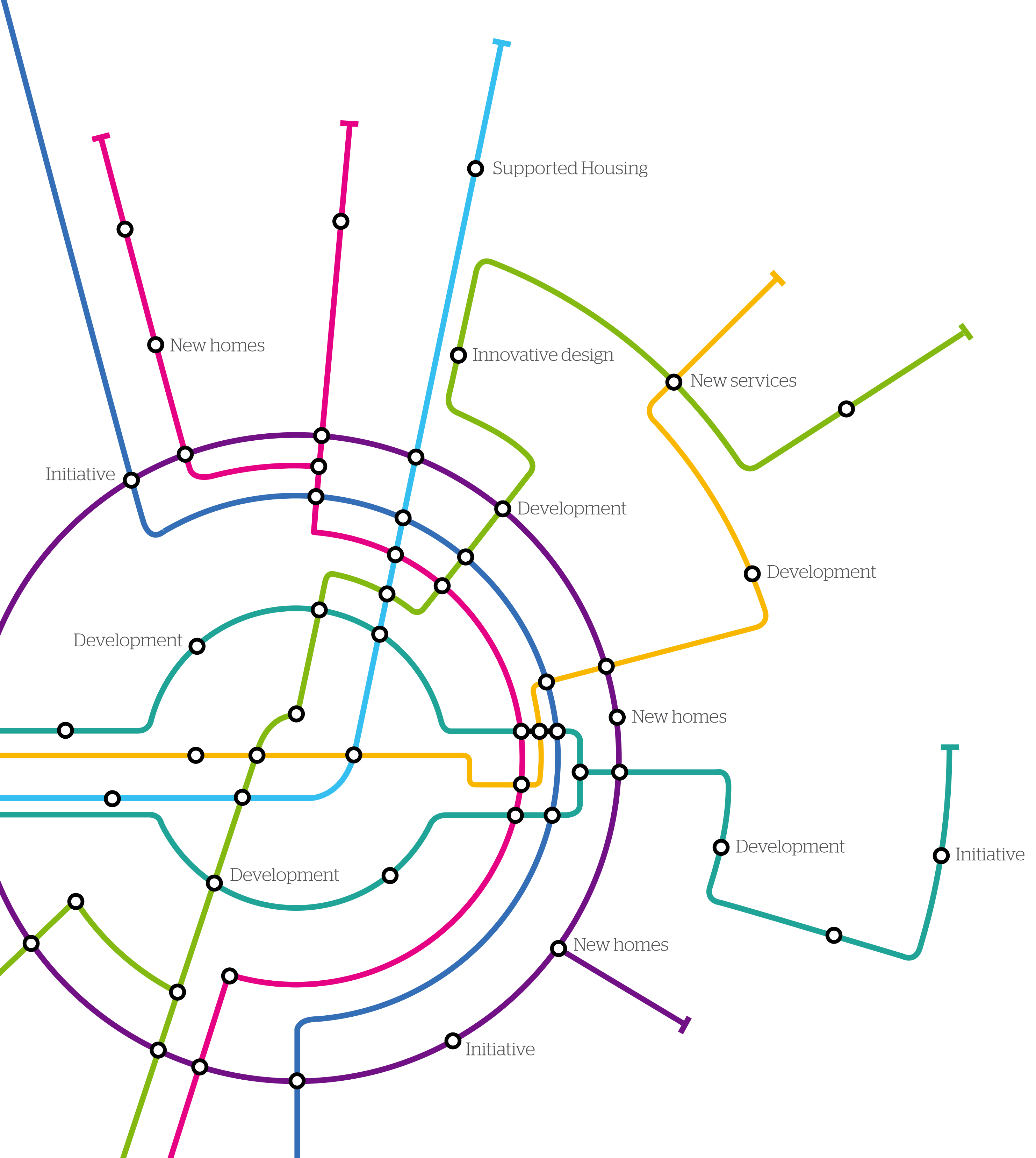
newlon
HOUSING TRUST

New connections for **Lon**don

REPORT AND FINANCIAL STATEMENTS 2015/16



Rivers Apartments duplex

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Executives and advisors for the year ended 31 March 2016

The Board

S Ebanja	Chair
S Hitchins	Vice Chair
S Akeju	
M Hinch	
M Hughes	
C Ross	
M Grogan	
J Ballard	
N Bastin	
F Angole	

Executive management

M Hinch	Group Chief Executive
R Akushie	Deputy Chief Executive/ Group Finance Director
B Duff	Corporate Services Director (Secretary)
W Henderson	Housing Services Director
C Pennock	Business Development Director
P Little	Supported Housing and Care Director
M Newstead	Property Services Director

Company Secretary and registered office

B Duff
Newlon House
4 Daneland Walk
Hale Village
London N17 9FE

Audit & Risk Committee

F Angole	Chair
M Grogan	
N Bastin	
A St Hill	

Bankers

Barclays Bank PLC
Level 28
1 Churchill Place
London E14 5HP

External Auditors

BDO LLP
2nd Floor
2 City Place
Beehive Ring Road
Gatwick
West Sussex RH6 0PA

Principal Solicitors

Devonshires Solicitors
30 Finsbury Circus
London EC2M 7DT

Internal Auditors

Mazars LLP
Tower Bridge House
St Katherine's Way
London E1W 1DD

Chair's statement for the year ended 31 March 2016

I am pleased to report that Newlon Housing Trust has enjoyed a successful year in 2015/16, despite the complex environment facing social housing providers.

We have continued to grow, meeting our core mission of helping people in housing need. We have completed large scale regeneration projects at Cannon Road in Tottenham as well at the site of the former Highmead Estate in Enfield, creating architecturally impressive and sustainable new communities for the benefit of local people. Working with the local authority and construction partners we have successfully delivered a wide range of other schemes across north and east London, including much needed new supported housing projects.

As we continue to grow we are increasingly expanding our areas of work and moving into new and neighbouring boroughs. We are also innovating by supporting people in being able to find high quality affordable homes through developing new home ownership products and our bold approach to design.

At the start of the financial year we launched our new service model, which focused on creating new specialist roles to provide services to our residents and streamlining ways of contacting us. We have made a significant investment in new customer relationship management software to ensure we can effectively action, allocate and track service requests. Following a competitive tender process in partnership with our residents, Wates Living Space started work in August as our new lead repairs and maintenance contractor. This appointment in combination with our new service model is now starting to deliver real improvements in customer service.

The government is introducing many changes that impact on us and our residents. We are well prepared for the introduction of the Voluntary Right to Buy scheme and are recording expressions of interest for when the details of the scheme are finalised.

The cuts to rents for the next four years present us with a challenge, but one we are in a good position to deal with. We have a creative and focused staff group, sound governance, a strong value for money culture and good overall viability. We are therefore confident that we will be able to continue to grow and deliver improved services over the coming years.

I am pleased that the success of our work has been acknowledged through a number of awards in the past year, including winning the prestigious award for Outstanding Contribution to Home Ownership at the UK Housing Awards. This recognises our innovative approach to helping people take a first step towards home ownership in the hothouse of the London housing environment, something we are truly proud of.

S Ebanja
Chair

8th September 2016

Principal activities and review of business

The Group consists of two Registered Providers, three registered charities and two limited companies, headed by Newlon Housing Trust ('the Trust'), a charitable organisation founded in 1968.

The Trust is a Registered Provider of Social Housing based in the north and east of London and was founded with the purpose of providing high quality affordable housing for the people of Hackney. After over 48 years in the business, we now own and manage nearly 8,000 homes. At the year end, there were 94 properties in development.

The Group is diverse and operates in the following key business areas:

- General Needs housing for rent, primarily for families who are unable to rent or buy at open market rates.
- Supported Housing and care especially to people with learning disabilities or mental health problems.
- Developing and delivering new high quality affordable homes to meet the urgent housing need that still exists in London.
- Low cost home ownership, primarily Shared Ownership, whereby residents purchase a share in the equity of their homes and pay rent to the housing association on the remainder.
- Housing products aimed at the intermediate market including Intermediate Rent and Key Worker rent.
- Community projects promoting social inclusion and a range of employment and training initiatives.

Qualifying third party indemnity provisions

The company has no qualifying third party indemnity provisions in place for the directors of Newlon Housing Trust.

Value for Money

In 2012, the Board set out a Ten Year Vision for the Trust. Our ambition was to deliver a healthy development programme and improve services to our residents whilst maintaining our financial strength and reputation as an efficient provider.

We had some scope to make targeted investment in services without diminishing our borrowing and development capacity, and we felt that we needed to make some fundamental changes to the business to make it fit for the future.

So for the past three years we have been working to modernise our approach to customer service. We have invested in getting the right systems and structures in place to deliver streamlined, reliable services that are capable of absorbing future growth. The Board were delighted to see this investment beginning to pay off in 2015. Resident satisfaction has been rising and, although we know there is more work to do, we are confident that this will continue.

Improvements in service delivery have been supported by a more focused approach to procurement. Over the past three years we have reviewed the way we buy the majority of our goods and services, and we now believe we have partners who share our vision for the service and can help us deliver better resident satisfaction.

Alongside the savings we have made on goods and services, we have also reduced the supplier base, simplified processes and found efficiencies in support services. This has contributed to increasing profitability and greater organisational efficiency – this year our operating margin is up from 28% to 31% whilst our operating cost per unit has been reduced by 7%.

In the face of new challenges this year, we are reviewing our Value for Money Strategy and we will continue to set challenging targets and take the necessary decisions to ensure that Newlon is lean and ready to face new challenges.

This assessment will tell you about our approach to Value for Money and how we balance our priorities to provide value for a range of stakeholders, from current and future residents to our local authority partners and the wider community. It will also set out some of our achievements over the past few years, identify some areas where we have been less successful and set out or goals for the year ahead.

What Value for Money means at Newlon

Our definition of Value for Money

Newlon is a social business. We are here to build new homes, to maintain homes to a high standard and to deliver reliable housing services to our residents. To achieve this we will maintain the strong operating surpluses that enable us to secure funding for new homes whilst raising resident satisfaction with careful, well informed investment in our properties and services.

Our Value for Money objectives

Following the Chancellor's July 2015 Budget, the Board reviewed the Trust's Business Plan and decided the organisation would benefit from refocusing on our core objectives. In terms of the business objectives identified in that vision, our long term Value for Money aims are:

- **New homes** – We will maximise the potential of our resources to deliver new homes.
- **Quality services** – We will provide good quality services and aim to generate higher than average levels of customer satisfaction without exceeding the sector median for housing management costs.[1]

[1]Compared to other London providers.

This assessment focuses on these core objectives, summarising Newlon's strategic approach, evaluating our performance and outlining our plans to deliver greater value for money in future.

Our Value for Money journey

We first published our Value for Money Strategy in 2013. The table below sets out what we said at that time and summarises our progress.

What we said in 2013	How we are doing now?	What next?
Focusing on the effective delivery of our core business objectives.	We have continued to deliver new homes. In 2012 we set a target of 2,000 new homes in 10 years and we are well on course to achieve this. We have maintained low borrowing costs. For services see below.	Ensure that we keep delivering good numbers of new homes despite competition for land and unfavourable changes to planning legislation.
Prioritising investment in services that matter most to residents.	There are positive signs that investment in customer services are translating into greater resident satisfaction. We expect resident satisfaction with repairs to increase this year as more residents receive services from our new contractor.	Ensure that the repairs contractor delivers the service improvements promised by the new contract.
Ensuring we see a meaningful return on investment in socio-economic programmes.	Investment in an employment programme for residents did not meet targets.	We took the difficult decision to scale back our community regeneration activities and deliver them through a smaller, more focused team within our Housing Services department.
Improving administrative processes to deliver non-cashable savings.	There have been considerable improvements delivered by restructuring our services, improved back office processes and innovative systems.	We will continue to invest in IT, including the development of a high quality digital offer for residents, which we anticipate will allow us to reduce management costs further.
Continuing to improve procurement and contract management practices to extract greater value for money from our commercial relationships.	Annual analysis of our spend and a systematic procurement programme have delivered good savings and quality improvements.	Continue to deliver our procurement plan and secure savings or quality improvements in key areas such as lift maintenance and gas servicing.

How we deliver Value for Money

Ownership of Newlon's Value for Money Strategy lies with the Board and it is vital that we have the right structure in place to ensure that the organisation is making the right decisions about strategic investment and getting a good return. Specialist committees oversee development and services, supported by residents' groups that help to shape services and drive improvement. The Board reviews performance against our Ten Year Vision each year, ensuring that we are on track with the delivery of our main objectives and that each team is meeting their promises on performance and delivering value for money. The table below explains some of the fundamental principles we apply to ensure good value for money.

Clear business objectives	The Board has set out a very clear vision for Newlon and reviews our progress towards this annually. Objectives are well communicated and widely understood by staff.
Detailed business planning	Each year we undertake a detailed planning exercise across the business. Consideration of Value for Money is embedded into this process with each team setting a five year vision and identifying specific Value for Money targets annually.
Strong financial control	We control costs by operating a rigorous central budget setting process, which is scrutinised by the Board. The aim of the process is to generate a margin great enough to comfortably meet our lender requirements whilst allocating the resources necessary to take the business forward. This year we consulted with all our managers and staff to identify areas for potential savings and some of these were realised through the budget setting process.
Professional procurement	We set up a specialist procurement function that has been maturing over the past couple of years. We do a spend analysis annually and use this to prioritise our procurement plan. As well as delivering savings, procurement is used as a tool to raise standards, improve processes and deliver internal efficiencies. All staff responsible for the procurement of goods and services are trained to ensure that they are clear on internal rules and in step with best practice. Regular training is delivered to consolidate knowledge and update staff on changes in EU procurement legislation.
Performance management	Our Residents' Services Committee meets four times a year to review performance, monitoring agreed key indicators including Value for Money measures around rent collection, voids and satisfaction. Reports are also presented to residents at our regular Resident Forum meetings. The Board reviews performance against our Ten Year Vision each year, ensuring that we are on track with the delivery of our main objectives and that each team is delivering their promises on performance and value for money.
Accountability and transparency	Our aim is to be as transparent as possible when it comes to our residents and we have recruited a Residents' Scrutiny Panel that schedules its own reviews and is given the freedom to request any management information or data. A summary of benchmarking data against our chosen Value for Money indicators is included in Part 8 of this assessment.
Investment in systems	We have made a considerable investment in IT over the past few years. This has seen us moving away from traditional, inflexible housing management systems and adopting more configurable products that can be designed to meet the specific needs of our business. The Board has been impressed with the improvements delivered so far and believe that further investment is justified particularly when it comes to delivering digital services to residents.

