newlon
HOUSING TRUST

REPORT AND FINANCIAL STATEMENTS

2016/2017

Goodman's Fields, Tower Hamlets, E1. Front cover shows view from the development.

Contents

Executives and advisors for the year ended 31 March 2017

The Board

Sarah Ebanja	Chair
Steve Hitchins	Vice Chair
Steve Akeju	Resigned September 2016
Mike Hinch	Appointed Executive
Martin Hughes	Appointed resident
Catherine Ross	Resigned September 2016
Maria Grogan	
Jackie Ballard	
Nicola Bastin	
Fred Angole	
John Cross	Appointed August 2016
Matt Campion	Appointed October 2016

Executive management

Mike Hinch	Group Chief Executive
Rita Akushie	Deputy Chief Executive/ Group Finance Director Resigned March 2017
Barbara Duff	Corporate Services Director (Company Secretary)
William Henderson	Housing Services Director
Caroline Pennock	Business Development Director
Peter Little	Group Director Supported Housing and Care
Mark Newstead	Property Services Director

Company Secretary and registered office

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

Audit & Risk Committee

Fred Angole	Chair
Maria Grogan	
Nicola Bastin	
Asari 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 2017

I am pleased to report that Newlon Housing Trust and the Newlon Group enjoyed another successful year in 2016/2017 despite the continuing challenging environment.

We have maintained our excellent record of governance and viability including retaining our G1 and V1 ratings. We also delivered a healthy surplus to reinvest in providing more new affordable homes, improving services and ensuring we can prudently balance investment in housing against our lenders' requirements.

In order to be able to invest more in providing much needed new affordable housing we are now working on our first ever private sale homes, as part of a landmark development in Waltham Forest.

We are making excellent progress with our aim of providing a further 2,000 new affordable homes between 2013 and 2022. More than 1,600 have either already been delivered or are currently on-site or confirmed in our development pipeline.

At the start of the previous financial year we introduced an innovative new service model, moving away from a traditional housing management approach. I am pleased to report that this is continuing to bear fruit with really positive customer satisfaction results over the year and improvements across a range of key performance areas for the second successive year.

As a Board we are committed to fostering a Value for Money culture across the Newlon Group as this is critical to successfully navigating the next few years. As part of this we have committed to developing provision of digital services and this will be a significant focus for the Group over the next year. In the past year we have taken a significant step forward with over 70% of residents receiving their rent statements and newsletters electronically.

2016/2017 was the first year of operation for our new Community Services team and I am pleased to say that they enjoyed a successful year. Highlights included the opening of a new community garden on the Barnsbury Estate, winning a second Sport Islington Award for the Barnsbury women's health and lifestyle initiative and our in-house work experience scheme for residents looking for work.

I am proud that our work has been acknowledged by winning a number of awards. This includes winning the Best New Affordable Housing Scheme of the Year for our Cannon Road regeneration project in Inside Housing's Top 60 Development Awards and a National Learning Disabilities & Autism Award for the Group's Selwyn Road scheme.

The overall operating environment remains complex, but we continue to be well placed to grow and provide the services our residents and customers need and I am looking forward to another strong year ahead.

Sarah Ebanja
Chair

Date: 12 July 2017

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 nearly 50 years, we now own and manage nearly 8,000 homes. At the year end, there were 493 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 for people with learning disabilities or those on the autistic spectrum.
- Developing and delivering new high quality affordable homes to meet the urgent housing need that 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 Self Assessment

Part 1 – Introduction by the Chair

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

We have always sought to balance the priorities of current and future residents, making sure we look after our customers well but also doing as much as we can to increase the supply of affordable housing. Delivering good Value for Money is central to achieving those aims and has always been a priority of the Newlon Board. We have tried to find the right balance of resources to ensure we provide good quality reliable services and continue to build the new homes that are badly needed in north and east London.

We welcome the HCA's focus on unit costs and the new Sector Scorecard, and we have used these tools to help shape our assessment this year. We think that together they provide a sensible framework to assess VFM – one that broadly aligns with the principles and performance indicators that we have focused on in our previous VFM Self Assessments.

Overall, the Board are satisfied that Newlon's costs compare well to other London providers. Our healthy development pipeline, improving performance and increasing resident satisfaction indicate to the Board that we can achieve growth and improvement whilst continuing to make the business more efficient.

So, when agreeing a new VFM Strategy in September, we did not feel like there was a need for a significant change of direction, instead we are looking to consolidate and build on the good work that has been done over the past five years. We will continue to focus on core objectives of delivering new homes and good quality, reliable services. We will also continue to examine costs carefully and use technology to improve internal efficiency and enhance the customer experience.

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. We have preserved the format and many of the elements of previous self-assessments in an effort to be transparent.

We think this assessment demonstrates the progress we have made whilst being honest about the areas where we face challenges and credible in the actions it proposes.

Part 2 – Value for Money 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 development whilst improving residents' 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]

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.

[1]Compared to other London providers.

Our strategy in brief

The table below provides an overview of the objectives in our VFM Strategy, recaps what we said in last year's self-assessment and summarises our current position.

Objective	What we said last year	Where are we now?
We will maximise the potential of our existing resources and identify suitable partnerships to deliver more high quality homes.	Overall, we were progressing well towards our target of delivering 2,000 new homes over a 10 year period. However, we felt an increasingly competitive market would make it harder to secure the schemes we needed to meet our target by 2023.	Despite a challenging market we have a pipeline of 800 new homes confirmed and this keeps us on track to meet growth targets.
We will provide good quality services and improve satisfaction without exceeding the London median for housing management costs.	There were positive signs that investment in customer services was translating into increased resident satisfaction but the Board had been disappointed by the performance of the new repairs contractor.	2016/17 was a good year for us in terms of service performance. Resident satisfaction has increased substantially over the past two years. We have driven improvement in our repairs service and we are now consistently meeting targets.
We will seek to maximise return on our current assets whilst maintaining a tenure mix that fulfils our charitable mission.	We need to demonstrate how we intend to implement a more holistic strategy and set targets around overall stock performance.	We have greatly improved our property condition database through a large programme of surveys and agreed a new approach to asset management. At the time of writing, our Board was awaiting a stock validation report before approving the new Asset Management Strategy in September.
We will aim for our costs to be consistently within the lowest 25% of London providers.	We will use the HCA Unit Cost Index as a tool to help us scrutinise our costs and processes and ensure we are delivering Value for Money compared to our peers.	We further reduced our headline unit costs in 2016/17 and we are now amongst the lowest cost providers in London. This low cost base gives the Board scope to make decisions about investment in asset management and IT in 2017/18.

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 delivering their promises on performance and Value for Money (VFM). 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 VFM 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.
Professional procurement	We carry out a regular spend analysis 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 rules.
Performance management	Our Residents' Services Committee meets four times a year to review performance, monitoring agreed key indicators including VFM measures around rent collection, voids and satisfaction. Reports are also presented to residents at our regular Residents' 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.
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.

