11: Impairment of Fixed Assets and Goodwill, and the 2010 SORP. Any impairment of fixed assets is written down to the recoverable amount and the write down is charged to the Income and Expenditure Account.

Investments

All investments are held at cost less any provision for impairment.

Stocks

Stocks are stated at the lower of cost or net realisable value.

Bad and Doubtful Debts

Provision is made against rent arrears for both current and former tenants and against sundry debts to the extent that they are considered by management as irrecoverable.

Operating Leases

Costs in respect of operating leases are charged to the income and expenditure in the period to which they relate. Operating lease premiums are accounted for within debtors as lease prepayments and are amortised over the life of the lease period.

Pension Costs

The organisation is a member of the Local Government Pension Scheme (LGPS), a defined benefit scheme operated by The City and County of Swansea. Contributions are assessed in accordance with the advice of an independent actuary. Information concerning assets, liabilities, income and expenditure relating to the LGPS Scheme are disclosed in accordance with Financial Reporting Standard 17 – Retirement Benefits (FRS17). Assets of the scheme are held separately to those of the organisation and are accounted for in line with the provisions of FRS17.

Reporting the Substances of Transactions in Relation to the Improvement of the Properties

Immediately prior to the transfer of housing properties to NPT Homes Ltd (the organisation) from NPTCBC (the council) under the Stock Transfer Agreement on 4 March 2011, the council and the organisation entered into a contract (Development Agreement) for the organisation to perform the refurbishment works required to bring the properties into an agreed state. The contract was for a fixed sum equal to the expected cost of the works (£364m) to be incurred over a period of up to 15 years. At transfer the organisation contracted with the council to acquire the benefit of the agreed refurbishment works (£364m) plus the housing properties at a price equal to the agreed value of the property in its unenhanced condition (£Nil). The nature of the works under the initial agreement was specified and a right of set off exists between the contracts. These contracts have enabled the organisation to recover VAT on repair/improvement costs that would otherwise have been expensed over the 15 year period of the Development Agreement (described as a VAT Shelter).

At the time of the transfer the organisation paid over no cash to the council for the acquisition of the properties in their unenhanced condition, being the value of the council's obligation to carry out the refurbishment works (£364m) less the amount due to be incurred by the organisation under the Development Agreement in relation to the anticipated cost of the repairs/improvements (£364m).

The impact of these two transactions is that whilst the council has a legal obligation to the organisation to complete the refurbishment works, this work has been contracted back to the organisation which is also legally obligated. The underlying substance of the transaction is therefore that the organisation has acquired the properties in their existing condition at their agreed value, and will complete the repairs/improvements as set out in the Development Agreement. In the opinion of the board, the commercial effect of these transactions when viewed as a whole does not, in practice, create separate assets and liabilities for reporting purposes. Therefore, in accordance with FRS 5 the resulting debit and credit balances, relating to the legal obligation of the council to complete the refurbishment works for the organisation and the equal and opposite legal obligation of the organisation to perform the refurbishment works for the council, have been offset and are not recorded in the balance sheet.

Taxation

NPT Homes is treated as a charitable organisation for taxation purposes. This was confirmed by HM Revenue & Customs (HMRC) on 1 February 2011, (effective date 15 September 2010, ref no XT26558). Consequently, the surpluses derived from primary charitable activities are exempt from taxation. This treatment is reviewed annually in line with the activities undertaken by the organisation to ensure the exemption still applies.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

Value Added Tax (VAT)

The organisation is registered for VAT. A large proportion of its income, rents and service charges, is exempt for VAT purposes thus giving rise to a partial exemption calculation whereby the organisation is only able to recover a proportion of its input VAT. An approved VAT Shelter is in place for housing stock transferred from NPTCBC such that VAT on works carried out under the VAT Shelter is fully recoverable.

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS			2014	2013
	Turnover	Operating costs	Operating surplus	Operating surplus
	£'000	£'000	£'000	£'000
General needs and sheltered housing	38,793	(23,955)	14,838	15,430
Total from lettings	38,793	(23,955)	14,838	15,430
Other income	371	-	371	730
	39,164	(23,955)	15,209	16,160

3. TURNOVER FROM LETTINGS		2014	2013
		£'000	£'000
General needs and sheltered housing			
Rents receivable		33,210	31,488
Service charges receivable		915	769
Less: losses arising from vacant accommodation		(1,967)	(1,286)
		32,158	30,971
Grants from local authorities and other agencies			
Welsh Government Dowry		6,200	6,200
Other		435	422
		38,793	37,593