Return on assets Part 1 – New homes

"We will maximise the potential of our existing assets and resources to deliver more high quality housing".

Maintaining Newlon's ability to develop new homes to meet housing demand is central to our Value for Money strategy. Through maximising our development capacity, we are responding to the needs of all our stakeholders:

- Providing more housing options for **current residents**.
- Increasing the number of new homes for potential **future residents**.
- Meeting housing demand and contributing to community regeneration within **client boroughs**.
- Providing value for **taxpayers** by easing pressure on local housing markets, promoting community cohesion and stimulating the economy.

Our ratio of new homes to homes in management is very high. This means that, home for home, Newlon has been one of the most active registered providers in London. We are proud of this and want to maintain our reputation as a leading developer. Although we are currently working on a programme in partnership with the Greater London Authority (GLA), the majority of our current development is outside of the GLA programme.

Our track record

One of our greatest strengths is our track record for delivering new homes. Whilst we are committed to improving services for our current residents, it is our ability to deliver new homes that we consider to be the most critical measure of the health of our business.

The Board is dedicated to ensuring that Newlon continues to deliver new homes and many of the decisions the Board takes are geared toward ensuring that we can continue to make this contribution.

We have doubled in size over the past 15 years, providing thousands of new homes for people in north and east London and delivering massive regeneration projects in Islington and Haringey. The table below shows how we are consistently in the top quartile for units developed in relation to our size.

	New homes developed as % of current stock	Median
2007/08	8.61	Q1
2009/10	3.15	Q2
2010/11	5.11	Q1
2011/12	10.74	Q1
2012/13	7.92	Q1
2013/14	7.00	Q1
2014/15	7.31	Q1
2015/16	2.48	Q2

In 2012, we set a target of providing 2,000 new homes over ten years and we are on course to meet that with almost 800 already occupied and many more identified and in the pipeline. Although fewer units were completed in 2015/16 and we have no large handovers scheduled for 2016/17, we are working on a number of major projects and 2017/18 will be another big year for Newlon. Last year, 93% of residents we surveyed reported that they were happy with their new home, this is above the Housemark average for housing associations in London and evidence that as well as being high demand, Newlon homes are also high quality.

Managing development risk

Obviously, there are risks associated with the scale of development we are involved in. Newlon has a high ratio of debt per property compared to many other housing associations. We do not consider this to be a bad thing because it shows that we are using our assets to maximise the number of new homes we can build.

We are constantly evaluating our borrowing and treasury management options to ensure we keep loan costs to a minimum. Our average cost of borrowing is one of the lowest in the sector and this is a key measure of value for money because, in simple terms, it means we are paying less over the long-term for the homes we develop. In 2015/16 we managed to reduce the average cost of our borrowing even further, making sure that our rates remain one of the best compared to our peers.

Whilst it is important for us to continue to meet our social purpose of increasing the supply of housing, we also have obligations to the many families that we already house. This means it is vital that our development programme and overall business model are sustainable over the long term.

We minimise risk by focusing our development around core boroughs in north and east London where we have excellent local knowledge, a strong track record in sales and where investment is supported by a buoyant market.

We also know that we can afford to borrow because of our generally strong financial performance. We have an A2 credit rating from Moody's, which means that Newlon is considered a 'low credit risk' and have 'a strong ability to pay back short term debt'.

In the latest Credit Opinion issued about Newlon, Moody's say:

- Newlon has very strong operating margins that are expected to grow despite policy changes.
- Newlon's profitability is currently among the strongest in the rated portfolio and the strongest amongst its rated peers, this remains a key credit strength.

Whilst they also identified that we have a high level of debt compared to other organisations like us, they recognise that this is well managed: 'refinancing risk remains low with 98% of outstanding debt coming due after five years'.

The Board recently took the option to make early repayment of a £33m loan. This reduced interest costs and improved our interest cover ratio, which is one of the key measures that Moody's look at when they assess credit strength.

Return on assets Part 2 – Asset performance

Individual asset performance

About half of our properties are under 20 years old and that means that overall our housing is in very good condition and relatively easy to maintain. However, our older properties are incredibly diverse. We have implemented a comprehensive programme of surveys to make sure that we have up to date information about all our stock. In the last two years we have carried out well over 2,000 surveys and by the end of 2017, we expect to have a comprehensive, detailed and fully validated picture of our stock.

In the meantime we have been identifying our poorest performing properties based on maintenance costs and a range of housing management indicators. We have been undertaking appraisals on these, calculating the returns they deliver and making recommendations to our Development Panel.

Part of the role of our Development Panel is to ensure the Group's assets are managed in a way that yields maximum returns. Based on the work done so far, we expect to have comprehensive information on the most suitable term, tenure and investment routes for all our existing stock by the end of the year.

2013/14	Transferred 400 temporary housing units that had become risky in the light of welfare reforms. Identified our bottom performing 5% of properties based on an evaluation of rental income, responsive repairs costs, predicted long-term investment requirements and indicators of their social value such as levels of customer satisfaction and complaints.
2014/15	Surveyed bottom 5% of homes and undertook asset appraisals to identify those with a negative Net Present Value (NPV). Agreed a disposal policy where proceeds will be reinvested in an accelerated improvement programme to refurbish ageing but valuable and viable stock in our core areas. Identified a first tranche of 10 disposals. Reviewed our long term leased stock and identified 120 properties where our maintenance liabilities are unpredictable and resident satisfaction is below average. We will undertake a programme of gradual disposal of these units to provide a cash injection of up to £20m to invest in stock improvement. Identified 250 more homes for appraisal.
2015/16	Completed over 1,200 surveys of our older properties. Implemented a disposal programme that has, so far, generated £1.75m for reinvestment and development. Undertook appraisals of a further 250 of our lower performing properties and are awaiting the outcome of the Housing Bill to evaluate the full range of options before finalising the recommendations.
2016/17	Stock Condition Surveys will be independently validated. The Board will set a new Asset Management Strategy based on the overall condition of the stock and our strategic priorities. Rolling programme of surveys and appraisals introduced.

Part 4 – Quality services

"We will provide good quality services and aim to generate higher than average levels of customer satisfaction without exceeding the sector median for housing management costs"

When we set out our initial Value for Money Strategy in 2013, one of the main aims was to improve resident satisfaction through targeted investment in services. We knew the quality of service was not where we wanted it to be and the Board felt we had to make some quite radical changes to improve things.

Over the past few years we have changed our structure to promote accountability and to ensure that we have the specialist skills in place to deliver better services. We have also made significant investment in IT to support staff and make it easier to absorb more work as we grow.

The following case studies demonstrate the kind of approaches that we are taking to make services more reliable and efficient.

Case study – knowledge management

The effective management of organisational knowledge is vital in our new approach to customer service. Under our old housing management structure, a lot of important information about properties, estates and interactions with residents were held by individuals and not shared effectively across the organisation. We have addressed these problems in our implementation of CRM and we have undertaken exercises to collate and share local knowledge.

After extensive research of customer enquiries, we have implemented an innovative Knowledge Base in our Service Centre. The purpose of the Knowledge Base is to help our Customer Service Advisors deal with more enquiries right first time by putting summaries of procedures and useful forms at their fingertips. A unique feature allows the advisors to request new additions to the Knowledge Base if they encounter a query that is not covered – these requests are processed quickly by our Quality Team and published back into the Knowledge Base to support other staff.

This agile approach means that the people who take the calls always have current and relevant information at hand and that they are able to share their experience easily with the rest of the team. It also cuts down the administration of maintaining procedures and reduces the resources required to train new staff. This is helping us resolve more enquiries first time and reducing the number of calls we are handling despite an increasing number of customers.

Case study – harnessing the benefits of mobile working

In April 2015 we launched a new team of Estate Inspectors, an evolution of our successful concierge service. Supported by mobile technology, the Estate Inspectors are able to carry out more inspections and raise issues directly with contractors – skipping the involvement of our Service Centre in the ordering process. Also, because of the frequency of inspection, the inspectors are able to post inspect and close all the jobs, providing an extra layer of scrutiny of the work and ensuring we get value for money from our contractors. Our main contractors also now feed job updates back directly into our system in real time and this makes it much easier for us to manage repairs and deal with customer enquiries.

We have also introduced a handyman service to work closely with our Estate Inspectors. This is a much more efficient model for dealing with communal repairs and delivers improvements throughout the process benefitting residents, Newlon and the contractor.

Diagnosis	Diagnosis is improved because repairs are identified by trained Estate Inspectors rather than residents or Housing Officers. This coupled with the fact that the handyman can directly contact the inspector for any clarifications on the location or nature of the repair means that far more issues should be dealt with first time.
Ordering	Using mobile devices and links to the contractor's systems, we have streamlined the ordering process and orders for communal repairs. Although we will have a detailed record of the work, orders will no longer need to be issued by our Service Centre, saving us from raising an average of around 300 repairs a month.
Completion	Because most repairs are now completed by a single multi-trade operative and there is a comprehensive report of repairs for each building with precise details of the location of each fault, repairs can be completed more cost effectively by the contractor.
Quality	Lists of open and completed jobs are available to the Estate Inspectors on their mobile devices and this enables them to check that work has been completed within time and to a sufficient standard. This check helps us to make sure that residents are getting value for money when we order repairs.

The benefit of specialist teams

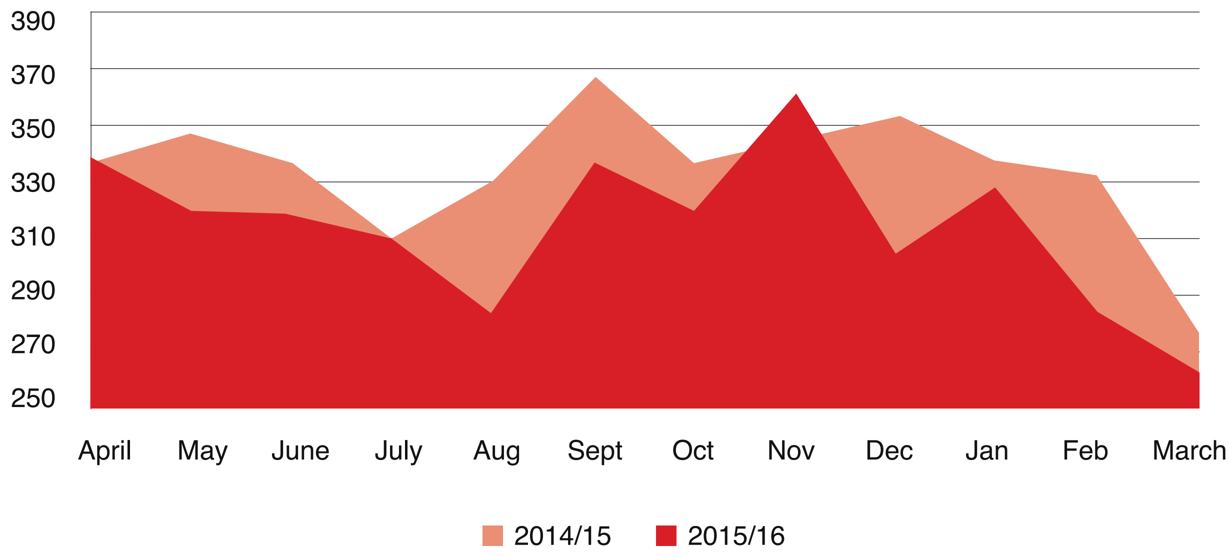
The introduction of specialist teams over the past three years has improved outcomes for residents and delivered efficiencies for Newlon.

Service Resolution team	Increased satisfaction with the handling of complaints from 50% to 73% in 2015/16.
Enforcement team	Improved satisfaction with case handling for three years running from 65% in 2012/13 to 84% in 2015/16. Reduced legal costs associated with anti-social behaviour (ASB) for three years running from £26 per property in 12/13 to £13.
Lettings team	Reduced void turnaround times from 39 to 32 days in its first year.
Customer Service Centre	Increased resident satisfaction with a range of customer care indicators including dealing with more queries quickly and dealing with more enquiries at first point of contact.
Income team	Despite welfare reforms, we have managed to reduce rent arrears significantly over the past two years from 5.36% in March 2014 to 3.77% in March 2016.

More efficient services and improving satisfaction

Our recent improvement programme has resulted in a sustained increase in customer satisfaction. At the same time we have also seen a reduction in the number of calls that we are handling by an average of 20 per day (about 7%) and this has unlocked capacity in our Service Centre.

Average number of calls per day – 2016 vs 2015



		2016	2015	Change
Overall service	% satisfied	65%	60%	+5%
Condition of home	% satisfied	69%	62%	+7%
Service charges – Value for Money	% satisfied	41%	37%	+4%
Rent – Value for Money	% satisfied	63%	62%	+1%
Repairs and maintenance (all tenures)	% satisfied	50%	44%	+6%
Listening and acting	% satisfied	49%	43%	+6%
Ability of staff to deal with queries quickly and efficiently	% satisfied	54%	46%	+8%
Helpfulness of staff	% helpful	65%	60%	+5%
Query dealt with first time	% yes	47%	40%	+7%

Performance Indicators

The table below shows our performance against key service indicators over the past year.

	Performance Indicator	2016	2015	Target	Status	Trend
Responsive repairs	% of repairs completed within target - overall	89.3	93.1	95		
	Average days to complete a repair	15.7	12.6	10		
Estate and property management	% of estates of good or excellent standard	81.7	97.6	90		
	Average void turnaround	32.8	39.5	35		
Contact and service	% complaints answered within target - overall	92.7	89.8	90		
	% of telephone calls answered	81	84.9	85		
Anti-social behaviour	% of residents satisfied with the handling of their ASB complaint	80	81.6	75		
	% of ASB cases responded to within target	92.5	97.9	92		

Note: The percentage of estate inspections attended by residents, which was reported in previous years, has been dropped from the table because our new inspection regime involves much more frequent visits. Resident Estate Advisors have been recruited though and accompany Estate Inspectors on a quota of inspections to provide some independent monitoring of standards.

Where we need to improve

Responsive repairs – Performance has not been good enough this year. It has been a year of transition though, with us changing our main contractor mid-year. We were disappointed with the performance of our outgoing contractor and, understandably, our new provider took a couple of months to find their feet. We also redesigned the whole IT system for repairs. By the end of the year there were some very positive signs though with IT integration beginning to pay off and good feedback coming in from staff and residents alike. The Board will be closely scrutinising repairs performance and expect to see significant improvements in 2016/17.