Part 3 – 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 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.

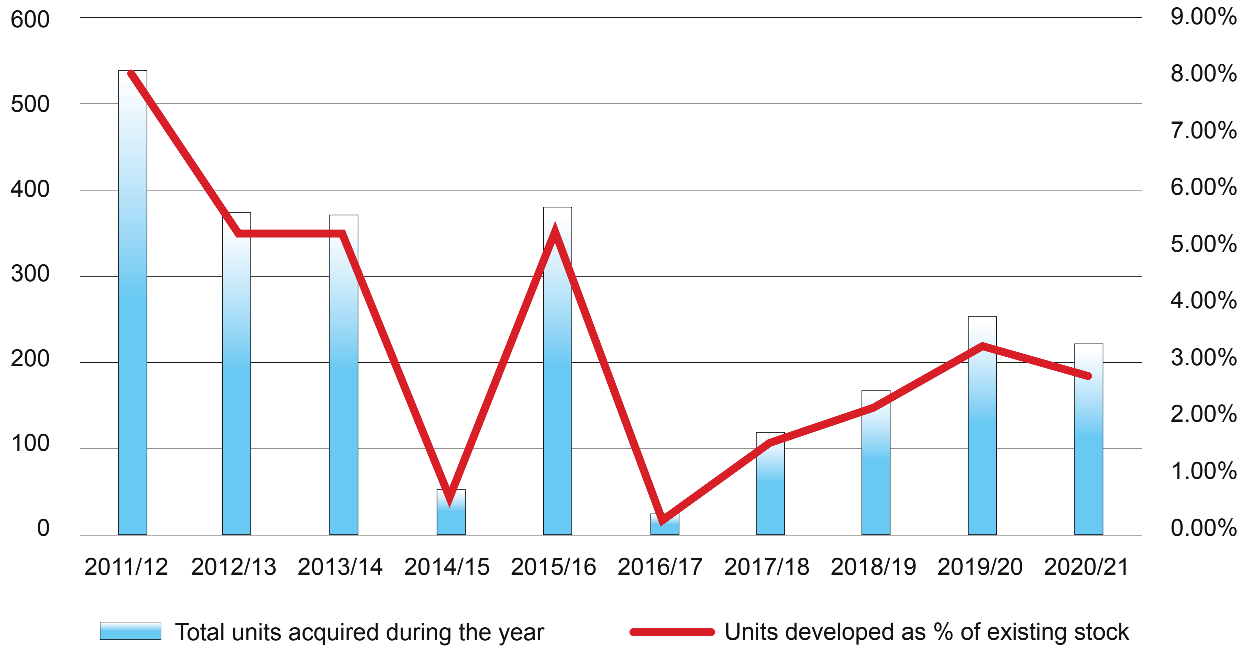
The Board is dedicated to ensuring that Newlon continues to deliver new homes and many of the decisions the Board takes are geared toward ensuring that we can continue to make this contribution.

Since 2000 we have developed thousands of new homes for people in north and east London and delivered massive regeneration projects in Islington and Haringey. Over the past decade we have been consistently amongst the most prolific developers in London. Our ratio of new homes developed as a percentage of existing units is an average of 4% a year since 2011. Like other providers we have had to adjust to cuts in funding for social housing and, although we are currently working on a programme in partnership with the Greater London Authority, the majority of our current development is funded outside of the GLA programme.

In 2012 we set a target of providing 2,000 new homes over ten years and, despite diminishing grant and a lull in our programme over the past couple of years, we are on course to meet that target with in the region of 800 completions expected over the next four years.

The graph below shows our recent development record and the numbers we are already committed to delivering by 2021. We are aware that there may be opportunities to add to these numbers and remain open to the prospect of doing that should viable options be presented.

Units developed actual and as a % of stock



High quality homes

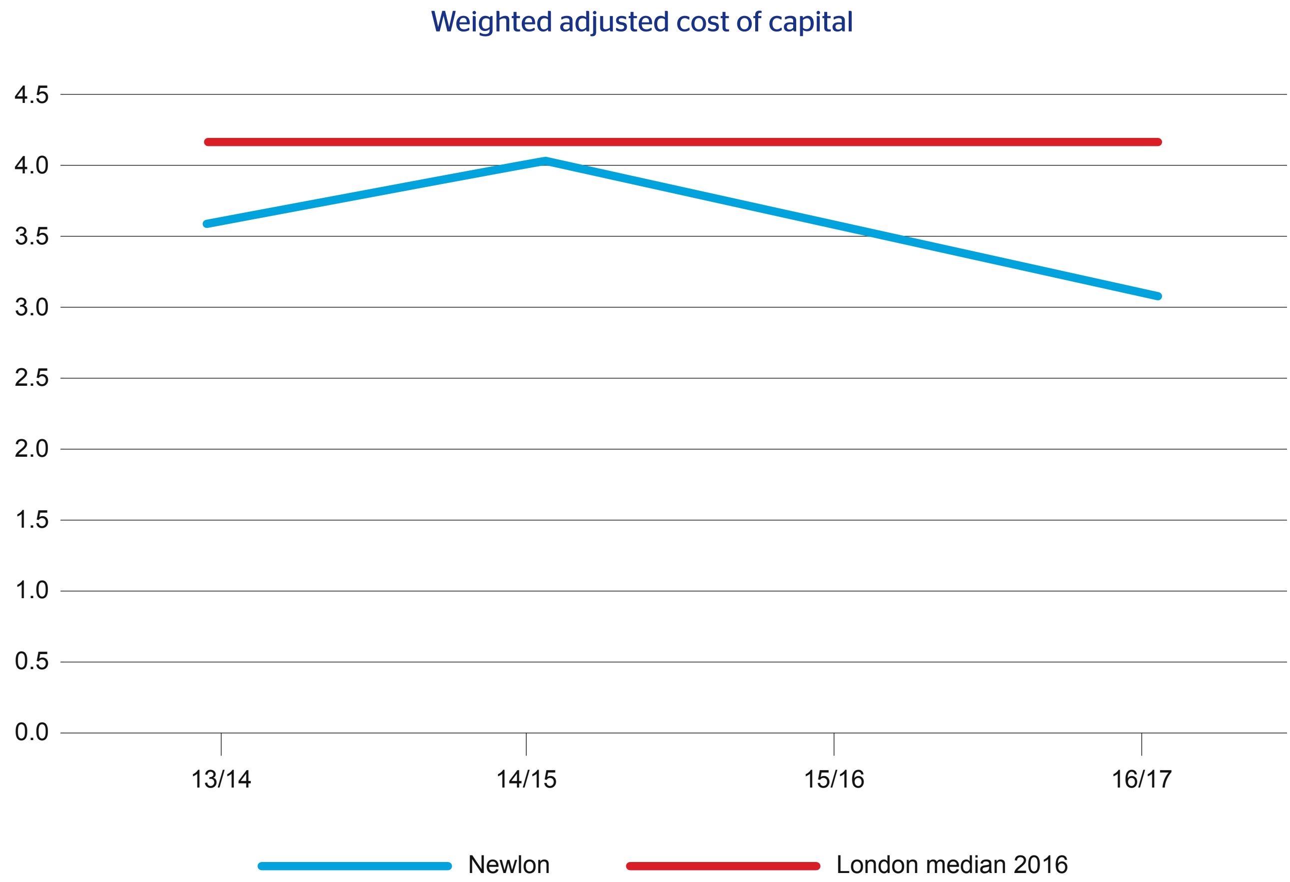
Last year 95% of residents we surveyed reported that they were happy with their new home. This is above the sector average of 86% for housing associations in London and evidence that as well as being in high demand Newlon homes are also high quality.