4. OPERATING COSTS FROM LETTINGS		2014	2013
		£'000	£'000
Management costs		5,139	5,117
Service costs		5,280	5,014
Maintenance costs		10,306	9,966
Depreciation		3,178	1,649
Rent losses from bad debts		52	417
		23,955	22,163

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

5. OPERATING SURPLUS

	2014 £'000	2013 £'000
Operating surplus for the year is stated after charging:		
Depreciation	3,178	1,649
Operating leases		
- Property	63	-
- Vehicles	208	199
- Other	37	-
Auditors' remuneration (inclusive of VAT)		
- Statutory audit fees	25	24
- Other professional fees	4	12

6. PROFIT ON SALE OF FIXED ASSETS

	2014 £'000	2013 £'000
Sale proceeds	941	629
Cost of sales	(23)	(6)
Profit	918	623

7. INTEREST RECEIVABLE AND OTHER INCOME

	2014 £'000	2013 £'000
Bank and short term deposit interest receivable	26	63

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £'000	2013 £'000
Bank interest payable and similar charges	937	497
Non-utilisation fees	1,205	1,270
	2,142	1,767

Bank interest payable and similar charges includes security and other fees paid. Non-utilisation fees relate to charges incurred on the loan balance not yet drawn.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

9. BOARD MEMBERS' AND SENIOR EXECUTIVES' EMOLUMENTS	2014 £'000	2013 £'000
The remuneration paid to the senior executives of the organisation was:		
Emoluments (including pension contributions)	393	342
Emoluments (excluding pension) paid to the highest paid senior executive	104	102

No remuneration was paid to the members of the Board of Management during the year (2013: nil). The total of expenses paid to the Board during the year was £1,505 (2013: £861).

The highest paid director (Chief Executive) is an ordinary member of the LGPS pension scheme and no enhanced or special terms apply. NPT Homes' contribution in respect of the Chief Executive's pension fund amounted to £15,710 (2013: £15,402).

Compensation for loss of office paid to directors in the year totalled £35,210 (2013: £nil).

10. EMPLOYEE NUMBERS AND COSTS

The average monthly number of staff - full time equivalent, comprising of the following service areas was:

	2014 Number	2013 Number
Central support services	61	59
Operational delivery		
Landlord services	60	94
Specialist services	89	35
Property maintenance	165	198
Investment & regeneration	82	52
	396	379
Total	457	438

The allocation of employees between the operational delivery teams was amended during the year to more fairly reflect the nature of their work.

The aggregate employment costs of these persons were as follows:

	2014 £'000	2013 £'000
Wages and salaries	11,314	10,490
Social security costs	786	738
Other pension costs - employer's contributions payable	1,420	1,307
Other pension costs - difference between current and past service cost and contributions payable (FRS 17)	530	300
	14,050	12,835

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

11. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The organisation is registered with charitable status and is registered as an Industrial and Provident Society. It benefits from corporation tax exemptions available to charitable bodies. On the basis that its activities fall within its charitable purposes and its funds are applied only for these purposes, no provision for corporation tax is made.

12a. FIXED ASSETS - HOUSING PROPERTIES

	Freehold Land £'000	Freehold Housing Properties held for letting £'000	Freehold Housing Properties under construction £'000	Total £'000
Cost				
At beginning of year	-	34,709	853	35,562
Additions during the year	48	24,515	20	24,583
Transfer of completed construction	-	853	(853)	-
Disposals during the year	-	(13)	-	(13)
At 31 March 2014	48	60,064	20	60,132
Depreciation				
At beginning of year	-	(1,317)	-	(1,317)
Charged during the year	-	(2,393)	-	(2,393)
Eliminated on disposals	-	1	-	1
At 31 March 2014	-	(3,709)	-	(3,709)
Net book value				
At 31 March 2014	48	56,355	20	56,423
At 31 March 2013	-	33,392	853	34,245
12b FIXED ASSETS - SOCIAL HOUSING AND OTHER GRANTS				
At beginning of year	-	-	-	-
SHG receivable	-	-	18	18
Schemes completed in the year	-	-	-	-
Disposals	-	-	-	-
Received in year	-	-	-	-
At 31 March 2014	-	-	18	18

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

12c FIXED ASSETS - NET BOOK VALUE

The total net book value of rented housing properties comprises:

	2014 £'000	2013 £'000
Freehold land	48	-
Freehold property (completed)	56,355	33,392
Freehold property (under construction)	2	853
	56,405	34,245

Houses and bedspaces in management at the end of the year

	2014 Number	2013 Number
Housing accommodation		
General needs	8,674	8,708
Sheltered accommodation	507	480
	9,181	9,188
Leasehold management services	604	610
	9,785	9,798