Estate management – The percentage of estates meeting standard has fallen. This is partly due to the fact that our independent Estate Inspectors have been more challenging on standards and have inspected estates more frequently than the internal staff that used to perform the function. They have highlighted some problems with the condition and cleaning of some estates and we are working on these issues. As part of the new repairs contract we have introduced a handyman service to work closely with our Estate Inspectors (see the case study on page 11). We are also having regular contract meetings with cleaners where standards have been inconsistent and monitoring performance on a weekly basis.

Telephone calls – We missed our target for call answering due to reduced capacity in our Service Centre caused by staffing issues. However, we have a system called Queuebuster in place, which gives residents the opportunity to request a call back rather than queuing for an advisor. Queuebuster has made it possible for us to distribute demand more evenly throughout the day and is a good solution for residents who only wait, on average, twenty minutes for an advisor to call back and save the cost of a daytime call. Overall, resident surveys are showing an improvement in satisfaction with our Service Centre driven by their greater ability to resolve enquiries quickly. In 2016/17 we intend to trial live chat, which will provide residents with another cost free route to contacting us and will increase the capacity of the Service Centre, allowing them to deal with more enquiries.

Part 5 – Savings from procurement

We have a central Procurement team who analyse what we spend and help departments to plan the best way to buy goods and services.

Since the team was established four years ago, we have been methodically analysing our expenditure and relationships with suppliers.

	2013	
Jan	Archiving storage	30% / £2k saving on archiving.
Jul	Supply of electricity	7% reduction in cost of electricity supply to schemes.
Aug	Supply of gas	15% reduction in cost of gas supply to schemes.
Sep	Half-hourly meterage	65% reduction on previous charge.
Sep	Lift contract	£36k reduction in cost for lift service contract per annum.
Oct	Rent collection transaction charges.	Reduction in transaction handling charges from Allpay resulting in £6k saving per annum.
Nov	Audit fee	£11k reduction, per annum, in cost of audit fee.
Nov	Supply of electricity for Access Homes	23% reduction in cost of electricity supply to schemes.
	2014	
Jan	Stationery supplies	Reduction in the cost through procuring from a framework; resulting in £7k saving per annum.
Jan	Cleaning supplier	Additional services provided within similar costs.
Jan	Quarterly Customer Satisfaction Survey	40% saving per annum on money spent on resource collecting satisfaction data.
Jan	Cleaning services	Reduction in the number and handling costs of invoices resulting in saving of £17.5k per annum.
Mar	Supply of landlord's electricity	25% reduction in the amount charged.
Sep	Utilities Brokerage	£7.5k reduction, per annum, in the concession levied against utilities.
Sep	Landlord's non half hourly electrical supply	Reduction in the amount charged for supply resulting in one off saving of £4k.
Nov	Legal costs	Approximately 30% reduction in legal costs through accessing the Housing Alliance Legal Framework.

2015		
Jan	Photocopy rental	Reduction in rental value in return for an extension of the contract resulting in £6k saving per annum.
Mar	Internal Audit Services	10% cashable saving on previous contract through competitive tender.
May	Mobile data and connections for the Group	Reduction in price through use of Procurement for Housing framework resulting in saving of £75k per annum.
May	Responsive repairs	£196k - estimated transactional cost reduction by moving to consolidated invoicing.
May	Responsive repairs and voids	£271k reduction in tendered prices through re-procuring.
May	Utilities (gas and electric)	£15k reduction in tendered prices through re-procuring.
Jul	Web filter	£10k reduction in tendered prices through re-procuring.
Nov	Grounds Maintenance	£8k reduction in tendered price and reduction in invoicing.
2016		
Jan	Broadband and telephony	£89k reduction in tendered price and reduction in invoicing.
Feb	Utilities audit	£6k reduction in charges for capacity.
Mar	Concierge services	£106k reduction in tendered prices for an inclusive contract i.e. more services, cheaper cost.

Embedding Value for Money with our teams

As part of the Business Planning process, teams are asked to identify Value for Money targets. This has promoted the Value for Money agenda across the business and means that everyone is expected to make their contribution each year. A summary of some of the actions teams implemented last year appears in the table below:

Business Development	
Complete the re-procurement of OJEU frameworks where required.	We completed the re-procurement of our Consultants Framework fixing fees and improving the scope of quality control services without increasing cost.
Property Services	
Re-procure repairs, cyclical and planned contracts to deliver improved performance at a competitive and affordable cost.	Responsive repairs contract let and delivering a cash saving of approximately £200k a year. The award of cyclical and stock improvement works have been used as a performance incentive for the responsive contractor and, if awarded to them, this will potentially generate further savings and administrative efficiencies.
With the Lettings Team work to reduce overall void times in line with corporate target of 32 days.	Voids now being completed by contractor in an average of 6.79 days and this helped us to achieve our target of 32 days.
Make recommendations to Development Panel on disposal/tenure change.	A report recommending disposals and remodelling options was submitted to the Development Committee.
Housing Services	
Procurement plan for Concierge service agreed and implemented.	The new contract is inclusive of services that were invoiced separately in the past. Savings estimated at £100k a year plus improved efficiency through a reduction in the number of invoices handled.
Procure grounds maintenance services and deliver savings/efficiencies.	A consolidated grounds maintenance contract is now in place. We have reduced the number of suppliers, will be handling 90% fewer invoices and have made a 7% cashable saving on tendered rates.
Reduce legal costs in dealing with ASB cases.	The introduction of a specialist team and the decision to join a framework for legal advice has allowed us to reduce legal costs associated with ASB by 50% over the past few years. From £26 per property in 2012/13 to £20 in 2013/14 to £13 per property in 2014/15.

Finance	
Improve purchase ledger efficiency by introducing bulk invoicing for main contractors.	A new consolidated process was introduced with the new contractor, reducing the number of invoices from 11,000 to less than 100 a year.
Below average cost of capital increases capacity for growth.	Weighted Adjusted Cost of Capital reduced from 3.74% to 3.66%.
Deliver agreed savings target from procurement.	Savings of £860k (over £500k cashable) in 2015 compared to a target of £200k set in our Procurement Strategy.[2]
Deliver procurement training to all new staff.	Procurement training has been delivered to all new starters with a responsibility for procurement.
Increase our use of external framework agreements to five.	We have increased the use to eight agreements for the year. We already have: utilities, stationery, brokerage, mobile phones, telephony, furniture, decorating vouchers, legal and grounds maintenance.
Corporate Services	
Deliver savings through Group procurement of mobile phones.	We have implemented this from 1st July 2015. It was estimated that we will be able to make significant savings over the two years life of the contract across the Group. It is estimated the saving would be £76, 072 per annum.
Deliver savings by replacing paper communications with electronic versions.	We have combined newsletters and residents' Annual Reports with rent statements and saved £18k in mailing costs. By producing more publications electronically rather than in printing we have saved about £2k on printing costs.
Deliver efficiency savings through the implementation of mobile CRM for estate inspection process.	We have reduced the administration connected to ordering a communal repair and made the inspection process much more efficient, combining health and safety inspections with routine property inspections.
Deliver savings on Legal Advice through HALA.	Human Resources calculated savings at more than 40% through HALA compared to the previous preferred advisor on hourly rates and a specific policy query.

[2] Annual savings made in 2015 plus recurring savings from previous years.

Staff response to budget cuts

This year, following the announcement of rent cuts in the budget, we held a consultation with all our staff to generate ideas for cost savings. Many of these were implemented through the budget setting process. These have already translated into a 3% budget reduction across the organisation and others will be implemented over the course of the next three years.

Generating extra capacity

Because of efficiencies generated through new ways of working and good procurement, we were able to delete a number of posts from the salary budget. This flexibility in the salary budget has allowed us to absorb the core community development activities of our subsidiary Newlon Fusion. The Board is keen to focus resources on essential activities and increasing housing supply and has taken the decision to reduce the scope of community development activities.

The new Community Services team will be a leaner, more focused incarnation of Newlon Fusion. They will provide a range of key services to support residents to maintain their tenancies, including employment advice, help with benefits and support for those experiencing financial problems. They will maximise Newlon's impact in the local community, working with our contractors to deliver employment opportunities for residents and making sure local people get the best value from our community resources.

Community impact

In 2015/16, Newlon invested in campaigns run by our subsidiary Newlon Fusion promoting:

- Employment and enterprise opportunities
- Training and apprenticeships
- Financial inclusion
- Digital skills

We assessed the social value of Newlon Fusion's interventions in 2015/16 in accordance with HACT's Wellbeing Valuation Index, which seeks to put a monetary value on various social interventions. The table below shows the value of Newlon Fusion's interventions according to HACT.

Outcome	HACT wellbeing value	Outputs 2015/16	Total wellbeing value
Secure job	£12,034	27(26)	£324,918
Apprenticeships	£1,747	3(3)	£5,241
General training for a job	£1,567	22(13)	£34,474
Access to the internet	£1,875	87(87)	£163,125
Debt free	£1,593	51(51)	£81,243

Environmental returns

Newlon is an ethical business and we take our responsibility to the environment seriously. We are ISO14001 accredited and have systems in place to ensure that we keep improving our environmental performance.

Environmentally sensitive development

All our recent developments met the Code for Sustainable Homes Level 3 or 4. The installation of combined heat and power systems, photovoltaic arrays and the use of low-tech sustainability solutions in Newlon dwellings contribute to the Group's wider aim of reducing fuel poverty and delivering Affordable Warmth to residents.

Making homes more energy efficient

We are upgrading stock to improve thermal performance, where possible, and Newlon's average SAP rating of 76 puts our stock amongst the highest performing in London. Our stock improvement programme has delivered clear, measurable benefits to residents, including reduced energy bills.

Through replacing boilers in 250 properties over the past year, we have increased the average SAP rating of the properties in the programme by roughly five points and delivered average savings of approximately £50 per year on heating bills for residents.

We have also invested in LED lighting within communal areas of blocks. This will aid in cutting maintenance and electricity costs, extending the average life of a bulb by as much as 10 years and delivering a 70% saving on energy, which will be passed on to residents through their service charge.

Part 8 – Comparative costs and performance

Benchmarking information is an important tool in our planning process and we undertake a thorough comparison of our costs and performance annually through Housemark. The following table shows Newlon's results against a range of financial and service quality measures compared to a group of other London based housing providers. Newlon's actual performance is presented against a median average. Figures are obtained from two different sources:

1) Housemark, where we have used a peer group of London based housing associations.

2) HCA's global accounts, where we have used the sector median.

		Newlon 15/16	Newlon 14/15	Median 14/15	Status	Source
Overall financial health	Total overhead costs as % turnover	45%	53%	66%	✓	Housemark London
	Operating margin	39%	36%	28%	✓	HCA Global Accounts
	EBITDA MRI interest cover	151%	105%	153%	⚠	HCA Global Accounts
	EBITDA MRI interest cover (social housing lettings)	132%	101%	139%	⚠	HCA Global Accounts
	Adjusted Net Leverage	45%	46%	40%	-	HCA Global Accounts
	Debt per social housing unit (£)	60,375	63,375	28,205	-	HCA Global Accounts
Building new homes	Average cost of capital	3.66	3.74%	4.30%	✓	Housemark London
	Standard units developed as % of current stock	2.48%	7.31%[3]	2.16%	✓	Housemark London

[3] Includes Brook House, practically complete in March 2015 but not occupied until April 2015.

		Newlon 15/16	Newlon 14/15	Median 14/15	Status	Source
Housing management costs and performance	Management cost per unit (£)	824	927	1,082		HCA Global Accounts
	Routine and planned maintenance cost per unit (£)	906	937	1,016		HCA Global Accounts
	Total major repair cost per unit (£)	468	459	767		HCA Global Accounts
	Rent collection %	100.47%	100.23%	99.60%		Housemark London
	Average re-let time	32 days	39.5 days	29 days		Housemark London
	Void loss % (General Needs only)	1.14%	0.81%	0.75%		Housemark London
Resident satisfaction	Overall satisfaction with service (all tenures)	63	59	74		Housemark London
	Satisfaction with the repairs and maintenance service (Social Rented)	53	51	68		Housemark London
	Satisfaction that rent provides Value for Money (all tenures)	63	62	74		Housemark London

Looking ahead

The Board are set to review our Value for Money Strategy in 2016. They will consider recent publications by the housing regulator and set measurable targets to ensure we keep challenging ourselves to deliver greater efficiency. The updated strategy will be available on our website by the end of September and will set out our approach to:

Operating costs – Setting achievable targets to reduce costs without impacting frontline services.

Development – Outlining how we expect to maintain our strong track record and make sure we meet our growth targets in a challenging operating environment.

Asset management – Demonstrating how we intend to implement a more holistic strategy and set targets around overall stock performance.

Customer services – Explaining how we intend to build on recent successes to maintain an improving trend in customer satisfaction whilst continuing to reduce the cost of services.

Compliance with Governance and Financial Viability Standard

Newlon Housing Trust has as a registered provider undertaken an assessment of compliance as required under the above standard annually. This report has been prepared in accordance with applicable standards and legislation. The Board can confirm that the Group has complied with the HCA's governance and financial viability standard.

Going concern

The financial statements are prepared on the basis that Newlon Housing Trust will continue for the forthcoming 12 months from the date of signing of these financial statements. The annual budget for 2016/17 and the business plans have also been issued and approved by the Board. Both of these statements give further evidence of going concern. For this reason it continues to adopt the going concern basis in the financial statements.

Judgements in applying accounting policies and key sources of estimation uncertainty

These are outlined as part of the notes forming part of the financial statements (page 52).

Risk and uncertainties arising from subsidiaries

Newlon Housing Trust has not guaranteed any bank borrowings or any other liabilities relating to its subsidiaries.

Post balance sheet events

There are no post balance sheet events.

Board members' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2014, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Trust's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2014.

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

Internal control

The Newlon Housing Trust Board has overall responsibility for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against financial misstatement or loss or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

The Group Chief Executive presents a detailed report to the Board each year on Internal Controls Assurance. As a result of the consideration of this report the Board is prepared to make this statement.

The Board confirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group and a robust and prudent business planning, risk and control framework is in place. This approach has operated throughout the year under review up to and including the date of approval of the annual report and accounts.