All our recent developments met the Code for Sustainable Homes Level 4. The installation of combined heat and power systems, photo-voltaic arrays and the use of low-tech sustainability solutions in Newlon dwellings contribute to our wider aims by making housing affordable in use and improving the residents' chances of sustaining tenancies.

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 we reduced this further in 2016/17. 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. The graph below shows our average cost of capital compared to the latest published benchmark available.



Whilst it is important for us to continue to meet our social purpose of increasing the supply of affordable 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 invite independent scrutiny of our viability through maintaining a credit rating. We currently have an A2 credit rating from Moody's, which means that Newlon is considered a 'low credit risk' and has 'a strong ability to pay back short term debt'.

In their latest Credit Opinion, issued in January 2017, they noted the following strengths and weaknesses:

Credit strengths

- Strong operating margins despite policy changes.
- Ample funding position relative to funding requirements.
- Improving interest coverages following debt reduction.
- Strong regulatory framework.

Credit challenges

- High debt to revenue, mitigated by modest gearing levels.
- Commercially-focused development pipeline, albeit moderating capital expenditure.
- Government policy changes make operating environment more challenging for housing associations.

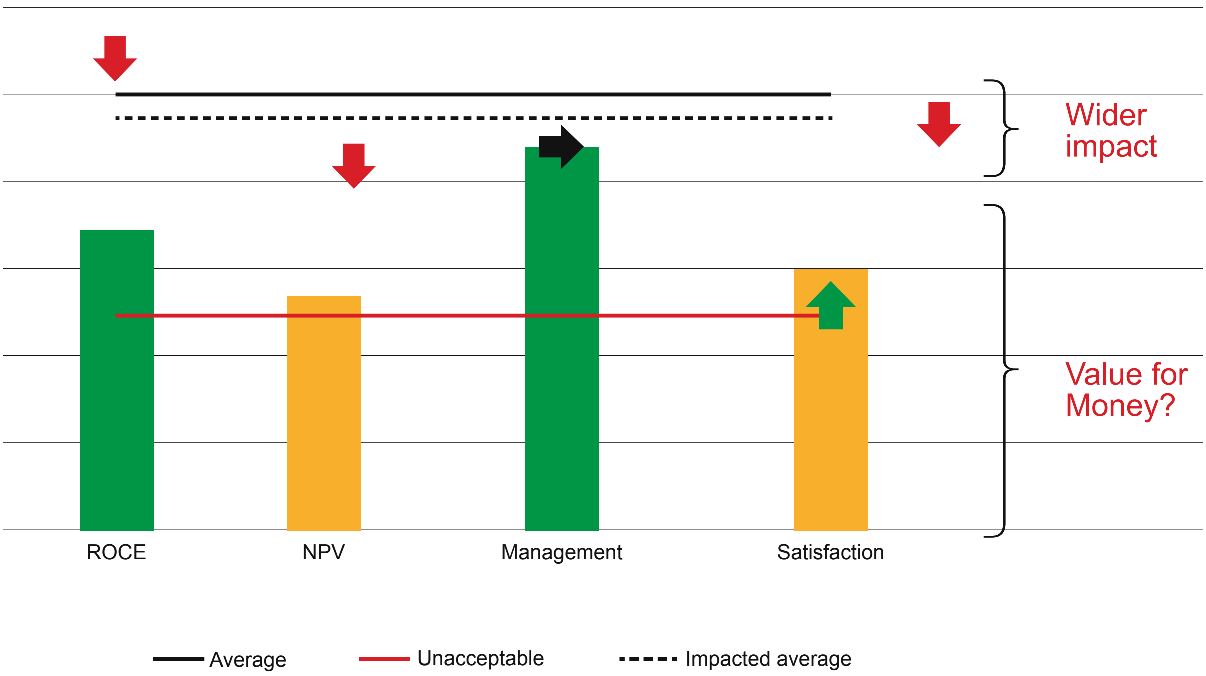
Part 4 – Asset performance

A critical factor in delivering value for money is managing our assets in a way that yields good returns. This means making sensible business decisions about the property portfolio whilst considering the charitable mission of the Trust.

We have spent the past few years working towards developing a more sophisticated understanding of our properties and establishing a suitable appraisal model. We have completed a planned programme of condition surveys and segmented the stock into property groups. We have developed a framework to assess the economic and social returns of each group taking into account the financial performance and residents' satisfaction. We have also used data from our CRM system to evaluate the management effort required for each scheme, looking at a range of factors such as the number and type of resident contracts and the frequency and average cost of repairs.

The new approach will provide the Board with a nuanced picture of each property group, helping them to make informed choices about use of assets by demonstrating the impact of investment decisions both at scheme level and across the whole portfolio. This signals a shift to the much more strategic approach that we have been working towards. It will allow the Board to extend their planning horizon and challenge us to develop more sophisticated long-term strategies not only for asset management but also for development, sales and lettings.

The screenshot of a mock appraisal below demonstrates how the return on capital employed (ROCE) and net present value (NPV) will be modelled against other factors to demonstrate the impact of investment.



We were aiming to approve a new Asset Management Strategy by the end of 2016/17 but this will now go to the Board in September to allow them the opportunity to consider the outcome of an independent validation of stock condition. We have increased the budget for stock investment for 2017/18 to allow the Board the flexibility to implement a full range of options promptly following the meeting in September.

Part 5 – 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 VFM Strategy in 2013, one of the main aims was to improve residents' satisfaction through targeted investment in services. We knew the quality of service was not as good as 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 structures to promote accountability and 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.

2016/17 performance

In last year's assessment we demonstrated how a change of structure from generic housing officers to specialist teams had driven a performance improvement across housing services. We have continued to build on this success and met the majority of our service performance targets in 2016/17.

One area that was singled out by the Board as disappointing last year was responsive repairs where we fell a long way short of our target despite having identified the service as a priority for improvement and invested in an exhaustive process to appoint a new contractor. We are pleased to say that last year we began to make real progress. Despite falling marginally short against our annual target for repairs completed within time, we did exceed the target consistently for the last six months of the year and almost halved the average number of days to complete a repair.