13. OTHER FIXED ASSETS

	Office premises £'000	Motor vehicles £'000	Office furniture and equipment £'000	IT £'000	Total £'000
Cost					
At beginning of year	5,210	484	54	1,787	7,535
Additions during the year	125	-	25	362	512
Reclassification of leased land	(324)	-	-	-	(324)
Disposals during the year	-	(9)	-	-	(9)
At 31 March 2014	5,011	475	79	2,149	7,714
Accumulated Depreciation					
At beginning of year	-	(369)	(4)	(468)	(841)
Charged during the year	(199)	(108)	(7)	(471)	(785)
Eliminated on disposals	-	9	-	-	9
At 31 March 2014	(199)	(468)	(11)	(939)	(1,617)
Net book value					
At 31 March 2014	4,812	7	68	1,210	6,097
At 31 March 2013	5,210	115	50	1,319	6,694

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

14. STOCKS	2014	2013
	£'000	£'000
Stock of materials	80	100
Provision for slow moving & obsolete items	-	(29)
	80	71

15. DEBTORS	2014	2013
	£'000	£'000
Arrears of rent and service charges	2,576	2,428
Less: Provision for bad and doubtful debts	(1,225)	(1,438)
	1,351	990
Other debtors and prepayments	1,933	1,694
Less: Provision for bad and doubtful debts	(270)	(213)
	3,014	2,471

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£'000	£'000
		(restated)
Housing loans	1,000	5,500
Trade creditors	4,646	4,661
Taxation and social security	233	230
Rent and service charges received in advance	394	119
Social Housing Grant received in advance	929	-
	7,202	10,510

The balance outstanding under the revolving loan facility at 31 March 2013 has been restated from creditors due after more than one year to due within one year. Drawdowns under the revolving credit facility are typically repaid within one year and, although they can be redrawn up until the expiry of the overall facility (31 March 2041), the organisation considers that drawdowns made for periods of less than one year are most appropriately disclosed as short-term liabilities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014 £'000	2013 £'000 (restated)
Housing loans	19,800	11,775
	19,800	11,775

As explained in note 16, the balance outstanding under the revolving loan facility at 31 March 2013 has been restated from creditors due after more than one year to due within one year.

18. DEBT ANALYSIS

	2014 £'000	2013 £'000
Housing loans - due within one year		
Bank loans - revolver	1,000	5,500
Housing loans - due after more than one year		
Bank loans - long term facility (repayable after five years)	19,800	11,775
	20,800	17,275

A loan facility of £135m has been arranged with The Royal Bank of Scotland, Santander and Nationwide to enable NPT Homes to undertake a major improvement programme to the housing stock. The total facility is split between £21m revolving and £114m term facilities, both expiring 31 March 2041.

The maturity and interest rates applicable to the loans outstanding at year end are as follows:

LOAN FACILITIES:

Facility	Loan	Balance	Fixed Rate	Margin	MCR	Total	Maturity
A - Revolver	1	£1.0m	LIBOR	2.0%	0.005%	2.52%	29 April 2014
A - Revolver	Total	£1.0m					
B – Term Loan	1	£5.3m	3.58%	2.0%	0.005%	5.59%	31 March 2041
B – Term Loan	2	£6.5m	4.36%	2.0%	0.005%	6.37%	31 March 2041
B – Term Loan	3	£8.0m	4.97%	2.0%	0.005%	6.97%	31 March 2041
B – Term Loan	Total	£19.8m					

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

Interest rate on the revolver loan is variable calculated at LIBOR (based on the term of the loan) plus margin (currently 2.0%).

The term loans are at fixed interest rates plus a margin (2% to 31 March 2016 and 2.5% thereafter) plus MCR (Mandatory Cost Rates - to cover cost of bank regulation). The term loans can be repaid early without penalty.

At 31 March 2014 the organisation had un-utilised facilities of £114.2m (2013: £117.7m).

Housing loans are secured by fixed charges on all housing stock.

19. NON-EQUITY SHARE CAPITAL

	2014 £	2013 £
Shares held by members - £1 each fully paid and issued:		
At beginning of the year	215	115
Issued during the year	63	100
Cancelled during the year	(24)	-
At end of the year	254	215

The shares provide all members (apart from associates) with the right to vote at general meetings, but do not provide any rights to dividends, redemption or distribution following a winding up. Details of the membership and their voting rights are set out below:

Category	Members	Voting Shares	Weighting
Tenant	214	214	34%
Leaseholder	16	16	5%
Independent	3	3	27%
Council	1	1	34%
Associate	20	0	0%
Total	254	234	100%

The associate members cannot vote in general meetings but are eligible to take part in other membership committees and forums.