Some of the key elements of the control process that the Board has established for Newlon Housing Trust are as follows:

- The incorporation of key risks into a risk register with the Board considering significant risks as part of the decision-making process.
- The adoption of a business plan with a financial plan and the modelling and evaluation of long-term financial scenarios.
- The review and approval of detailed Standing Orders and Financial Regulations and documentation of policies and procedures for all key operational areas.
- The operation of an outsourced internal audit function, reporting directly to the Audit and Risk committee, which follows a needs and risk based plan. The implementation of recommendations is monitored by the Audit and Risk committee.
- The formal appraisal by the Board of new business opportunities including significant new schemes and a delegated framework for investment decisions.
- The use of a Business Improvement team to seek continuous improvement and regularly audit compliance with agreed policies and procedures.
- The operation of a comprehensive budgeting system and the regular review of financial and operational performance, including key indicators.

The Group has in place an Anti-Fraud and Bribery Policy which is aimed at tackling fraud, corruption, theft and breaches of regulations.

There are whistleblowing and disciplinary policies and procedures in place for all Group entities which link in to the Group Anti-Fraud and Bribery Policy. There is a Fraud Response Plan which is aimed at ensuring the Group responds promptly to fraud or fraud allegations and is able to recover its assets where relevant.

There is a Fraud & Bribery Register which is reviewed at each Audit and Risk committee meeting.

The Board confirms that there have been no regulatory concerns which have led the Homes and Communities Agency to intervene in the affairs of the Group, neither are there significant problems in relation to failures of internal controls which require disclosure in the financial statements. The Board has reviewed the Trust's compliance with the HCA's Governance and Financial Viability Standard and are satisfied the Trust meets the requirements.

All subsidiaries of the Trust have their own Boards of Management with financial services provided through the Trust's Finance function. Group members also provide significant non-financial services to each other.

Auditors

All of the current Board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the association's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue. A resolution for the re-appointment of BDO LLP as auditors of the association is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

B Duff
Secretary

8th September 2016

Objectives and strategies to achieve those objectives

Increase the supply of good, affordable homes in London

Our simple mission is to increase the supply of affordable housing. To do this we provide a range of housing options designed to meet the diverse needs of local people. We want to give our customers some certainty when it comes to where they live and this means reasonable rents, attainable home ownership and stable, prosperous communities.

Over the past 15 years, we have delivered 4,000 new homes and played a key role in some of London's most exciting regeneration projects. We do this because decent homes are the foundation upon which productive lives are built and because affordable housing is vital to supporting public services and sustaining business growth.

We are proud that Newlon homes have provided so many Londoners with security and the opportunity to grow. We are determined to build on this success and continue to develop new schemes and products to meet the housing aspirations of our customers.

To provide reliable, high-quality services to our residents

Our reputation is important to us and we are dedicated to improving the quality of services for our current residents. Despite external pressures, we are protecting all our front-line services. We know that we will need to continue to reduce costs but this will not be done at the expense of service quality. We are confident in our ability to innovate and deliver more for less. Central to this is the delivery of online services that are accessible, convenient and responsive. Over the next year, we will be working with residents to make sure we get our digital services right. This way we can keep standards high and deliver better value for money.

Development and performance

From the vibrant new community at Hale Village to the sympathetic redevelopment of the Tottenham Town Hall, we have been at the forefront of regeneration in the area. We want to make sure local people have high quality housing without losing any of the vibrant culture that makes Tottenham unique. The 22 storey tower at our latest development, Cannon Road, is an impressive addition to the local skyline. Cannon Road provides 222 new homes for local families, Key Workers and first-time buyers. It is also home to a new primary school with state of the art facilities. Built on the site of a derelict rubber factory on Tottenham High Road, the scheme is part of a wider plan to upgrade infrastructure and create a vibrant neighbourhood around Tottenham Hotspur's new stadium. Designed by KSS architects and constructed by Galliford Try Partnerships, the scheme has already received considerable recognition, including:

- **Housing Innovation Awards** – Shortlisted for Most Innovative Affordable Housing Development and Most Innovative Regeneration Scheme.
- **Builder and Engineer Awards** – Shortlisted for Best Housing Project of the Year.
- **First Time Buyer Readers' Awards** – Shortlisted for Best Large Development.
- **Royal Institute of Chartered Surveyors Awards** – Shortlisted in the Regeneration category.
- **Local Authority Building Control Awards** – Shortlisted for Best Social or Affordable New Housing Development.

Future prospects

When it comes to providing new homes for London, we have consistently punched above our weight. We are pressing ahead with a full development programme and remain committed to meeting housing need in all its forms.

We will continue to build homes for affordable rent but there will also be a strong focus on providing more home ownership opportunities. Through supporting the Voluntary Right to Buy scheme and introducing an exciting new option for first time buyers, we expect to help more local people onto the housing ladder than ever before. Here are some of the projects we are will be working on over the next few years.

Becontree Estate

We are delighted to have been selected as a partner for this exciting regeneration project in Barking and Dagenham. Working with Countryside Properties and Stitch Architects, we will be transforming a post-war estate into a diverse, modern community. The vision is to create a vibrant streetscape connecting the local leisure centre with the civic centre and the expansive green space of the park beyond.

Alma Estate

We are partnering with Countryside on another wide-ranging regeneration scheme at the Alma Estate in Enfield. Overall, Newlon will provide over 100 highly energy efficient homes for rent, Shared Ownership and private sale. Residents of Alma are overwhelmingly in favour of the project, which will also deliver new community facilities to complement the already excellent transport links and high-performing local schools.

Kidderpore Green

We are lucky to have had the opportunity to work with Barratt Homes on this unique project to deliver affordable homes in the middle of leafy West Hampstead. Newlon will provide 26 one and two bedroom affordable homes within a landscaped development with lush green spaces and mature trees. Kidderpore Green is part of a project that also includes the refurbishment of historic arts and crafts houses and the construction of a new home for the Hampstead School of Arts.

St Joseph's

Situated on the site of a derelict community hall in Waltham Forest, St Joseph's will provide affordable rent and home ownership opportunities for people with learning difficulties.

The scheme will be focused around an inviting communal space designed to host learning and social events.

Dunedin Road

Dunedin Road is a tree-lined street in Leyton close to Leyton Orient FC's stadium. We are working with Hill Partnerships to deliver a mix of high specification Shared Ownership and private sale homes. Dunedin Road is set for completion in early 2018.

Operational Performance and Risks

The Executive team and the Board use a number of indicators to measure the Trust's performance.

	2015/16	2014/15
Current rent arrears (13 week average) - days	3.77	4.63
Bad debts written off as a percentage of annual rental income	0.78	0.42
Void loss as percentage of annual rental income (General Needs)	1.14	0.81
Rent collection rate (NHT) percentage of total rent	100.47	100.23
Average relet time (General Needs) - days	32.8	39.5
Percentage of repairs completed on time	89.1	93.1

Risks

The Risk Register is considered at each committee and Board meeting, it is updated every quarter following feedback from these meetings. Current key risks facing the Group include:

Risk	Mitigation
Less favourable market conditions and increased competition from the private sector result in failure to meet targets in relation to the build and sale of new homes.	The Trust's Business Plan is comprehensive and there is strong Board ownership. The Board has agreed a package to mitigate the effect of rent cuts. The new plan was assessed by Moody's in November and we have retained our credit rating with no downgrade.
External factors lead to a significant increase in the overall cost of debt.	Our position is closely monitored by the Executive Team and reported to Board regularly. Whilst the external factors that could lead to increased cost cannot be controlled or prevented by the Trust, the Business Plan is subjected to multi-variate stress testing and we ensure there is adequate headroom to withstand such events in the short term.
Changes to welfare benefits impact tenants' ability to pay rent and result in higher rent arrears.	Although welfare reform will have an impact on the Trust, changes have been managed well so far and we have reduced rent arrears steadily since the reforms were announced. The Board are confident that early warning systems are in place and they would be able to react appropriately to emerging problems. Internal auditors carry out quarterly checks of arrears collection and regular, detailed reports are provided to Board and Resident Services Committee by the Head of Income.
External factors affect build costs and/or availability of land.	We have insurance against unexpected rises through fixed price build contracts and a limited land bank. Sessions are held at Board weekends to consider the development programme and operating environment and, with funds available for development and land purchase, we are well placed to take advantage of any new opportunities that arise.

Development and performance during the financial year and financial position at the year end

	2016	2015
	£m	£m
Income and expenditure account		
Turnover	84.7	75.0
Cost of sales	(10.8)	(5.7)
Operating costs	(47.7)	(49.3)
Operating surplus	26.2	20.0
Net interest charges	(16.4)	(15.1)
Surplus on sale of assets	9.3	6.3
Other	(5.1)	0.1
Surplus before tax for the year	14.0	11.3

Year ended 31 March:	£m	£m
Balance sheet		
Housing assets (net of depreciation)	922	922
Other tangible assets	12	12
Net current assets	41	28
	975	962
Loans due after one year	462	457
Deferred capital grant	421	425
Other long term liabilities	8	8
Reserves	84	72
	975	962
Statistics		
Operating margin	31%	27%
Interest cover (1)	190%	221%
Gearing (2)	44%	47%
Homes in management	7,974	7,566

(1) Interest cover covenant is for the Trust and is defined as operating surplus plus housing depreciation, excluding all sales, as a proportion of net interest payable. A minimum of 110% must be achieved.

(2) The gearing covenant is for the Trust and is defined as net loans as a proportion of housing asset cost. The maximum limit is 65%.

Capital Structure and Treasury Policy

Borrowings at the year-end were £465m after fair value adjustment. Undrawn facilities amounted to £43m prior to this adjustment. The debt is sourced from a number of banks and building societies in the UK as well as corporate investors from the UK and US.

The Group has adequate facilities available to meet its existing commitments and its objectives in its Business Plan.

Newlon Housing Trust has a treasury management policy which is approved by the Board. The Treasury policy seeks to address funding and liquidity risk and covenant compliance.

	Newlon		Access		Total	
	2016	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m
Fixed	**235**	256	**-**	-	**235**	256
Fixed (cancellable option)	**32**	29	**-**	-	**32**	29
Index - linked hedge	**62**	62	**-**	-	**62**	62
Variable	**133**	108	**3**	4	**136**	112
Total drawn (after fair value adjustment)	**462**	455	**3**	4	**465**	459
Total facility	**496**	531	**3**	4	**499**	535

The table below provides an analysis of when the drawn debt falls due for repayment.

Maturity	Group	Trust
	£m	£m
0-1 year	3.5	3.4
1-2 years	0.8	0.7
2-5 years	11.1	10.8
5-10 years	24.3	23.6
10-20 years	355.3	353.1
20-30 years	70.0	70.0

Governance

The Board

The Group Board is comprised of nine non-executives and the Group Chief Executive. It is also the Trust Board. Other senior staff members attend Board meetings as required. All other members of the Group have their own governing Boards. The present Board members and executive directors of the Group are set out on page 2.

The Board delegates some of its responsibilities to functional committees. Each of these committees has clear terms of reference and delegated authority. There are four main functional committees: the Audit and Risk Committee, the Residents' Services Committee, the Development Committee and the Remuneration and Appointments Committee.

Audit and Risk Committee

The Audit and Risk Committee oversees the work of both the internal and external audit function and the risk management and internal controls for the Group. The Committee reviews the audited financial statements for all parts of the Group and recommends them to the relevant Boards for approval. Through the reports it receives, the Audit and Risk Committee gains external assurance that the Group has appropriate systems of internal control. The Audit and Risk Committee met four times during the year.

Residents' Services Committee

The Residents' Services Committee oversees the provision of services and housing management activities to the Trust's residents and met four times during the year. The Committee is supported by a Residents' Forum and Resident Scrutiny Panel.

Development Committee

The Development Committee is responsible for reviewing and approving development activities within the Group. The Committee also assists the Board in formulating growth strategies and monitors their progress.

Remuneration and Appointments Committee

The Remuneration and Appointments Committee considers remuneration of Board members and of the Executive Team. The Committee is also responsible for annually appraising the Group Chief Executive and monitoring the performance of the other Executive Team members. In addition the Committee reviews the process for Board member appointment and reviews significant HR issues across the Trust.

The Executive Team

The Group's Executive Team including the Chief Executive have served throughout the year. The Executive Team hold no interest in the Association's shares and act as executives within the authority delegated by the Board.

The Chief Executive and Executive Team members are on notice periods ranging from three to six months. Details of the Board and Executive Team remuneration are shown in note 9 and 10 (pages 61 and 62).

Newlon operates a defined contribution scheme for all staff including the Executive Team. Newlon contributes 8% of employee salaries.

Independent Auditors' Report to the members of Newlon Housing Trust

We have audited the financial statements of Newlon Housing Trust for the year ended 31 March 2016 which comprise the consolidated and association statements of comprehensive income, the consolidated and association balance sheets, the consolidated and association statements of changes in equity, the consolidated cashflow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any one other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

As explained more fully in the statement of Board member responsibilities, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at **www.frc.org.uk/auditscopeukprivate**.

Independent Auditors' Report to the members of Newlon Housing Trust

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent association's affairs as at 31 March 2016 and of the Group's and parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Cooperative and Community Benefit Societies Act 2014, the Cooperative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent association;
- a satisfactory system of control has not been maintained over transactions; or the parent association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

BDO LLP, statutory auditor

Gatwick, West Sussex

United Kingdom

Date 22 September 2016

BDO LLP is a limited liability partnership registered in England and Wales
(with registered number OC305127)

Consolidated statement of comprehensive income

for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Turnover	4	**84,705**	75,032
Cost of sales	4	**(10,753)**	(5,656)
Operating costs	4	**(47,732)**	(49,333)
Operating surplus	4, 7	**26,220**	20,043
Surplus on disposal of fixed assets: Housing properties	11	**9,347**	6,326
(Deficit)/surplus on sale of other fixed assets	11	**(15)**	33
Other interest receivable and similar income	12	**251**	311
Interest and financing costs	13	**(16,666)**	(15,361)
Movement in fair value of investment properties	17	**89**	46
Other finance costs	13	**(5,185)**	-
Surplus before taxation		**14,041**	11,398
Taxation on surplus	14	**(29)**	(76)
Surplus for the financial year		**14,012**	11,322
Movement in fair value of hedged financial instrument	13	**(440)**	(6,691)
Total comprehensive income for year		**13,572**	4,631

The notes on pages 42 to 85 form part of these financial statements. All activities relate to continuing operations.