In an independent survey completed in May 2017 almost half the respondents said they thought the repairs service had improved over the past six months, with more than a quarter saying they thought it had got 'a lot better'. We are delighted to see these improvements and must give great credit to our maintenance partner, Wates, who have shown such dedication to working with us to get the service right for Newlon residents.

Performance Indicators

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

	Performance Indicator	2016	2017	Target	Status	Trend
Responsive repairs	% of repairs completed within target – overall	89.1	94.4	95	▲	✓
	Average days to complete a repair	15.7	8.2	10	✓	✓
Estate and property management	% of estates of good or excellent standard	81.7	98.8	90	✓	✓
	Average void turnaround days	32.8	26.4	35	✓	✓
Contact and service	% complaints answered within target – overall	92.7	94.8	90	✓	✓
	% of telephone calls answered	81.0	82.1	85	⯃	✓
Anti-social behaviour	% of residents satisfied with the handling of their ASB complaint	84.0	80.3	75	✓	⯃
	% of ASB cases responded to within target	97.6	98	92	✓	✓

Improvements in performance against management performance indicators correlate with increases in resident satisfaction across all the categories we measure. Our quarterly satisfaction surveys are administered by independent market research specialists who talk to over a thousand Newlon residents a year. This is the third year in a row that we have seen improved performance against the whole range of indicators.

The table below shows tenant satisfaction over the past three years.

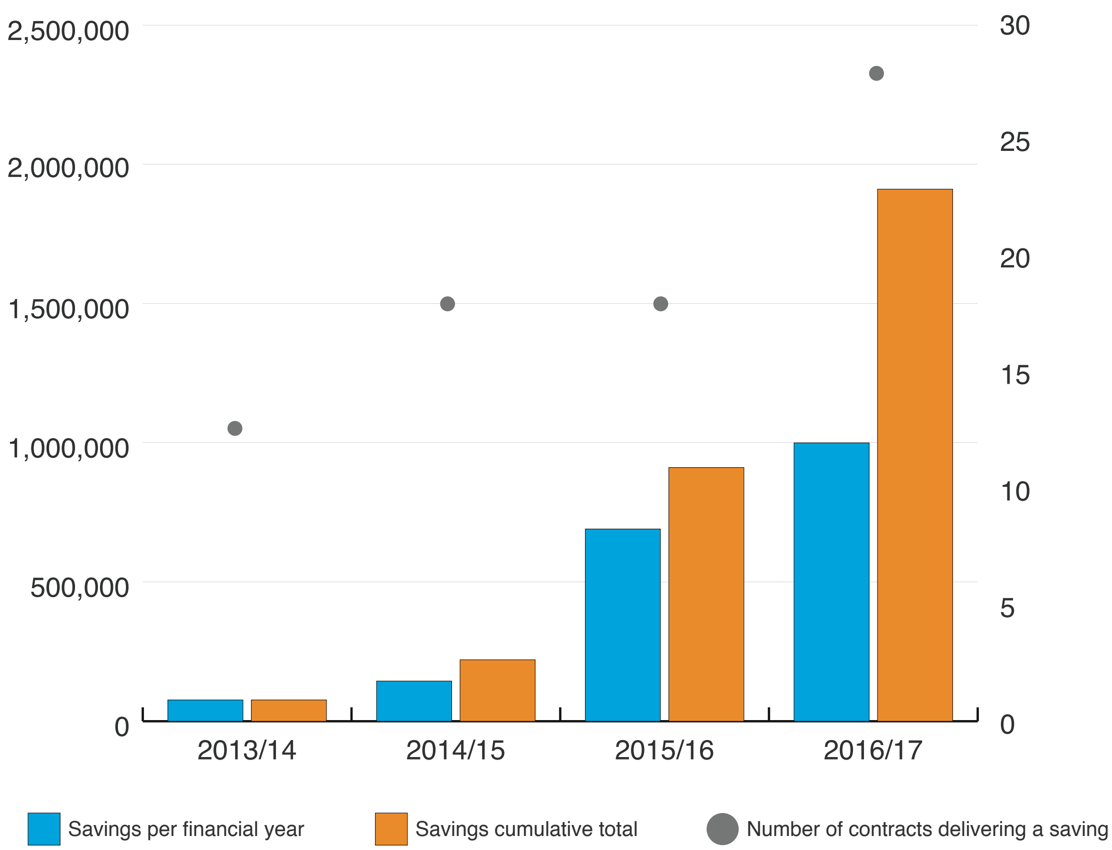
		2014/15	2015/16	2016/17	Change
Overall service	% satisfied	62%	69%	72%	+10%
Condition of home	% satisfied	60%	64%	68%	+8%
Repairs and maintenance (all tenures)	% satisfied	50%	55%	60%	+10%
Listening and acting	% satisfied	48%	54%	59%	+11%
Ability of staff to deal with queries quickly and efficiently	% satisfied	54%	58%	63%	+9%
Helpfulness of staff	% helpful	66%	70%	75%	+9%
Query dealt with first time	% yes	46%	50%	54%	+8%

Satisfyingly, these improvements have been delivered not through pouring more money into services or increasing staff numbers but through sensible changes to structure and process, effective procurement, innovative systems and supporting our staff with the right training and the right IT.

Part 6 – Savings from procurement

We have a central procurement team who analyse what we spend and help departments to plan the best way to buy their goods and services. The table below shows cumulative savings realised since the team was established.

Procurement savings per financial year and cumulative total



In 2016/17 we appointed a new contractor for lift maintenance, making a saving of £250,000 over a five year contract. We also established a framework for construction contractors which provides us with a pool of reliable, fully vetted contractors and a mechanism for benchmarking project costs. This will help us to drive value in our development programme, ensuring competition on each project whilst ensuring we are ready to take advantage of opportunities quickly by reducing project lead times.

Part 7 – Embedding Value for Money

We involve staff and managers across the organisation in delivering VFM as part of the business planning process. Following the announcement of rent cuts in the Chancellor's 2015 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 for 2016/17 and driven through using a redesigned appraisal and performance related pay framework that incentivised staff to deliver both departmental budgets and overall financial targets for the Trust.

As part of the annual planning cycle teams are asked to identify VFM targets, which are then communicated through the appraisal process and used to shape the performance targets of individuals. This approach has promoted the VFM 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 following table.