The Rules of the organisation state that most decisions at general meetings can be settled by a simple majority of voting shares. Certain matters, such as Rule changes, are decided in accordance with the weightings of votes as shown above, with a simple majority of each category determining the casting of their weighted votes.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

20. RESERVES	Designated reserves			Total designated reserves £'000	Pension reserve £'000	Revenue reserve £'000	2014 £'000	2013 £'000
	Ty Maes Marchog £'000	Major repairs £'000	ICT project £'000					
At beginning of the year	2,272	59	242	2,573	(9,760)	25,810	18,623	6,684
Surplus for the year	-	-	-	-	-	14,351	14,351	15,309
Actuarial deficit for the year	-	-	-	-	(1,190)	-	(1,190)	(3,370)
Transfers from pension reserves	-	-	-	-	(190)	190	-	-
Transfers to revenue reserves	(2,272)	(2)	(72)	(2,346)	-	2,346	-	-
At end of the year	-	57	170	227	(11,140)	42,697	31,784	18,623

21. RELATED PARTY TRANSACTIONS

All transactions with related parties are made at arm's length, on normal commercial terms and the related parties cannot use their position to their advantage.

During the year the organisation provided rented accommodation to 5 (2013: 6) Board members who were tenants of the organisation.

The Chair, who is a Tenant Board Member, was party to a pilot study during the year to enable tenants to contribute towards additional capital works at their property over and above the usual WHQS improvements. As at 31 March 2014 a debtor balance of £517.59 in the organisation's favour remained outstanding in respect of this.

NPTCBC is a party to the Transfer Agreement that established the organisation and holds the right to nominate 4 (2013: 4) members to the Board. A total of 5 (2013: 8) Councillors served as board members during the year, but no more than 5 at any one time until November 2013 when the rules were changed reducing the size of the Board from 15 to 12. From the time of rule change no more than 4 councillors served as Board members at any one time.

During the year the organisation made payments of £1.2m (2013: £1.2m) to NPTCBC, being in relation to a satellite office's rent, rates and service level agreements. As at the year end, the organisation owed NPTCBC a total of £0.6m (2013: £0.2m) and was owed a total of £13,000 (2013: £18,000) by NPTCBC.

The Finance & Risk Director of the University of South Wales was an Independent Board Member of the organisation and Chair of the Audit & Risk Committee until his resignation on 23 January 2014. During the year the organisation engaged with The University of South Wales in relation to training/qualification in procurement and project management for members of staff from the Finance and ICT departments respectively, at a total cost payable by the organisation of £3,062 (2013: £2,475).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

22. OPERATING LEASES

At the year end NPT Homes had annual commitments under non-cancellable operating leases as follows:

	2014		2013
	Land and buildings £'000	Other £'000	Other £'000
Leases expiring:			
within 1 year	-	18	-
between two and five years	63	226	199
in over 5 years	1	-	-
	64	244	199

23. CAPITAL COMMITMENTS

	2014 £'000	2013 £'000
Expenditure contracted but not provided for	2,667	386
Expenditure authorised by the Board but not contracted	37,052	35,714
	39,719	36,100

These capital commitments are to meet Welsh Housing Quality Standards and will be funded by existing loan facilities as detailed in Note 18.

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

	2014 £'000	2013 £'000
Operating surplus	15,209	16,160
Depreciation of tangible fixed assets	3,178	1,649
FRS17 effect included in operating costs	530	70
	18,917	17,879
Working capital movements		
(Increase) in debtors	(543)	(176)
(Decrease)/increase in creditors	(744)	221
(Increase)/decrease in stocks	(9)	204
Net cash flow from operating activities	17,621	18,128

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

25. RECONCILIATION OF NET CASH INFLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	2014 £'000	2013 £'000
Decrease in cash	(2,857)	(513)
Increase in loans	(3,525)	(12,025)
Movement in net (debt)/funds	(6,382)	(12,538)
Net (debt)/funds at start of year	(10,088)	2,450
Net debt at end of year	(16,470)	(10,088)

26. ANALYSIS OF NET DEBT

	Cash at bank & in hand £'000	Loans due in less than one year £'000	Loans due in more than one year £'000	Changes in net debt £'000
At 1 April 2013	7,187	(5,500)	(11,775)	(10,088)
Net cash flows	(2,857)	4,500	(8,025)	(6,382)
At 31 March 2014	4,330	(1,000)	(19,800)	(16,470)

27. VAT SHELTER/ DEVELOPMENT AGREEMENT

The organisation entered into a VAT shelter co-incident with the date of transfer of the housing stock from NPTCBC, to carry out an agreed schedule of refurbishment works to the properties. The value of these works was £346 million of which £50 million (2013: £28m) has been delivered.