Association statement of comprehensive income

for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Turnover	4	**68,207**	55,808
Cost of sales	4	**(10,892)**	(5,656)
Operating costs	4	**(30,988)**	(30,553)
Operating surplus	4, 7	**26,327**	19,593
Surplus on sale of fixed assets: Housing	11	**8,985**	6,195
(Deficit)/surplus from sale of other fixed asset	11	**(6)**	33
Other interest receivable and similar income	12	**223**	284
Interest and financing costs	13	**(16,630)**	(15,325)
Other finance costs	13	**(5,185)**	-
Surplus before taxation		**13,714**	10,780
Taxation on surplus	14	**-**	-
Surplus for the financial year		**13,714**	10,780
Movement in fair value of hedged financial instrument	13	**(440)**	(6,691)
Total comprehensive income for year		**13,274**	4,089

The notes on pages 42 to 85 form part of these financial statements. All activities relate to continuing operations.

Consolidated and Association balance sheets

at 31 March 2016

	Note	**Group 2016 £'000**	Group 2015 £'000	**Association 2016 £'000**	Association 2015 £'000
Fixed assets					
Tangible fixed assets – housing properties	15	**922,465**	922,363	**910,619**	910,362
Tangible fixed assets – other	16	**10,348**	10,450	**9,301**	9,296
Investment properties	17	**1,600**	1,500	**-**	-
		934,413	934,313	**919,920**	919,658
Current assets					
Properties developed for sale	19	**6,420**	10,486	**6,420**	10,486
Debtors – receivable within one year	20	**5,117**	5,203	**3,308**	3,992
Debtors – receivable after one year	20	**284**	-	**284**	-
Current asset investments	21	**15,000**	6,000	**15,000**	5,000
Cash and cash equivalents		**44,673**	32,010	**37,469**	23,552
		71,494	53,699	**62,481**	43,030
Creditors: amounts falling due within one year	22	**(30,916)**	(26,093)	**(30,327)**	(23,455)
Net current assets		**40,578**	27,606	**32,154**	19,575
Total assets less current liabilities		**974,991**	961,919	**952,074**	939,233
Creditors: amounts falling due after more than one year	23	**(890,137)**	(890,267)	**(878,306)**	(878,369)
Provisions for liabilities	29	**(1,153)**	(1,523)	**(1,153)**	(1,523)
Net assets		**83,701**	70,129	**72,615**	59,341
Capital and reserves					
Called up share capital	31	**-**	-	**-**	-
Designated reserve		**1,752**	1,440	**-**	-
Income and expenditure reserve		**94,101**	80,371	**84,880**	71,166
Cashflow hedge reserve		**(12,265)**	(11,825)	**(12,265)**	(11,825)
Restricted reserve		**113**	143		-
		83,701	70,129	**72,615**	59,341

The financial statements were approved by the Board of Directors and authorised for issue on 8th September 2016.

S Ebanja, Chair

S Hitchins, Vice Chair

B Duff, Secretary

The notes on pages 42 to 85 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 March 2016

	Cashflow hedge reserve	Designated reserve	Income and expenditure reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at April 2015	(11,825)	1,440	80,371	143	70,129
Surplus/(deficit) for the year	-	-	14,042	(30)	14,012
	(11,825)	1,440	94,413	113	84,141
Movement in fair value of hedged financial instrument	(440)	-	-	-	(440)
Other comprehensive income for the year	**(440)**	**-**	**-**	**-**	**(440)**
Reserves transfers	-	312	(312)	-	-
Balance at 31 March 2016	**(12,265)**	**1,752**	**94,101**	**113**	**83,701**

Consolidated statement of changes in equity

for the year ended 31 March 2015

	Cashflow hedge reserve	Designated reserve	Income and expenditure reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at April 2014	(5,134)	1,471	69,124	37	65,498
Surplus for the year	-	-	11,216	106	11,322
	(5,134)	1,471	80,340	143	76,820
Movement in fair value of hedged financial instrument	(6,691)	-	-	-	(6,691)
Other comprehensive income for the year	**(6,691)**	**-**	**-**	**-**	**(6,691)**
Reserves transfers	-	(31)	31	-	-
Balance at 31 March 2015	**(11,825)**	**1,440**	**80,371**	**143**	**70,129**

Association statement of changes in equity

for the year ended 31 March 2016

	Cash flow hedge reserve	Income and expenditure reserve	Total
	£'000	£'000	£'000
Balance at April 2015	(11,825)	71,166	59,341
Surplus for the year	-	13,714	13,714
	(11,825)	84,880	73,055
Movement in fair value of hedged financial instrument	(440)	-	(440)
Other comprehensive income for the year	(440)	-	(440)
Balance at 31 March 2016	(12,265)	84,880	72,615

	Cash flow hedge reserve	Income and expenditure reserve	Total
	£'000	£'000	£'000
Balance at April 2014	(5,134)	60,386	55,252
Surplus for the year	-	10,780	10,780
	(5,134)	71,166	66,032
Movement in fair value of hedged financial instrument	(6,691)	-	(6,691)
Other comprehensive income for the year	(6,691)	-	(6,691)
Balance at 31 March 2015	(11,825)	71,166	59,341

Consolidated statement of cash flows

for the year ended 31 March 2016

	Note	2016	2015
		£'000	£'000
Cash flows from operating activities			
Surplus/(deficit) for the financial year		14,012	11,282
Adjustments for:			
Depreciation of fixed assets – housing properties	15	6,525	5,994
Depreciation of fixed assets – other	16	705	684
(Increase)/decrease in stock		4,304	(4,430)
Amortised Grant	5	(3,841)	(3,788)
Housing Asset Component write off	15	720	733
Interest payable	13	16,666	15,361
Interest received	12	(251)	(311)
Finance cost	13	5,185	-
Movement in fair value of investment properties	17	(89)	(46)
Taxation expense	14	29	76
Surplus on the sale of fixed assets – housing properties	11	(9,347)	(6,326)
Surplus on the sale of fixed assets – other	11	15	(33)
(Increase)/decrease in trade and other debtors		(310)	1,655
Decrease in trade creditors		1,800	(2,448)
Increase/(decrease) in provisions		(370)	812
Cash from operations		35,753	7,933
Taxation paid		83	56
Net cash generated from operating activities		35,836	19,271
Cash flows from investing activities			
Proceeds from sales of fixed assets - housing properties	11	19,980	17,403
Transaction costs from sale of housing properties	11	(443)	
Proceeds from sales of fixed assets - other	11	-	50
Purchase of fixed assets - housing properties		(17,344)	(46,678)
Purchase of fixed assets - other	16	(618)	(931)
Purchases of fixed assets - investment properties	17	(11)	-
Interest received	12	251	311
Purchase of current asset investments	21	(10,000)	-
Net cash from investing activities		(8,185)	(29,845)
Cash flows from financing activities			
Sale of current asset investments	21	1,000	33,000
Interest paid		(17,671)	(17,687)
Finance cost	13	(5,185)	-
New loans - banks		40,000	-
Repayment of loans		(34,357)	(29,638)
Grants received during year	24	1,225	3,177
Net cash used in financing activities		(14,988)	(11,148)
Net increase / (decrease) in cash and cash equivalents		12,663	(21,722)
Cash and cash equivalents at beginning of year		32,010	53,732
Cash and cash equivalents at end of year		44,673	32,010

The notes on page 42 to 85 form part of these financial statements.

Index of notes

1. Legal status

The association is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Homes and Communities Agency as a social housing provider. Newlon Housing Trust is a public benefit entity.

2. Accounting policies

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Newlon Housing Trust includes the Co-operative and Community Benefit Societies Act (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. These financial statements are the first financial statements prepared under FRS 102. Information on the impact of first-time adoption of FRS 102 is given in note 38.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements present the results of Newlon Housing Trust and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 April 2014.

Income

Income is measured at the fair value of the consideration received or receivable. The Group generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting),
- First tranche sales of Low Cost Home Ownership housing properties developed for sale.
- Service charges receivable,
- Revenue grants and proceeds from the sale of land and property.

Rental income is recognised from the point when properties under development reach practical completion and are formally let, income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Income earned from such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the Statement of Comprehensive Income, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Supported Housing schemes

The Group receives Supporting People grants from a number of London Boroughs, County Councils and Health Authorities. The grants received in the period as well as costs incurred by the Group in the provision of support services have been included in the Income and Expenditure Account. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

Social housing capital grants are claimed by the Trust as developer and owner of the property and included in the balance sheet of the Trust. The treatment of other income and expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the association and its managing agents and on whether the association carries the financial risk.

The Group provides support directly and through sub-contracting to agencies and payments to the agencies are included as supporting people operating costs.

Service charges

The Trust operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus and deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the balance sheet.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents. Until these costs are incurred this liability is held in the balance sheet within creditors.

Management of units owned by others

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

Schemes managed by agents

Income is shown as rent receivable and management fees payable to agents are included in operating costs.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in income and expenditure, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Value Added Tax

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

Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Pension costs

The Trust operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Trust in an independently administered fund. The pension costs included in these Financial Statements represent contributions payable by the Trust to the fund, which in turn represent a regular pension cost over the average service lives of employees.

A number of the former employees of Tower Hamlets Consortium Limited, now employed by Outward Housing participate in the Social Housing Pension Scheme, a multi-employer defined benefit scheme, the details of which are shown in note 30. The scheme is closed to new employees.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Tangible fixed assets – housing properties

Housing properties constructed or acquired (including land) on the open market are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development.

Directly attributable costs of acquisition includes capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Mixed developments are held within PPE and accounted for at cost less depreciation. Commercial elements of mixed developments are held as investment properties.

Housing properties in the course of construction, excluding the estimated cost of the element of Shared Ownership properties expected to be sold in first tranche, are included in PPE and held at cost less any impairment, and are transferred to completed properties when ready for letting.

Depreciation of housing property

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Land is not depreciated on account of its indefinite useful economic life.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

The cost of all other housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful economic lives of the assets on the following basis:

Freehold land is not depreciated.

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

Description	Economic useful life (years)
Structure	125
Kitchen	15
Bathroom and central heating	20
Roofs	75
Windows and electrics	30

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease; when the lease and building elements are depreciated separately over their expected useful economic lives.

Donated land and other assets

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary grant and recognised in the Statement of Financial Position as a liability. Where the donation is from a non-public source the value of the donation is included as income.

Shared Ownership properties and staircasing

Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions and up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as PPE and included in completed housing property at cost and any provision for impairment. Sales of subsequent tranches are treated as a part disposal of PPE. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

Low cost home ownership properties are not depreciated on the expectation that the net realisable value at the time of disposal will be in excess of the historical cost.

For Shared Ownership accommodation that the Group is responsible for, it is the Group's policy to maintain them in a continuous state of sound repair. Maintenance of other Shared Ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the Statement of Comprehensive Income.

Allocation of costs for mixed tenure and Shared Ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

Tangible fixed assets – other

Other tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation of other tangible fixed assets

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Description	Economic useful life (years)
Leasehold land and buildings	Lease term or 125
Motor vehicles	4
Office furniture, fixtures, equipment and computers	5

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

Government grants

Grant received in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected (see table on page 47).

Where Social Housing Grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the HCA can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the HCA with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Disposal Proceeds Fund

Receipts from Right to Acquire (RTA) Sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the Disposal Proceeds Fund. Any sales receipts less eligible expenses held within disposal proceeds fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in income or expenditure.

Impairment of fixed assets and goodwill

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use. No properties have been valued at VIU-SP.

The Group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

Stock

Stock represents work in progress and completed properties of Shared Ownership properties. For Shared Ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Recoverable amount of rental and other trade receivables

The Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

Rent and service charge agreements

The Group has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

Loans, Investments and short term deposits

All loans, investments and short term deposits held by the Group, with the exception of the cancellable fixed rate loan detailed below, are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), FRS 102 requires that basic financial instruments are subsequently measured at amortised cost. Loans and investments that are payable or receivable within one year are not discounted.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Cash and cash equivalents

Cash and cash equivalents in the Group's Consolidated Statement of Financial Position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

The Group has also identified some investments, which meet the definition of cash and cash equivalents but are restricted in their use; these investments have been classified as restricted cash equivalents.

Financial Instruments

Valuation techniques have been used to determine the value of financial instruments by estimating how financial instruments will be priced by market participants. In arriving at the valuations actual data is used (or best available information if data is not available). The Cancellable Fixed Rate loan and the interest rate Cap qualify for hedge accounting and have therefore been fair valued as financial instruments.

This financial instrument contains an embedded optionality which gives the lender an option to change the interest rate payable from fixed to variable on an agreed date in 2019. Therefore FRS 102 requires that this loan is considered as an 'other' financial instrument. As a result their measurement is determined by Section 12 of FRS 102. In determining the appropriate accounting treatment for these instruments we have assumed that the Regulations referred to in 12.8c, which are the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, are applicable to Newlon Housing Trust.

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they has been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Leasehold Sinking Funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors

Provision for liabilities

The Group has recognised provisions for liabilities of uncertain timing or amounts including those for major repairs on stock transfers and leaseholders, overage for gap funding and restructuring.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date.

Where the effect of the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises.

Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment which is dependent on the disposal of related property.

Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds. Realised and unrealised gains and losses on assets held by these funds are also allocated to the fund.

The revaluation reserve is created from surpluses on asset revaluation.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash generating units as a scheme. This was followed by establishing our net cash flows for each scheme over the estimated life of 100 years. Net cash flows consist of cash inflows which are solely from annual rent and cash outflows consisting of management costs, routine maintenance, service costs (for Affordable rent units only) and planned and major works. A terminal value is also included in the net cash flow to account for business into the foreseeable future. This is based on the net cash flow for year 100. Annual rental income is assumed to decrease by 1% over the next 4 years after which it increases by CPI plus 1% (RPI plus -.5%).
- The anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for first tranche sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development.
- Whether leases entered into by the Group either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to Shared Ownership between current and fixed assets.
- The exemptions to be taken on transition to FRS 102.
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

Other key sources of estimation uncertainty

- **Tangible fixed assets (see note 15, 16 and 17)**

  Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

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

  Investment properties are professionally valued annually using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

- **Rental and other trade receivables (debtors) (see note 20)**

  The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

Other areas of estimation uncertainty may include:

- Project or scheme costs are capitalised on the basis that the scheme will be completed and the costs for each unit upon completion is apportioned on square feet or area of each unit. If a project or scheme becomes unfeasible then, the costs will be written off to the Income and Expenditure as abortive costs.
- Revenue recognition around particular contracts – income is generated from a ranges of sources, in particular, from rent to service charges to local authority income under a wide variety of contract types, durations and service specifications. Judgement is applied as to income recognition and recoverability on a source by source and / or contract by contract basis.
- Fair value measurements for fixed asset revaluations are carried out by independent third parties.
- Obligations under defined benefit pension scheme is accounted for as multi-employer.
- Cash generating units have been defined as schemes for the purpose of evaluating impairment issues.