Business Development	
Complete the re-procurement of Contractors Framework	The new framework is in place and ready for use.
Property Services	
Develop and implement a handyman service for communal repairs.	Since the implementation of the handyman service, there has been a reduction in the number and cost of orders for communal repairs. Analysis has shown the average handyman repair is 40% cheaper than the equivalent repair completed under our main schedule of rates contract.
Fully implement revised invoicing process with main contractor.	Number of invoices from main contractor in 2016/2017 was 188 compared to more than 11,000 for equivalent works in 2014/15.
Identified property groups and developed our asset appraisal model.	This will help us evaluate groups of properties against financial and quality indicators and make decisions about investment, use and disposal of properties.
Housing Services	
Review most costly contracts.	We have negotiated new rates on a number of cleaning contracts, achieving savings of up to 40% on some schemes.
Develop a streamlined lettings process in CRM.	We designed a system that makes better use of data, eliminates manual intervention and form filling and improves internal efficiency.
70% of rent statements emailed.	73% of rent statements were provided electronically by the end of the year.
Implement Live Chat as an alternative to calls.	We have implemented Live Chat and the number of residents opting for this channel is increasing by the month.
Support Services	
Achieve better VFM through procurement of printing and photocopying.	Savings delivered through framework.
Finance Business Partners worked across the business to help deliver budgets.	Departments met their budgets despite reductions in many areas.
Develop an online customer portal to deliver streamlined resident services.	Specification has been agreed and tender is being prepared.
Implemented a new performance related pay system with a focus on meeting budgets.	We implemented a new performance related pay system that helped us to meet financial targets.
Increase the percentage of households receiving an electronic version of the newsletter.	71% of households now receive an electronic version of the newsletter.
Promote digital self-service options to residents.	The number of residents accessing advice online through our Knowledge Base increased by 40% to over 7,000 a year.

Part 8 – Community impact

Our Community Services Team 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 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.

In 2016/17, Newlon invested in campaigns promoting:

- Employment and enterprise opportunities.
- Training and apprenticeships.
- Financial inclusion.
- Digital skills.
- Community health and wellbeing.

We assessed the social value of these interventions 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 these interventions according to HACT.

Activity	Annual budget		Associated outcome/value	People	Total value
IAG Service Employment	£10,000	◆	Secure job	26	£277,079
IAG Service Training	£10,000	◆	General training for job	47	£116,249
Hardship Fund	£30,000	▲	Afford to keep house well decorated	77	£246,069
Welfare benefit advice	£35,000	▲	Able to pay for housing	128	£849,405
IAG Service	£10,000	◆	Apprenticeship	23	£86,573
Community facilities - exercise	£11,520	♥	Frequent moderate exercise	101	£374,204
Community facilities - youth clubs	£12,000	○	Go to youth clubs	48	£66,238
Community facilities - hall hire	£67,000	◆	Regular attendance at voluntary or local organisation	382	£406,311
	£185,520				**£2,422,128**

Part 9 – 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. We have joined the Sector Scorecard pilot and think this is a sensible way to compare our performance with peers. At the time of writing we were still awaiting the first benchmarking of the Sector Scorecard. However, in an effort to put our results in context, we have used the best available comparisons 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 overall sector performance, as a guideline average.

Performance is for the Trust unless otherwise indicated.

Challenges

		Newlon 14/15	Newlon 15/16	Newlon 16/17	Benchmark 15/16	Status	Peer Group
Financial health	Operating Margin Overall	35.1%	38.1%	56.7%	28.4%	✓	Sector
	Operating Margin Social Housing	39.0%	44.0%	48.0%	32.1%	✓	Sector
	EBITDA MRI	86%	111%	250%	159%	✓	Sector
	Gearing	51%	52%	49%	49%		Sector
New homes	Units developed	45	378	13	Not available	N/A	None available
	Units developed as % of units owned	0.63%	5.23%	0.18%	2.40%		London
Outcomes	Satisfied with the service overall	62%	69%	72%	71%	✓	London
	£s invested for £s generated – new housing*	£2.43	£0.49	£1.40	Not available	N/A	None available
	£s invested for £s generated - communities*	£0.03	£0.02	£0.01	Not available	N/A	None available

		Newlon 14/15	Newlon 15/16	Newlon 16/17	Benchmark 15/16	Status	Peer Group
Asset Management	Return on capital employed*	2.74%	3.65%	5.01%	4.20%	✓	Sector
	Occupancy	99.7%	99.8%	99.8%	Not available	N/A	None available
	Ratio of responsive repairs to planned maintenance	42%	61%	41%	61.0%	✓	Sector
Operating Efficiency	Headline social housing cost	£4,178	£3,850	£3,933	£4,990	✓	London
	Management cost per unit	£969	£861	£932	£1,280	✓	London
	Service charge cost per unit	£1,093	£1,214	£1,078	£800	⬣	London
	Maintenance cost per unit	£991	£946	£977	£1,060	✓	London
	Major repairs cost per unit	£972	£614	£771	£750	▲	London
	Other social housing costs	£153	£215	£175	£270	✓	London
	% rent collected	100.37%	98.94%	99.98%	99.77%	✓	London
	Overheads as a % of adjusted turnover	9.8%	10.0%	7.1%	13.2%	✓	London

* Indicates Group figures.

✓ Better than median ▲ Close to median ⬣ Below median

Service costs

After examining our comparative unit costs, one area that the Board has been highlighted as a concern is service costs. Our overall service costs are high on the HCA index and, whilst the Board recognise that this is partly because almost half of our stock is new and requires more services than older buildings, they have indicated that further analysis of our costs and processes should be a priority in 2017/18. We have incorporated this into our business planning for 2017/18 and have already begun taking steps to address the issue by engaging with suppliers where costs are higher than average and beginning to review the processes and structures we have in place to manage service charges.

Resident self-service

We provide some services online but the Board are keen to see a coherent, high-quality self-service portal delivered in 2017/18. We are aware that we could further reduce transaction costs this way but, more than that, we want to provide a self-service option that residents will use out of choice and that can help us to deliver services more swiftly and reliably.

Asset Management

We need to complete our work on the Asset Management Strategy and begin implementing the Board's decisions.

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 2017/18 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 50).

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 ongoing 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 ongoing 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 map 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 and 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 (HCA) 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.

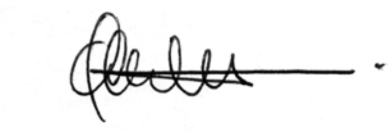
Auditors and AGM

At the date of this report each Board member confirms the following:

- so far as each Board member is aware, there is no relevant information needed by the Trust's auditors in connection with preparing their report of which the Trust's auditors are unaware.
- each Board member has taken all of the steps that they ought to have taken as a Board member in order to make themselves aware of any information needed by the Trust's auditors in connection with preparing their report and to establish that the Trust's auditors are aware of that information.

A resolution to re-appoint BDO LLP as external auditors of the Group will be proposed at the forthcoming Annual General Meeting.

By order of the Board



Christian MacNamara
On behalf of the Company Secretary

Date: 12 July 2017

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 in the capital. 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 two decades the role of housing providers has expanded far beyond providing accommodation for local authority referrals. There are now a wide range of different groups looking for affordable rental or home ownership opportunities. Newlon has responded to the changing market and provides a range of solutions that suit the needs of local people, whether they are young families, public sector workers, first time buyers or older people looking for supported living.

In 2012 we set ourselves a target to deliver 2,000 new homes by 2023. Approaching the midway point of the programme we have delivered 800 and have another 800 already in the pipeline. The programme is a careful blend of affordable home ownership, Intermediate Rent and social rented homes designed to provide a range of housing options. Working across a range of tenures and client groups like this makes sense on a commercial level as it has made the business more profitable and more resilient to changes in the market and in housing policy.