The cost to NPTCBC of contracting for these works to be undertaken was offset against an equal increase in the purchase price of the stock paid by the organisation. This transaction is not reflected in the financial statements in accordance with FRS5: Reporting the substance of transactions over the legal form.

The works contracted will be carried out over an envisaged 15 year period and will be recognised as they are undertaken, in accordance with the accounting policy for capitalisation. In the event the organisation does not complete the work specified, the Development Agreement may be terminated at no financial loss to the organisation.

28. PENSION

The organisation's employees are eligible to join the Local Government Pension Scheme (LGPS) operated by the City and County of Swansea. The organisation was admitted to the scheme on 4 March 2011.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. Employer contributions in the year totalled £1.42m (2013: £1.3m).

Contributions for the year to 31 March 2015 are estimated to be £1.58m.

In accordance with the requirements of FRS 17, the pension fund has been valued by a qualified independent actuary in order to ascertain the value of the scheme for FRS 17 purposes.

The latest actuarial financial valuation was performed as at 31 March 2014.

Principal assumptions used within this valuation were:

	2014	2013
	% pa	% pa
RPI Inflation	3.4	3.6
CPI Inflation	2.4	2.7
Rate of increase in salaries	3.9	3.6
Rate of increase in pensions	2.4	2.7
Discount rate	4.3	4.4

	Asset split as at 31 March 2014		Asset split as at 31 March 2013	
	2014 % pa	% pa	2013 % pa	% pa
Expected rates of return on:				
Equities	7.6	72.4	7.8	72.4
Government bonds	3.4	13.8	2.8	14.3
Other bonds	4.0	0.9	3.8	0.8
Property	6.9	5.0	7.3	4.8
Cash/liquidity	0.9	3.3	0.9	3.0
Other	7.6	4.6	7.8	4.7
Total	6.7	100.0	6.8	100.0

Other holdings include hedge funds, currency holdings, asset allocation futures and other financial instruments. We have assumed these will get a return in line with equities.

The organisation employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31 March 2014.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

Mortality assumptions

The assumed life expectation on retirement at age 65 are

Males

Retiring today

Retiring in 20 years

Females

Retiring today

Retiring in 20 years

2014 Years	2013 Years
22.5	21.6
24.7	22.9
25.0	23.8
27.3	25.3

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements.

History of present value of liabilities, assets and deficits

	2014 £'000	2013 £'000	2012 £'000
Present value of scheme liabilities	(47,810)	(42,900)	(33,670)
Fair value of scheme assets	36,670	33,140	27,350
Deficit in the scheme	(11,140)	(9,760)	(6,320)

History of experience gains and losses

	2014	2013	2012
Experience adjustments on scheme liabilities (£'000)	(650)	-	-
Percentage of scheme liabilities (%)	(1.4)	0.0	0.0
Experience adjustments on scheme assets (£'000)	(560)	2,050	(2,030)
Percentage of scheme assets (%)	(1.5)	6.2	(7.4)

Components of pension costs for year:

	2014 £'000	2013 £'000
Current service cost	1,950	1,600
Interest on pension liabilities	1,940	1,700
Expected return on assets	(2,280)	(1,930)
Total pension cost recognised in income and expenditure account	1,610	1,370

Statement of recognised surpluses and deficits

Actuarial losses	(1,190)	(3,370)
Total pension cost recognised in statement of recognised surpluses and deficits	(1,190)	(3,370)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

Changes to present value of liabilities during the year:	2014	2013
	£'000	£'000
Opening present value of liabilities	42,900	33,670
Current service cost	1,950	1,600
Interest cost	1,940	1,700
Contributions by the participants	610	550
Actuarial losses on liabilities	630	5,420
Benefits and transfers paid	(220)	(40)
Total value of liabilities	47,810	42,900

Changes to the fair value of assets during the year:	2014	2013
	£'000	£'000
Opening fair value of assets	33,140	27,350
Expected return on assets	2,280	1,930
Actuarial (losses)/gains on assets	(560)	2,050
Contributions by the employer	1,420	1,300
Contributions by the participants	610	550
Benefits and transfers paid	(220)	(40)
Total fair value of plan assets	36,670	33,140

Expected return on assets	2,280	1,930
Actuarial (losses)/gains on assets	(560)	2,050
Actual return on assets	1,720	3,980

Analysis of the Income & Expenditure charge

Current service cost	1,950	1,600
Interest cost	1,940	1,700
Expected return on assets	(2,280)	(1,930)
Expense recognised	1,610	1,370