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

Group	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2016	2016	2016	2016
	£'000	£'000	£'000	£'000
Social housing lettings (note 5)	57,309	-	(34,138)	23,171
Other Social Housing Activities				-
First tranche low cost home ownership sales	14,484	(10,892)	-	3,592
Development services	-	-	-	-
Supporting people and care	11,754	-	(11,158)	596
Community regeneration	1,149	-	(1,593)	(444)
Other activities	9	139	(843)	(695)
	27,396	(10,753)	(13,594)	3,049
	84,705	(10,753)	(47,732)	26,220

	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2015	2015	2015	2015
	£'000	£'000	£'000	£'000
Social housing lettings (note 5)	55,116	-	(35,853)	19,263
Other Social Housing Activities				
First tranche low cost home ownership sales	6,677	(5,656)	-	1,021
Development Services	210	-	(299)	(89)
Supporting people and care	11,442	-	(11,366)	76
Community regeneration	1,024	-	(1,148)	(124)
Other activities	171	-	(20)	151
	19,524	(5,656)	(12,833)	1,035
Activities other than Social Housing Activities				
Other	392	-	(647)	(255)
	19,916	(5,656)	(13,480)	780
	75,032	(5,656)	(49,333)	20,043

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

Association	Turnover 2016 £'000	Cost of sales 2016 £'000	Operating costs 2016 £'000	Operating surplus/ (deficit) 2016 £'000
Social housing lettings (note 5)	52,417	-	(29,444)	22,973
Other Social Housing Activities				
First tranche low cost home ownership sales	14,484	(10,892)	-	3,592
Development services	9	-	(821)	(812)
Other activities	1,297	-	(723)	574
	15,790	(10,892)	(1,544)	3,354
Activities other than social housing activities	-	-	-	-
	68,207	(10,892)	(30,988)	26,327

	Turnover 2015 £'000	Cost of sales 2015 £'000	Operating costs 2015 £'000	Operating surplus/ (deficit) 2015 £'000
Social housing lettings (note 5)	48,278		(29,511)	18,767
Other social housing activities				
First tranche low cost home ownership sales	6,677	(5,656)	-	1,021
Development services	210	-	(298)	(88)
Supporting people and care	-	-	-	-
Community regeneration	-	-	-	-
Other activities	643	-	(744)	(101)
	7,530	(5,656)	(1,042)	832
Activities other than social housing activities	-	-	-	-
	55,808	(5,656)	(30,553)	19,599

5. Income and expenditure from social housing lettings

Group	General Needs	Supported Housing	Low cost home ownership	Key Worker	**Total 2016**	Total 2015
	£'000	£'000	£'000	£'000	**£'000**	£'000
Income						
Rents net of identifiable service charges	25,933	3,970	4,344	10,482	**44,729**	43,322
Service charge income	2,834	2,538	2,695	7	**8,074**	7,132
Amortised government grants	3,813	-	28	-	**3,841**	3,788
Net rental income	32,580	6,508	7,067	10,489	**56,644**	54,242
Other Income	426	-	173	66	**665**	874
Turnover from social housing lettings	33,006	6,508	7,240	10,555	**57,309**	55,116
Expenditure						
Management	4,920	1,165	244	905	**7,234**	7,487
Service charge costs	3,711	2,423	2,935	2,164	**11,233**	9,504
Routine maintenance	3,498	1,188	61	497	**5,244**	7,144
Planned maintenance	2,283	155	4	114	**2,556**	2,794
Major repairs expenditure	239	-	-	-	**239**	2,004
Bad debts	303	91	(5)	(2)	**387**	193
Depreciation of housing properties:						
- annual charge	5,271	406	-	848	**6,525**	5,994
- accelerated on disposal of components	710	-	-	10	**720**	733
Operating expenditure on social housing lettings	20,935	5,428	3,239	4,536	**34,138**	**35,853**
Operating surplus on social housing lettings	**12,071**	**1,080**	**4,001**	**6,019**	**23,171**	**19,263**
Void losses	309	662	530	303	**1,804**	1,149

5. Income and expenditure from social housing lettings

Association	General Needs	Supported Housing	Low cost home ownership	Key Worker	**Total 2016**	**Total 2015**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**
Income						
Rents net of identifiable service charges	25,794	2,428	3,966	10,482	**42,670**	38,972
Service charge income	2,820	81	2,465	7	**5,373**	5,118
Amortised government grants	3,777	-	-	-	**3,777**	3,724
Net rental income	32,391	2,509	6,431	10,489	**51,820**	47,814
Other Income	358	-	173	66	**597**	464
Turnover from social housing lettings	32,749	2,509	6,604	10,555	**52,417**	48,278
Expenditure						
Management	4,794	314	180	905	6,193	6,580
Service charge costs	3,711	179	2,672	2,164	8,726	7,425
Routine maintenance	3,485	232	43	497	4,257	3,940
Planned maintenance	2,283	155	(4)	114	2,548	2,794
Major repairs expenditure	239	-	-	-	239	2,004
Bad debts	306	-	(5)	(2)	299	124
Depreciation of housing properties:						
- annual charge	5,215	407	-	848	6,470	5,938
- accelerated on disposal of components	702	-	-	10	712	706
Operating expenditure on social housing lettings	20,735	1,287	2,886	4,536	29,444	29,511
Operating surplus/(deficit) on social housing lettings	**12,014**	**1,222**	**3,718**	**6,019**	**22,973**	**18,767**
Void losses	309	-	9	303	621	499

6. Units of housing stock

	Group 2016 Number	Group 2015 Number	**Association 2016 Number**	Association 2015 Number
General Needs housing:				
- Social	**3,915**	3,936	**3,884**	3,905
- Affordable	**171**	37	**171**	37
Low cost home ownership	**1,915**	1,698	**1,726**	1,583
Supported Housing	**808**	844	**572**	575
Intermediate Rent	**1,099**	985	**1,099**	977
Total social housing units	**7,908**	7,500	**7,452**	7,077
Commercial properties	**66**	66	**60**	60
Total owned	**7,974**	7,566	**7,512**	7,137
Units managed by other associations	**36**	36	**36**	36
Total owned and managed accommodation	**8,010**	7,602	**7,548**	7,173
Units under construction	**94**	483	**94**	483

7. Operating surplus

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
The operating surplus is arrived at after charging:				
Depreciation of housing properties:				
- annual charge	6,525	5,994	6,470	5,938
- accelerated depreciation on replaced components	720	733	712	706
Depreciation of other tangible fixed assets	705	684	533	481
Operating lease charges – other	50	29	14	26
Auditors' remuneration (excluding VAT):				
- fees payable to the Group's auditor for the audit of the Group's annual accounts	20	20	-	-
- fees for audit of accounts of associated entities	35	25	20	20
- fees for non-audit services	31	10	31	4
- fees for tax advice	5	3	5	3
Defined contribution pension cost	493	465	455	411
Defined benefit pension cost (see note 30)	248	34	-	-

8. Employees

	Group 2016 £'000	Group 2015 £'000	**Association 2016 £'000**	Association 2015 £'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	**15,773**	14,761	**5,835**	5,564
Social security costs	**1,398**	1,359	**607**	594
Cost of defined benefit scheme	**248**	34	**-**	-
Cost of defined contribution scheme	**493**	465	**455**	411
Temporal agency workers	**1,308**	1,691	**599**	488
	19,180	18,310	**7,496**	7,057

The average number of employees (including Executive Management Team) expressed as full time equivalents (calculated based on a standard working week of 35 hours during the year was as follows:

	Group 2016 £'000	Group 2015 £'000	**Association 2016 £'000**	Association 2015 £'000
Administration	**74**	63	**55**	63
Development and sales	**17**	18	**17**	18
Support and care	**402**	446	**-**	-
Housing management	**75**	63	**75**	63
	568	590	**147**	144

A defined contribution pension scheme is operated by the Group on behalf of the employees of one of the subsidiary undertakings. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the Group to the fund and amounted to £493,000 (2015 - £465,000). Contributions amounting to £50,674 (2015 - £58,362) were payable to the fund and are included in creditors.

9. Directors' and senior executive remuneration

The directors are defined as the members of the Board of Management, the Chief Executive and the Executive Management Team. The Executive Management Team are the key management personnel and are listed on page 2.

	Group 2016	Group 2015	**Association 2016**	Association 2015
	£	£	**£**	£
Executive directors' emoluments	**754,879**	712,049	**754,879**	712,049
Compensation for loss of office	**148**	-	**55**	-
Contributions to money purchase pension schemes	**55,085**	52,427	**55,085**	52,427
	810,112	764,476	**810,019**	764,476

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £154,376 (2015 – £138,830). Pension contributions of £11,149 (2015 – £10,340) were made to a money purchase scheme on his behalf.

As a member of the Scottish Widows defined contribution pension scheme, the pension entitlement of the Chief Executive is identical to those of other members.

There were seven directors in the Group's defined contribution pension scheme (2015 – 7). None of the directors accrued benefits under the Group's defined benefit pension scheme during the year (2015 – NIL).

The remuneration paid to staff (including Executive Management Team) earning over £60,000 upwards:

	Group 2016	Group 2015	**Association 2016**	Association 2015
	No.	No.	**No.**	No.
£60,000 - £69,999	**11**	9	**11**	9
£70,000 - £79,999	**1**	-	**1**	-
£80,000 - £89,999	**4**	3	**3**	3
£90,000 - £99,999	**-**	4	**-**	3
£100,000 - £109,999	**2**	-	**2**	-
£110,000 - £119,999	**-**	-	**-**	-
£120,000 - £129,999	**1**	1	**1**	1
£130,000 - £139,999	**-**	1	**-**	1
£140,000 - £149,999	**1**	-	**1**	-

10. Board members

Board member	Remuneration £	Member of: Audit and Risk Committee	Development Committee	Remuneration Committee	Resident Services Committee
Sarah Ebanja	17,394		✓	✓	
Steve Hitchins	10,436			✓	✓
Steve Akeju	6,957		✓		✓
Catherine Ross	6,957				✓
Martin Hughes	6,957		✓		✓
Maria Grogan	6,957	✓			
Jackie Ballard – Chair of the Outward Board	6,957				
Nicola Bastin	6,957	✓		✓	
Fred Angole	6,957	✓			

11. Surplus on disposal of fixed assets

Group	Housing properties 2016 £'000	Other fixed assets 2016 £'000	Total 2016 £'000	Total 2015 £'000
Housing properties:				
Disposal proceeds	19,936	-	19,936	17,453
Cost of disposals	(10,529)	(15)	(10,544)	(11,187)
Selling costs	(355)	-	(355)	(200)
Grant recycled	(44)	-	(44)	(906)
Grant abated/released	339	-	339	1,198
Surplus on disposal of other tangible fixed assets	9,347	(15)	9,332	6,358

Association	Housing properties 2016 £'000	Other fixed assets 2016 £'000	Total 2016 £'000	Total 2015 £'000
Housing properties:				
Disposal proceeds	19,439	-	19,439	17,208
Cost of disposals	(10,416)	(6)	(10,422)	(11,057)
Selling costs	(354)	-	(354)	(198)
Grant recycled	(44)	-	(44)	(906)
Grant abated	360	-	360	1,181
Surplus on disposal of other tangible fixed assets	8,985	(6)	8,979	6,228

12. Interest receivable and income from investments

	Group 2016 £'000	Group 2015 £'000	**Association 2016 £'000**	Association 2015 £'000
Interest receivable and similar income	**251**	311	**223**	284

13. Interest payable and similar charges

	Group 2016 £'000	Group 2015 £'000	**Association 2016 £'000**	Association 2015 £'000
Bank loans and overdrafts	**17,391**	17,744	**17,355**	17,708
Recycled capital grant fund accrued interest	**37**	23	**37**	23
Disposal proceeds fund accrued interest	**8**	6	**8**	6
Interest capitalised on construction of housing properties	**(770)**	(2,412)	**(770)**	(2,412)
	16,666	15,361	**16,630**	15,325
Breakage costs	**5,185**	-	**5,185**	-
Other financing costs through other comprehensive income	**21,851**	15,361	**21,815**	15,325
Movement on fair value of hedged derivative instruments	**440**	6,691	**440**	6,691
	440	6,691	**440**	6,691

14. Taxation on surplus on ordinary activities

	Group 2016 £'000	Group 2015 £'000
UK corporation tax		
Current tax on surplus for the year	29	76
Total current tax	29	76
Taxation on surplus on ordinary activities	29	76

The tax assessed for the year differs to the standard rate of corporation tax in the UK applied to surplus before tax. The differences are explained below:

	Group 2016 £'000	Group 2015 £'000
Surplus on ordinary activities before tax	14,041	11,358
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 20% (2015 - 20%)	2,808	2,272
Effects of:		
Other short-term timing differences	-	(23)
Income not taxable for tax purposes	(13)	-
Expenses not deductible for tax purposes	(61)	8
Deductions and reliefs	-	(7)
Indexations allowance on property disposals	-	(12)
Charitable exemption	(2,705)	(2,162)
Total tax charge for period	29	76

There was no tax charge for the year (2015 - £nil) for the Trust.

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £29,000 (2015: £76,000).

Factors that may affect future tax charges

The Group has used all brought forward tax losses, which have significantly reduced tax payments in the current year.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief.