We have a reputation for building good quality housing, which is reflected in strong sales performance, high levels of new customer satisfaction and a track record for winning prestigious industry awards.

To provide reliable, high-quality services to our residents

We aim to provide a range of good quality, Value for Money services to our residents. Our friendly Service Centre staff are supported by a number of specialist teams who focus on getting repairs right, resolving local issues and making sure tenancies are successful.

Over the past few years we have consistently improved services through a strategy of reviewing the structure of our service delivery teams, simplifying processes and investing in technology. This approach has generated significant improvements in performance and higher levels of customer satisfaction without increasing the cost of service delivery.

We will continue to use technology to refine our systems and develop more streamlined services. We believe we can further reduce the cost of service delivery by providing residents with more self-service options and through designing more robust data driven processes.

Meanwhile, we will continue to invest in the kind of community services that help residents make a success of their tenancies. With more welfare reforms set to be introduced in 2017, we will continue to focus investment around activities that have an economic benefit to residents including employment, apprenticeship and training schemes, income maximisation and financial support.

Operational performance and risks

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

	2016/17	2015/16	2014/15
Current rent arrears (13 week average) – days	3.4%	3.77	4.63%
Bad debts written off as a percentage of annual rental income	0.20%	0.69%	0.31%
Void loss as percentage of annual rental income (General Needs)	0.76%	1.43%	1.26%
Rent collection rate (NHT) percentage of total rent	99.98%	98.94%	100.37%
Average relet time (General Needs) – days	26.4	32.8	39.5
Percentage of repairs completed on time	94.4%	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
Changes in the operating environment impact negatively on the Trust, making it more difficult to deliver new homes and be commercially competitive.	The new Business Plan was approved following in-depth planning and stress testing sessions where it proved resilient to a range of adverse scenarios. We retain an A2 credit rating following Moody's most recent assessment in November. The Board are confident risks are managed but understand we need to remain alert in a time of political and, potentially, economic instability.
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.
Less favourable market conditions and increased competition from all sectors result in failure to meet targets in relation to the build and sale of new homes.	The Board is deeply involved in the development of the Business Plan and Growth Strategy and there is considerable scrutiny of the delivery of growth targets. We maintain a diverse development programme and have the option to change tenure mix in the event of a slowdown in sales. For commercial ventures we are looking to establish partnerships where risk and reward are shared.
Changes to welfare benefits impact tenants' ability to pay rent and result in higher rent arrears.	Although it is highly likely that welfare reform will impact rent collection, we have seen reductions in rent arrears over the past few years and the Board are confident that early warning systems are in place to identify emerging problems promptly. Internal auditors carry out quarterly checks of arrears collection. This should alert the Audit and Risk Committee to a dip in the performance. The work of the Community Services team is focused on improving financial outcomes for residents and they work closely with the Income Recovery team, helping residents to maximise benefits, develop skills and find employment.
External factors affect build costs and/or availability of land.	We insure against unexpected rises through fixed price build contracts and a modest land bank. Sessions are held at Board weekends to consider the development programme and operating environment.
The Trust suffers a data loss, corruption or security breach which adversely affects the business.	There is a well thought out security architecture, well developed framework of management controls and regular independent penetration testing. The Audit and Risk Committee sought additional assurance on IT security last year and believe the approach to managing IT security risks is suitably dynamic considering the nature of the risk.

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

	2017	2016
	£m	£m
Income and expenditure account		
Turnover	**92.7**	84.7
Cost of sales	**(2.4)**	(10.8)
Operating costs	**(46.4)**	(47.7)
Operating surplus	**43.9**	26.2
Net interest charges	**(14.8)**	(16.4)
Surplus on sale of assets	**6.4**	9.3
Other	**0.1**	(5.1)
Surplus before tax for the year	**35.6**	14.0

Year ended 31 March:	£m	£m
Balance sheet		
Housing assets (net of depreciation)	**960**	925
Other tangible assets	**11**	11
Net current assets	**34**	39
	1,005	975
Loans due after one year	**462**	462
Deferred capital grant	**417**	421
Other long term liabilities	**7**	8
Reserves	**119**	84
	1,005	975
Statistics		
Operating margin	**47%**	31%
Interest cover (1)	**296%**	160%
Gearing (2)	**46%**	47%
Homes in management	**7,746**	7,734

(1) Interest cover covenant is for the Trust and is defined as operating surplus plus housing depreciation, excluding all sales and amortisation, 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 £462m 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	
	2017	2016	**2017**	2016	**2017**	2016
	£m	£m	**£m**	£m	**£m**	£m
Fixed	**232**	235	**-**	-	**232**	235
Fixed (cancellable option)	**32**	32	**-**	-	**32**	32
Index - linked hedge	**62**	62	**-**	-	**62**	62
Variable	**133**	133	**3**	3	**136**	136
Total drawn (after fair value adjustment)	**459**	462	**3**	3	**462**	465
Total facility	**493**	496	**3**	3	**496**	499

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

Maturity	Group	Trust
	£m	£m
0-1 year	0.8	0.7
1-2 years	2.6	2.5
2-5 years	8.6	8.2
5-10 years	25.5	24.8
10-20 years	377.2	375.1
20-30 years	47.7	47.7

Governance

Newlon is committed to sound corporate governance and has adopted the National Housing Federation (NHF) Code of Governance 2015 and Code of Conduct 2012. The Board confirms the Trust is compliant with both the Code of Governance and Code of Conduct.

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. In addition, an Urgency Committee was constituted during 2016 for any urgent commercial or strategic decisions.

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.

Urgency Committee

The Urgency Committee can take significant decisions which fall outside delegated authority to staff and are time critical. It met once during the year to approve a land purchase.

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 notes 9 and 10 (pages 59 and 60).

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 2017 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 anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

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**.

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 2017 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 24 July 2017

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 2017

	Note	2017	2016
		£'000	£'000
Turnover	4	92,740	84,705
Cost of sales	4	(2,451)	(10,753)
Operating costs	4	(46,387)	(47,732)
Operating surplus	4, 7	43,902	26,220
Surplus on disposal of fixed assets: Housing properties	11	6,416	9,347
Surplus / (deficit) on sale of other fixed assets	11	52	(15)
Other interest receivable and similar income	12	199	251
Interest and financing costs	13	(15,031)	(16,666)
Movement in fair value of investment properties	17	83	89
Other finance costs	13	-	(5,185)
Surplus before taxation		35,621	14,041
Taxation on surplus	14	(74)	(29)
Surplus for the financial year		35,547	14,012
Movement in fair value of hedged financial instrument	13	(360)	(440)
Total comprehensive income for year		35,187	13,572

The notes on pages 40 to 81 form part of these financial statements.

All activities relate to continuing operations.

Association statement of comprehensive income
for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover	4	**75,200**	68,207
Cost of sales	4	**(2,451)**	(10,892)
Operating costs	4	**(29,754)**	(30,988)
Operating surplus	4, 7	**42,995**	26,327
Surplus on sale of fixed assets: Housing	11	**5,949**	8,985
Surplus / (deficit) from sale of other fixed asset	11	**52**	(6)
Other interest receivable and similar income	12	**178**	223
Interest and financing costs	13	**(15,001)**	(16,630)
Movement in fair value of investment properties	17	**-**	-
Other finance costs	13	**-**	(5,185)
Surplus before taxation		**34,173**	13,714
Taxation on surplus	14	**-**	-
Surplus for the financial year		**34,173**	13,714
Movement in fair value of hedged financial instrument	13	**(360)**	(440)
Total comprehensive income for year		**33,813**	13,274

The notes on pages 40 to 81 form part of these financial statements.

All activities relate to continuing operations.

Statement of financial position

at 31 March 2017

	Note	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Fixed assets					
Tangible fixed assets – housing properties	15	**959,765**	924,381	**946,393**	910,619
Tangible fixed assets – other	16	**9,354**	9,854	**8,853**	9,301
Investment properties	17	**1,700**	1,600	**-**	-
		970,819	935,835	**955,246**	919,920
Current assets					
Properties developed for sale	19	**14,246**	6,420	**14,246**	6,420
Debtors – receivable within one year	20	**7,179**	5,117	**4,751**	3,308
Debtors – receivable after one year	20	**-**	284	**-**	284
Current asset investments	21	**5,000**	15,000	**5,000**	15,000
Cash and cash equivalents		**37,275**	44,673	**28,405**	37,469
		63,700	71,494	**52,402**	62,481
Creditors: amounts falling due within one year	22	**(29,887)**	(32,338)	**(27,175)**	(30,327)
Net current assets		**33,813**	39,156	**25,227**	32,154
Total assets less current liabilities		**1,004,632**	974,991	**980,473**	952,074
Creditors: amounts falling due after more than one year	23	**(885,719)**	(890,137)	**(874,020)**	(878,306)
Provisions for liabilities and charges	29	**(25)**	(1,153)	**(25)**	(1,153)
Net assets		**118,888**	83,701	**106,428**	72,615
Capital and reserves					
Called up share capital	31	**-**	-	**-**	-
Designated reserve		**1,752**	1,752	**-**	-
Income and expenditure reserve		**129,648**	94,101	**119,053**	84,880
Cashflow hedge reserve		**(12,625)**	(12,265)	**(12,625)**	(12,265)
Restricted reserve		**113**	113	**-**	-
		118,888	83,701	**106,428**	72,615

The financial statements were approved by the Board of Directors and authorised for issue on 12 July 2017.

Sarah Ebanja
Chair

Steve Hitchins
Vice Chair

Nicola Bastin
Chair, Remunerations & Appointments Committee

The notes on pages 40 to 81 form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 March 2017

	Cashflow hedge reserve	Designated reserve	Income and expenditure reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at April 2016	(12,265)	1,752	94,101	113	83,701
Surplus for the year	-	-	35,547	-	35,547
	(12,265)	1,752	129,648	113	119,248
Movement in fair value of hedged financial instrument	(360)	-	-	-	(360)
Other comprehensive income for the year	**(360)**	**-**	**-**	**-**	**(360)**
Reserves transfers	-	-	-	-	-
Balance at 31 March 2017	**(12,625)**	**1,752**	**129,648**	**113**	**118,888**

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 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**

Association statement of changes in equity

for the year ended 31 March 2017

	Cash flow hedge reserve	Income and expenditure reserve	Total
	£'000	£'000	£'000
Balance at April 2016	(12,265)	84,880	72,615
Surplus for the year	-	34,173	34,173
	(12,265)	119,053	106,788
Movement in fair value of hedged financial instrument	(360)	-	(360)
Other comprehensive income for the year	(360)	-	(360)
Balance at 31 March 2017	(12,625)	119,053	106,428

	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

Consolidated statement of cash flows
for the year ended 31 March 2017

	Note	2017	2016
		£'000	£'000
Cash flows from operating activities			
Surplus/(deficit) for the financial year		35,547	14,012
Adjustments for:			
Depreciation of fixed assets – housing properties	15	6,600	6,525
Depreciation of fixed assets – other	16	896	705
(Increase)/decrease in stock	19	(7,826)	4,304
Amortised Grant	5	(3,824)	(3,841)
Housing Asset Component write off	15	262	720
Interest payable	13	15,031	16,666
Interest received	12	(199)	(251)
Finance cost	13	-	5,185
Movement in fair value of investment properties	17	(83)	(89)
Taxation expense	14	74	29
Surplus on the sale of fixed assets – housing properties	11	(6,416)	(9,347)
Surplus on the sale of fixed assets – other	11	(52)	15
(Increase)/decrease in trade and other debtors		(1,778)	(310)
Decrease/ (increase) in trade creditors		(1,510)	1,800
Increase/(decrease) in provisions		(1,128)	(370)
Cash from operations		35,594	35,753
Taxation paid		(74)	83
Net cash generated from operating activities		35,520	35,836
Cash flows from investing activities			
Proceeds from sales of fixed assets - housing properties	11	14,773	19,980
Transaction costs from sale of housing properties	11	(259)	(443)
Proceeds from sales of fixed assets - other	11	13	-
Purchase of fixed assets - housing properties	13/15	(49,661)	(17,344)
Purchase of fixed assets - other	16	(357)	(618)
Purchases of fixed assets - investment properties	17	(17)	(11)
Interest received	12	199	251
Purchase of current asset investments	21	(10,000)	(10,000)
Net cash from investing activities		(46,309)	(8,185)
Cash flows from financing activities			
Sale of current asset investments	21	20,000	1,000
Interest paid		(16,020)	(17,671)
Finance cost	13	-	(5,185)
New loans - banks		-	40,000
Repayment of loans		(3,018)	(34,357)
Grants received during year	24	1,429	1,225
Net cash used in financing activities		2,391	(14,988)
Net increase / (decrease) in cash and cash equivalents		(7,398)	12,663
Cash and cash equivalents at beginning of year		44,673	32,010
Cash and cash equivalents at end of year		37,275	44,673

The notes on page 40 to 81 form part of these financial statements.

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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 second financial statements prepared under FRS 102.

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 ongoing 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 45).