15. Tangible fixed assets – housing properties

Group	General Needs completed	General Needs under construction	Shared Ownership completed	Shared Ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation:					
At 1 April 2015	783,096	54,608	130,839	22,009	990,552
Additions:					
- construction costs	-	9,028	-	4,887	13,915
- works to existing properties	3,989	-	210	-	4,199
Reclassification of properties	(21)	-	21	-	-
Transfers to held for sale	-	-	(238)	-	(238)
Completed schemes	56,600	(56,600)	16,599	(16,599)	-
Disposals:					
- staircasing sales	(1,067)	-	(9,572)	-	(10,639)
- replaced components	(1,348)	-	-	-	(1,348)
At 31 March 2016	**841,249**	**7,036**	**137,859**	**10,297**	**996,441**
Depreciation:					
At 1 April 2015	(68,189)	-	-	-	(68,189)
Charge for the year	(6,525)	-	-	-	(6,525)
Eliminated on disposals:					
- replaced components	1,348	-	-	-	1,348
- housing properties	110	-	-	-	110
- accelerated charge on components	(720)	-	-	-	(720)
At 31 March 2016	(73,976)	-	-	-	(73,976)
Net book value at 31 March 2016	767,273	7,036	137,859	10,297	922,465
Net book value at 31 March 2015	714,907	54,608	130,839	22,009	922,363

15. Tangible fixed assets – housing properties (continued)

Association	General Needs completed	General Needs under construction	Shared Ownership completed	Shared Ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation:					
At 1 April 2015	778,276	55,464	121,921	22,276	977,937
Additions:					
- construction costs	-	9,028	-	4,887	13,915
- works to existing properties	3,968	-	210	-	4,178
- replaced components	(21)	-	21	-	-
Reclassification of properties	-	-	(238)	-	(238)
Completed schemes	56,600	(56,600)	16,599	(16,599)	-
Disposals:					
- staircasing sales	(1,067)	-	(9,459)	-	(10,526)
- replaced components	(1,331)	-	-	-	(1,331)
At 31 March 2016	836,425	7,892	129,054	10,564	983,935
Depreciation:					
At 1 April 2015	(67,575)	-	-	-	(67,575)
Charge for the year	(6,470)	-	-	-	(6,470)
Eliminated on disposals:					
- replaced components	1,331	-	-	-	1,331
- Right to Buy	110	-	-	-	110
- accelerated charge – components	(712)	-	-	-	(712)
At 31 March 2016	(73,316)	-	-	-	(73,316)
Net book value at 31 March 2016	763,109	7,892	129,054	10,564	910,619
Net book value at 31 March 2015	714,689	51,478	121,921	22,274	910,362

15. Tangible fixed assets – housing properties (continued)

	Group 2016 £'000	Group 2015 £'000	**Association 2016 £'000**	Association 2015 £'000
The net book value of housing properties may be further analysed as:				
Freehold	**663,353**	626,425	**654,434**	617,371
Long leasehold	**258,671**	295,380	**255,744**	292,433
Short leasehold	**441**	558	**441**	558
	922,465	922,363	**910,619**	910,362
Interest capitalisation				
Interest capitalised in the year	**770**	2,412	**770**	2,412
Cumulative interest capitalised	**34,410**	31,998	**34,410**	31,998
	35,180	34,410	**35,180**	34,410
Rate used for capitalisation	**3.77%**	3.61%	**3.77%**	3.61%
Works to properties				
Improvements to existing properties capitalised	**934**	1,595	**913**	1,595
Major repairs expenditure to income and expenditure account	**239**	2,004	**239**	2,004
	1,173	3,599	**1,152**	3,599
Total Social Housing Grant received or receivable to date is as follows:				
Capital grant – housing properties	**424,445**	429,076	**417,369**	421,857
Recycled Capital Grant Fund	**7,690**	5,828	**7,364**	5,461
Disposals Proceeds Fund	**1,169**	1,410	**1,169**	1,410
Revenue grant – I&E	**59,777**	55,936	**58,791**	55,014
	493,081	492,250	**484,693**	483,742

15. Tangible fixed assets – housing properties (continued)

Impairment

The Group considers schemes to represent separate cash generating units (CGU's) when assessing for impairment in accordance with the requirements of FRS 102 and SORP 2014.

During the current year, the Group and association have recognised an impairment loss of £Nil (2015–£Nil) in respect of general needs housing stock. On 8 July 2015, the Summer Budget included the announcement that the government will reduce rents in social housing in England by 1% a year for four years from April 2016. The government indicated this will result in a 12% reduction in average rents by 2020/21, compared to current forecasts. As such, this triggered an indicator of impairment and a full review was performed.

The full review did not lead to any impairment adjustments as all schemes were found to be stated at costs lower than their recoverable amounts.

Properties held for security

Newlon Housing Trust had property with a net book value of £647m pledged as security at 31 March 2016 (2015 – £640m).

16. Other tangible fixed assets

Group	Land and office buildings	Plant, machinery and vehicles	Motor vehicles	Fixtures, fittings, tools and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2015	9,388	2,862	174	1,384	13,808
Additions	-	514	-	104	618
Disposals	-	(117)	-	(33)	(150)
At 31 March 2016	**9,388**	**3,259**	**174**	**1,455**	**14,276**
Depreciation					
At 1 April 2015	(373)	(2,008)	(92)	(885)	(3,358)
Charge for year	(91)	(397)	(28)	(189)	(705)
Disposals	-	111	-	24	135
At 31 March 2016	**(464)**	**(2,294)**	**(120)**	**(1,050)**	**(3,928)**
Net book value					
At 31 March 2016	**8,924**	**965**	**54**	**405**	**10,348**
At 31 March 2015	9,015	854	82	499	10,450

Association	Land and office buildings	Plant, machinery and vehicles	Motor vehicles	Fixtures, fittings, tools and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2015	8,694	2,024	101	920	11,739
Additions	-	453	-	91	544
Disposals	-	(117)	-	-	(117)
At 31 March 2016	**8,694**	**2,360**	**101**	**1,011**	**12,166**
Depreciation					
At 1 April 2015	(364)	(1,415)	(36)	(628)	(2,443)
Charge for year	(91)	(270)	(20)	(152)	(533)
Disposals	-	111	-	-	111
At 31 March 2016	**(455)**	**(1,574)**	**(56)**	**(780)**	**(2,865)**
Net book value					
At 31 March 2016	**8,239**	**786**	**45**	**231**	**9,301**
At 31 March 2015	8,330	609	65	292	9,296

16. Other tangible fixed assets (continued)

The net book value of office buildings may be further analysed as:

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Freehold	**8,925**	9,016	**8,239**	8,330
	8,925	9,016	**8,239**	8,330

17. Investment properties

Group	Commercial £'000	Total £'000
At 1 April 2015	1,500	1,500
Additions	11	11
Revaluations	89	89
At 31 March 2016	**1,600**	**1,600**

All investment properties are held within Outward Housing.

The freehold property in East Sussex was last valued, on an open market basis, on 22 April 2016 by an external firm Bilfinger GVA Chartered Surveyors, Retail, hotels and leisure branch. Bilfinger GVA are RICS general valuers and undertook the valuation in accordance with the RICS Valuation Professional Standards UK January 2014 (revised April 2015).

The property was valued as a specialised property used for leisure purposes and method of valuation gave weighting to stabilised earnings, based on historic turnover and potential future turnover based on the current price list and discount structure, at a capitalisation rate of 10.5% and to comparable local sales and properties offered for sale, in particular holiday units and one-bed flats. More weighting was given to the latter method.

It was assumed the property has good title and is free from onerous or restrictive covenants and obligations, restrictions and statutory notices and was described as being in excellent condition and not subject to backlog maintenance.

The surplus on revaluation of investment property arising of £89,000 (2015 – £46,000) has been credited to the Statement of Comprehensive Income for the year.

If investment property had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	Group 2016 £'000	Group 2015 £'000
Historic cost	**1,882**	1,871
Accumulated depreciation	**(446)**	(418)
	1,436	1,453

18. Fixed asset investments

Details of subsidiary undertakings, associated undertakings

The principal undertakings in which the Association has an interest in are as follows:

Name	Country of incorporation or registration	Proportion of voting rights/ ordinary share capital held	Nature of business	Nature of entity
Subsidiary undertakings				
NewlonInvest	England	100%	Dormant	Limited company
Outward Housing	England	100%	Provision of community support services	Registered charity
Access Homes Housing Association Limited	England	100%	Registered provider of social housing	Registered provider of social housing
Newlon Fusion Limited	England	100%	Community services	Registered charity
FPHFP*	England	100%	Community services for homeless persons	Registered charity
NewlonBuild Limited	England	100%	Development company	Limited company

*FPHFP is a subsidiary of Outward Housing, all other subsidiaries are 100% wholly owned by the Parent being Newlon Housing Trust.

19. Properties for sale

Group and Association	First tranche Shared Ownership properties 2016	Total 2016	Total 2015
	£'000	£'000	£'000
Work in progress	5,804	5,804	1,025
Completed properties	616	616	9,461
	6,420	6,420	10,486

Properties developed for sale include capitalised interest of £579,000 (2015 – £ 379,000).

20. Debtors

	Group 2016 £'000	Group 2015 £'000	**Association 2016 £'000**	Association 2015 £'000
Due within one year				
Rent and service charge arrears	**3,215**	2,806	**2,699**	2,436
Less: Provision for doubtful debts	**(887)**	(1,101)	**(872)**	(1,084)
	2,328	1,705	**1,827**	1,352
Amounts owed by Group undertakings	**-**	-	**69**	444
Other debtors	**1,773**	2,710	**563**	1,387
Prepayments and accrued income	**969**	629	**802**	650
Taxation	**47**	159	**47**	159
	5,117	5,203	**3,308**	3,992
Due after one year				
Other debtors	**284**	-	**284**	-
	5,401	5,203	**3,592**	3,992

21. Current asset investments

	Group 2016 £'000	Group 2015 £'000	**Association 2016 £'000**	Association 2015 £'000
Opening fair value	**6,000**	39,000	**5,000**	38,000
Purchases	**10,000**	-	**10,000**	-
Sales	**(1,000)**	(33,000)	**-**	(33,000)
Fair value	**15,000**	6,000	**15,000**	5,000

All current asset investments are short term fixed time deposits held with Lloyds Bank PLC which earn interest at 41 basis points.

22. Creditors: amounts falling due within one year

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Loans and borrowings (note 27)	3,491	1,553	3,397	1,478
Trade creditors	927	3,125	571	936
Rent and service charges received in advance	1,530	1,528	1,245	1,251
Amounts owed to group undertakings	-	-	5,241	978
Taxation and social security	452	507	222	199
Other creditors	2,361	4,386	2,053	4,204
Deferred capital grant (note 24)	3,842	3,842	3,777	3,777
Recycled capital grant fund (note 25)	2,060	691	1,845	553
Disposal proceeds fund (note 26)	181	-	181	-
Accruals and deferred income	10,681	5,106	6,610	4,872
Accrued interest	3,969	4,159	3,969	4,159
Leasehold maintenance	1,422	1,196	1,216	1,048
	30,916	26,093	30,327	23,455

23. Creditors: amounts falling due after more than one year

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Loans and borrowings (note 27)	461,550	457,405	458,207	453,971
Deferred capital grant (note 24)	420,603	425,230	413,592	418,080
Recycled capital grant fund (note 25)	5,630	5,137	5,519	4,908
Disposal proceeds fund (note 26)	988	1,410	988	1,410
Pension scheme deficit liability	618	410	-	-
Service charge creditors	748	675	-	-
	890,137	890,267	878,306	878,369

Housing loans from Banks, Bondholders and other private lenders are secured by specific charges on the Trust's housing properties. The loans are at differing fixed and variable rates of interest between – 0.8% and 11.5% per annum. These loans are repayable over their life as set out in note 27.

24. Deferred capital grant

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
At 1 April	**429,072**	433,085	**421,857**	425,773
Grants received during the year	**1,225**	3,177	**1,225**	3,177
Grants recycled from the recycled capital grant fund/ disposal proceeds fund	**1,685**	516	**1,685**	516
Grants recycled to the recycled capital grant fund/ disposal proceeds fund	**(3,260)**	(2,716)	**(3,164)**	(2,704)
Released to income during the year	**(436)**	(1,202)	**(457)**	(1,181)
Grant amortised during the year	**(3,841)**	(3,788)	**(3,777)**	(3,724)
At 31 March	**424,445**	429,072	**417,369**	421,857

Deferred capital grant	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Due within one year (note 22)	**3,842**	3,842	**3,777**	3,777
Due in more than one year (note 23)	**420,603**	425,230	**413,592**	418,080
At 31st March	**424,445**	429,072	**417,369**	421,857

25. Recycled capital grant fund

Group **Funds pertaining to activities within areas covered by:**	HCA 2016 £'000	HCA 2015 £'000
At 1 April 2015	**5,828**	3,414
Inputs to fund:		
- grants recycled from surplus on disposal of fixed asset	**-**	-
- grants recycled from deferred capital grants	**3,193**	2,591
- interest accrued	**37**	23
Recycling of grant:		
- new build	**(1,368)**	(200)
At 31 March	**7,690**	5,828

Association	HCA 2016	HCA 2015
Funds pertaining to activities within areas covered by:	£'000	£'000
At 1 April 2015	5,461	3,061
Inputs to fund:		
- grants recycled from surplus on disposal of fixed asset	-	-
- grants recycled from deferred capital grants	3,096	2,577
- interest accrued	37	23
- transfers from other Group members	138	-
Recycling of grant:		
- new build	(1,368)	(200)
At 31 March 2016	7,364	5,461

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

Recycled capital grant fund	Group 2016	Group 2015	Association 2016	Association 2015
	£'000	£'000	£'000	£'000
Due within one year (note 22)	2,060	691	1,845	553
Due in more than one year (note 23)	5,630	5,137	5,519	4,908
At 31st March	7,690	5,828	7,364	5,461

26. Disposal Proceeds Fund

Association and Group	HCA 2016	HCA 2015
Funds pertaining to activities within areas covered by:	£'000	£'000
At 1 April 2015	1,410	814
Inputs to fund:		
- funds recycled from deferred capital grants	68	127
- funds recycled from statement of comprehensive income	-	-
- net PRTB receipts	-	779
- interest accrued	8	6
Use / allocation of funds:		
- new build	(317)	(316)
At 31 March 2016	1,169	1,410

Withdrawals from the disposal proceeds fund were used for approved works to existing housing properties.

Disposal proceeds fund	Group 2016	Group 2015	Association 2016	Association 2015
	£'000	£'000	£'000	£'000
Due within one year	181	-	181	-
Due in more than one year	988	1,410	988	1,410
At 31st March	1,169	1,410	1,169	1,410

27. Loans and borrowings

Maturity of debt:

Group	Bank loans 2016 £'000	Other loans 2016 £'000	Total 2016 £'000
In one year or less, or on demand	3,491	-	3,491
In more than one year but not more than two years	836	-	836
In more than two years but not more than five years	11,084	-	11,084
In five years or more	349,630	100,000	449,630
	365,041	100,000	465,041

Group	Bank loans 2015 £'000	Other loans 2015 £'000	Total 2015 £'000
In one year or less, or on demand	1,553	-	1,553
In more than one year but not more than two years	4,174	-	4,174
In more than two years but not more than five years	8,091	-	8,091
In five years or more	345,140	100,000	445,140
	358,958	100,000	458,958

Association	Bank loans 2016 £'000	Other loans 2016 £'000	Total 2016 £'000
In one year or less, or on demand	3,397	-	3,397
In more than one year but not more than two years	742	-	742
In more than two years but not more than five years	10,763	-	10,763
In five years or more	346,702	100,000	446,702
	361,604	100,000	461,604

Association	Bank loans 2015 £'000	Other loans 2015 £'000	Total 2015 £'000
In one year or less, or on demand	1,478	-	1,478
In more than one year but not more than two years	4,080	-	4,080
In more than two years but not more than five years	7,789	-	7,789
In five years or more	342,102	100,000	442,102
	355,449	100,000	455,449

During the year, the Group made a £40m drawdown of variable Libor rate funds from Santander under a term facility finally repayable in 2040. Subsequently the Group voluntarily prepaid a Dexia loan in full amounting to £33.2m of which, £20m was at a fixed rate of 4.72%, the remainder being at variable Libor rates. The repayment of the fixed rate portion resulted in a breakage cost of £5.2m being incurred.

Housing loans from Banks, Bondholders and other private lenders are secured by specific charges on the Trusts housing properties. The loans are at different fixed and variable rates of interest between – 0.8% and 11.5% per annum.

At 31 March 2016 the Group had undrawn loan facilities of £43m (2015 – £76m).

Total issue cost included in the loan books was £2,651k for 2016 (2015 – £2,680k).

28. Financial instruments

The Group's and Association's financial instruments may be analysed as follows:

	Group 2016 £'000	Group 2015 £'000	**Association 2016 £'000**	Association 2015 £'000
Financial assets				
Financial assets measured at fair value				
- Investment properties	**1,600**	1,500	**-**	-
Financial assets measured at historical cost				
- Rental debtors	**3,215**	2,806	**2,699**	2,436
- Other receivables	**2,057**	2,710	**847**	1,387
- Prepayments and accrued income	**969**	629	**802**	650
- Taxation	**47**	159	**47**	159
- Cash and cash equivalents	**59,673**	38,010	**52,469**	28,552
Total financial assets	**65,961**	44,314	**56,864**	33,184
Financial liabilities				
Financial liabilities held at fair value				
- Loans payable	**12,265**	11,825	**12,265**	11,825
Financial liabilities held at amortised cost				
- Loans payable	**452,776**	447,133	**449,339**	443,624
Financial liabilities held at historical cost				
- Trade creditors	**927**	3,125	**571**	936
- Other creditors	**30,640**	25,205	**29,089**	23,582
- Deferred capital grant	**424,445**	429,072	**417,369**	421,857
Total financial liabilities	**921,053**	916,360	**908,633**	901,824

Financial assets measured at fair value through profit or loss comprises fixed asset investments in properties owned by Outward, namely Nutley Edge Cottages.

Financial assets measured at historic cost comprise rental debtors and other debtors.

Financial liabilities measured at historic cost comprise trade creditors and other creditors.

Financial liabilities measured at amortised cost include bank loans.

To reduce volatility in interest costs the Group selectively contracted interest rate Swaps in loan agreements where floating rate Libor on loans was exchanged for fixed rates of between 4.2% and 5.4% per annum. The Group also entered into inflation Swaps embedded in certain loan agreements where interest rates are linked to RPI instead of Libor to match RPI related rental income to interest costs. Under FRS 102 these are classed as 'Non Basic' financial instruments and accounted for at fair value.

In addition, the Group has entered into 'standalone' interest rate Caps matched to specific loans to limit interest costs and it has also entered into an embedded cancellable Swap to exchange floating rate Libor for a fixed cancellable rate of 4.9% per annum. These are classed as 'Non Basic' financial instruments in accordance with FRS 102.

They had a total fair value movement of £0.4m (2015: £6.7m) at the balance sheet date.

The cash flows arising from the interest rate Swaps will continue until their various maturities between 2019 and 2035 which do not extend beyond the maturity dates of the underlying loans.

29. Provisions for liabilities

Group and Association	Temporary Housing	Dilapidations	Major repairs on stock transfer	Total
	£'000	£'000	£'000	£'000
At 1 April 2015	51	28	1,444	1,523
Utilised in year	(51)	(28)	(291)	(370)
At 31 March 2016	-	-	1,153	1,153

As at 31 March 2016, there are on-going works to an existing property. Remedial works and associated professional fees will be incurred as a result. It is expected that the provision will unwind within the next twelve months.

The major works provision relates to costs associated with a constructive obligation that existed at the balance sheet date in respect of essential rectification scheme works approved by the Board.

30. Pensions

Outward Housing participates in the multi-employer Social Housing Pension Scheme and also makes available a defined contribution scheme, through Scottish Widows, to its staff. Employer contributions match those of the employee and are in the range of 5% to 7%.

Those staff who are not otherwise members of a pension scheme are enrolled automatically into a defined contribution scheme also offered by the Social Housing pension scheme. Employer and employee contributions are currently set at 1%.

There is a group of staff who have transferred in to Outward under TUPE regulations and remain members of local government and other pension schemes.

Multi-employer Social Housing Pension Scheme (the scheme)

The company participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

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

Deficit contributions

Tier 1	
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1st April)

Tier 2	
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1st April)

Tier 3	
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3% each year on 1st April)

Tier 4	
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3% each year on 1st April)

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

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

Scottish Widows defined contribution scheme

During the year employer contributions of £493k (2015: £465k) were charged to income and expenditure and at 31 March 2016 170 staff (2015: 168 staff) were in the scheme.

Social Housing Pension Scheme defined contribution (auto-enrolment)

During the year employer pension deficit contributions of £248k (2015: £34k) were charged to income and expenditure and at 31 March 2016 382 staff (2015: 301 staff) were in the scheme.

Local government and other schemes

During the year employer contributions of £31,311 (2015: £24,329) were charged to income and expenditure and at 31 March 2016 7 staff (2015:4 staff) were in the schemes.

31. Share capital

	2016	2015
	£'000	£'000
At 1 April and 31 March	30	30

The share capital of the association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of the association. Therefore, all shareholdings relate to non-equity interests.

32. Contingent liabilities

The association has not guaranteed any bank borrowings of its subsidiaries.

As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements.

The Group has disclosed contingent liabilities where there is a possible but uncertain obligation to repay Social Housing Grant in the future.

Actual payment is contingent upon future disposal of housing properties for which the grant was received.

	Group 2016	Group 2015	Association 2016	Association 2015
	£'000	£'000	£'000	£'000
Grant amortised	59,777	55,936	58,791	55,014

33. Operating leases

The Group and the association had minimum lease payments under non-cancellable operating leases as set out below:

	Group 2016	Group 2015	**Association 2016**	Association 2015
Amounts payable as Lessee	**£'000**	£'000	**£'000**	£'000
Not later than 1 year	**30**	30	**5**	4
Later than 1 year and not later than 5 years	**20**	58	**9**	22
Total	**50**	88	**14**	26

The operating leases above are for photocopying and vending machines. There are no other significant leasing arrangements with third parties.

Amounts to be received as lessor:

The Group's total future minimum lease receipts under non-cancellable operating leases is as follows for each of the following periods:

	Group 2016	Group 2015	**Association 2016**	Association 2015
	£'000	£'000	**£'000**	£'000
Less than one year	**51,515**	51,002	**51,004**	48,043

The above details the amounts to be received from Newlon Housing Trust's tenants of all tenure types within the next year.

34. Capital commitments

	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Commitments contracted but not provided for:				
Construction	**22,601**	26,009	**22,601**	26,009
Commitments approved by the Board but not contracted for:				
Construction	**93,756**	94,701	**93,756**	94,701
	116,357	120,710	**116,357**	120,710

All capital commitments will be financed by Social Housing Grant, private loans and internally generated funds. Newlon Housing Trust currently has loan facilities of £496m in place. At 31 March 2016 Newlon had undrawn facilities totalling £43m. In addition the Trust has over £52m of cash resources. Therefore sufficient funds are available to finance the commitments stated above.

35. Related party transactions

The Board of Newlon Housing Trust includes tenant representatives. Transactions between these individuals and Newlon Housing Trust are in accordance with the Trust's normal terms.

Transactions with non regulated entities

Payable to Association by subsidiaries:	Service level agreements 2016 £'000	Service level agreements 2015 £'000	Other charges 2016 £'000	Other charges 2015 £'000	Intercompany balance 2016 £'000	Intercompany balance 2015 £'000
Outward Housing	**476**	424	**2,389**	2,334	**426**	(64)
Newlon Fusion	**131**	156	**26**	100	**(1)**	12
NewlonBuild Limited	**18**	300	**941**	40,581	**1**	450
	625	880	**3,356**	43,015	**426**	398

Service level agreements

The Service Level Agreement relates to a percentage of payroll cost associated with each subsidiary as well as a percentage recharge of attributable overheads.

Department	By reference to
Finance	Headcount
IT	Workstation
Facilities	Workstation
Executive	Staff time

Other charges

Outward: Other charges related to the rent and properties owned by Newlon but managed by Outward Housing.

Newlon Fusion: Other charges relates to funding paid by the Trust to further Newlon Fusion community development work.

NewlonBuild: NewlonBuild applies margins ranging from 1% to 5% on sales made to Newlon.

Gift Aid

Access Homes paid a total of £600k in gift to Newlon Housing Trust.

36. Capital and reserves

Revaluation gains of £89k were recognised on property investments, known as Nutley edge Holiday Cottages, valued at £1.6m, on an open market basis by an independent third party valuer.

37. Post balance sheet event

There are no post balance sheet events.

38. First time adoption of FRS 102

Group	Note	Reserves as at 1 April 2014	Surplus for year ended 31 March 2015	Reserves as at 31 March 2015
		£'000	£'000	£'000
As previously stated under former UK GAAP		62,116	10,515	72,631
Transitional adjustments				
Depreciation on housing assets	a	(43,167)	(3,028)	(46,195)
Release of Social Housing Grant	a	52,146	3,790	55,936
Holiday pay accrual	b	(95)	(5)	(100)
Revaluation to fair value of investments	c	46	46	92
Financial instruments at fair value	d	(5,134)	(6,691)	(11,825)
Pension re: Outward SHPS	e	(415)	5	(410)
Transfer from other fixed asset	f	(1,453)	-	(1,453)
Transfer to investment properties	f	1,453	-	1,453
Land bank (stock)	g	(3,986)	-	(3,986)
Housing properties	g	3,986	-	3,986
As stated in accordance with FRS 102		65,497	4,632	70,129

Association	Note	Reserves as at 1 April 2014	Surplus for year ended 31 March 2015	Reserves as at 31 March 2015
		£'000	£'000	£'000
As previously stated under former UK GAAP		52,015	10,049	62,064
Transitional adjustments				
Depreciation on housing assets	a	(42,869)	(2,987)	(45,856)
Release of Social Housing Grant	a	51,290	3,724	55,014
Holiday pay accrual	b	(50)	(5)	(55)
Financial instruments at fair value	b	(5,134)	(6,691)	(11,825)
Land bank (stock)	g	(3,986)	-	(3,986)
Housing properties	g	3,986	-	3,986
As stated in accordance with FRS 102		55,252	4,090	59,342

Explanation of changes to previously reported profit and equity

a. FRS 102 stipulates that Social Housing Grant can no longer be offset against housing property within fixed assets. The impact of this is an increase in the housing property depreciation charge and amortised grant income in the statement of comprehensive income.

   Grants relating to revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate once performance related conditions have been met. Grants due from government organisations or received in advance are included as current assets or liabilities.

   The effect on the 1 April 2015 statement of financial position is the movement of £485m Social Housing Grant to reserves and £424m to long term creditors.

b. Under FRS 102, the liability attributable to holiday pay or any other employee entitlements is provided for through the statement of comprehensive income and recorded as a provision in the statement of financial position.

c. FRS 102 requires that changes in the fair value of investments properties be recognised in the statement of comprehensive income for the period. Under previous UK GAAP these changes were recognised outside of profit or loss and presented separately in a revaluation reserve.

   This change has increased reported surplus for the year ended 31 March 2015 and increased the value of the investment properties on the balance sheet.

d. Section 12 of FRS 102 allows for any change in fair value of hedged financial instruments to be recognised within other comprehensive income.

   For the 1 April 2014 balance sheet, the fair value adjustment was £5.1m which increased the loan liability and resulted in the creation of a fair value hedge reserve.

   For the 31 March 2015 balance sheet, the fair value adjustment increased long term creditors by £6.7m. £6.7m is recognised within other comprehensive income relating to the change in fair value of hedged derivative instruments.

e. SHPS is a multi-employer defined benefit scheme where liability can not be attributed to individual employers. FRS 102 requires that a liability is recognised for any agreed deficit funding plan. This is recognised through the statement of compressive income and recorded as a liability in the statement of financial position.

f. Section 16 of FRS 102, requires that properties held by owner to earn rentals or for capital appreciation or both be accounted for as investment property and held at valuation.

g. SORP 2014 requires that land should be accounted for based on its intended use. Where land is acquired for the provision of social housing or for a social benefit it must be accounted for as part of fixed assets.

Executive Team

Mike Hinch

Group Chief Executive

Rita Akushie

Deputy Chief Executive and Group Finance Director

Barbara Duff

Corporate Services Director and Company Secretary

Caroline Pennock

Business Development Director

Bill Henderson

Housing Services Director

Mark Newstead

Property Services Director

Peter Little

Group Director Supported Housing and Care

Board Members serving during the year

Sarah Ebanja

Chair

Steve Hitchins

Vice Chair

Steve Akeju

Mike Hinch

Martin Hughes

Catherine Ross

Maria Grogan

Jackie Ballard

Nicola Bastin

Fred Angole

Newlon House - 4 Daneland Walk - Hale Village - London - N17 9FE
T: 020 7613 8000
E: customerservice@newlon.org.uk
www.newlon.org.uk

Newlon Housing Trust is a charitable housing association

Group Chief Executive: Mike Hinch   Chair: Sarah Ebanja

Newlon Housing Trust is registered with the Homes and Communities Agency L0006, Inland Revenue charity no. X21906/1, Community Benefit Society 18449R

Access Homes HA Ltd is registered with the Homes and Communities Agency SL3605, Community Benefit Society 24992R.

Outward Housing, trading as Outward, is a company limited by guarantee, Company no. 2151434, Registered charity no. 800529.

Newlon Fusion is a company limited by guarantee, Company no. 4000022, Registered charity no. 1119673.

NewlonBuild Ltd is a registered company, Company no. 7884092.

Finsbury Park Homeless Families Project is a company limited by guarantee, Company no. 2879813, Registered charity no. 1030970.

NewlonInvest is a private limited company, Company no. 09492006.