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 range 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 2017 £'000	Cost of sales 2017 £'000	Operating costs 2017 £'000	Operating surplus/ (deficit) 2017 £'000
Social housing lettings (note 5)	59,729	-	(32,876)	26,853
Other Social Housing Activities				
First tranche low cost home ownership sales	4,758	(2,451)	-	2,307
Development services	148	-	(402)	(254)
Supporting people and care	12,244	-	(12,001)	243
Community regeneration	222	-	(242)	(20)
Other activities	15,639	-	(866)	14,773
	33,011	(2,451)	(13,511)	17,049
Total social housing activities	92,740	(2,451)	(46,387)	43,902

	Turnover 2016 £'000	Cost of sales 2016 £'000	Operating costs 2016 £'000	Operating surplus/ (deficit) 2016 £'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
Total social housing activities	84,705	(10,753)	(47,732)	26,220

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

Association	Turnover 2017	Cost of sales 2017	Operating costs 2017	Operating surplus/ (deficit) 2017
	£'000	£'000	£'000	£'000
Social housing lettings (note 5)	54,655	-	(28,493)	26,162
Other Social Housing Activities				
First tranche low cost home ownership sales	4,758	(2,451)	-	2,307
Development services	148	-	(402)	(254)
Other activities	15,639	-	(859)	14,780
	20,545	(2,451)	(1,261)	16,833
Total social housing activities	75,200	(2,451)	(29,754)	42,995

	Turnover 2016	Cost of sales 2016	Operating costs 2016	Operating surplus/ (deficit) 2016
	£'000	£'000	£'000	£'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
Total social housing activities	68,207	(10,892)	(30,988)	26,327

5. Income and expenditure from social housing lettings

Group	General Needs	Supported Housing	Low cost home ownership	Key Worker	**Total 2017**	Total 2016
	£'000	£'000	£'000	£'000	**£'000**	£'000
Income						
Rents net of identifiable service charges	26,900	3,745	4,412	11,104	**46,161**	44,729
Service charge income	3,254	2,680	3,157	17	**9,108**	8,074
Amortised government grants	3,796	-	13	-	**3,809**	3,841
Net rental income	33,950	6,425	7,582	11,121	**59,078**	56,644
Other Income	244	-	341	66	**651**	665
Turnover from social housing lettings	34,194	6,425	7,923	11,187	**59,729**	57,309
Expenditure						
Management	5,355	1,479	178	918	**7,930**	7,234
Service charge costs	3,304	2,506	2,609	1,930	**10,349**	11,233
Routine maintenance	3,082	682	15	406	**4,185**	5,244
Planned maintenance	3,386	-	-	-	**3,386**	2,556
Major repairs expenditure	60	-	-	-	**60**	239
Bad debts	50	16	(18)	57	**105**	387
Depreciation of housing properties:						
- annual charge	5,334	414	-	851	**6,599**	6,525
- accelerated on disposal of components	262	-	-	-	**262**	720
Operating expenditure on social housing lettings	20,833	5,097	2,784	4,162	**32,876**	34,138
Operating surplus on social housing lettings	**13,361**	**1,328**	**5,139**	**7,025**	**26,853**	23,171
Void losses	169	598	5	167	**939**	1,804

5. Income and expenditure from social housing lettings

Association	General Needs	Supported Housing	Low cost home ownership	Key Worker	**Total 2017**	Total 2016
	£'000	£'000	£'000	£'000	**£'000**	£'000
Income						
Rents net of identifiable service charges	26,640	2,307	4,152	11,104	**44,203**	42,670
Service charge income	3,229	-	2,895	17	**6,141**	5,373
Amortised government grants	3,761	-			**3,761**	3,777
Net rental income	33,630	2,307	7,047	11,121	**54,105**	51,820
Other Income	244	-	240	66	**550**	597
Turnover from social housing lettings	33,874	2,307	7,287	11,187	**54,655**	52,417
Expenditure						
Management	5,325	304	173	918	**6,720**	6,193
Service charge costs	3,307	160	2,374	1,930	**7,771**	8,726
Routine maintenance	3,075	182	-	406	**3,663**	4,257
Planned maintenance	3,384	-	-	-	**3,384**	2,548
Major repairs expenditure	58	-	-	-	**58**	239
Bad debts	51	-	(18)	57	**90**	299
Depreciation of housing properties:						
- annual charge	5,280	414	-	851	**6,545**	6,470
- accelerated on disposal of components	262	-	-	-	**262**	712
Operating expenditure on social housing lettings	20,742	1,060	2,529	4,162	**28,493**	29,444
Operating surplus/(deficit) on social housing lettings	**13,132**	1,247	**4,758**	**7,025**	**26,162**	22,973
Void losses	168	-	5	167	**340**	621

6. Units of housing stock

	Group 2017 Number	Group 2016 Number	Association 2017 Number	Association 2016 Number
General Needs housing:				
- Social	**3,839**	3,869	**3,807**	3,837
- Affordable	**234**	171	**234**	171
Low cost home ownership	**1,718**	1,710	**1,519**	1,510
Supported Housing	**775**	803	**546**	567
Intermediate Rent	**1,112**	1,113	**1,104**	1,105
Total social housing units	**7,678**	7,666	**7,210**	7,190
Commercial properties	**68**	68	**68**	68
Total owned	**7,746**	7,734	**7,278**	7,258
Units managed by other associations	**36**	36	**36**	36
Total owned and managed accommodation	**7,782**	7,770	**7,314**	7,294
Units under construction	**493**	94	**493**	94

7. Operating surplus

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
The operating surplus is arrived at after charging:				
Depreciation of housing properties:				
- annual charge	6,600	6,525	6,545	6,470
- accelerated depreciation on replaced components	638	720	262	712
Depreciation of other tangible fixed assets	896	705	715	533
Operating lease charges – other	85	50	67	14
Auditors' remuneration (excluding VAT):				
- fees payable to the Group's auditor for the audit of the Group's annual accounts	42	20	-	-
- fees for audit of accounts of associated entities	50	35	42	20
- fees for non-audit services	32	31	30	31
- fees for tax advice	5	5	2	5
Defined contribution pension cost	460	493	460	455
Defined benefit pension cost (see note 30)	368	248	-	-

8. Employees

	Group 2017 £'000	Group 2016 £'000	**Association 2017 £'000**	Association 2016 £'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	**15,584**	15,773	**5,861**	5,835
Social security costs	**1,417**	1,398	**615**	607
Cost of defined benefit scheme	**368**	248	**-**	-
Cost of defined contribution scheme	**460**	493	**431**	455
Temporal agency workers	**521**	1,308	**320**	599
	18,350	19,220	**7,227**	7,496

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 2017 £'000	Group 2016 £'000	**Association 2017 £'000**	Association 2016 £'000
Administration	**69**	74	**55**	55
Development and sales	**15**	17	**15**	17
Support and care	**359**	402	**-**	-
Housing management	**83**	75	**77**	75
	526	568	**147**	147

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 £460,000 (2016 – £493,000).

Contributions amounting to £14,802 (2016 – £50,674) 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 2017	Group 2016	**Association 2017**	Association 2016
	£	£	**£**	£
Executive directors' emoluments	**759,185**	754,879	**759,185**	754,879
Compensation for loss of office	**34,755**	148,000	**34,755**	55,000
Contributions to money purchase pension schemes	**55,085**	55,085	**55,085**	55,085
	849,025	957,964	**849,025**	864,964

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £154,898 (2016 – £154,376).

Pension contributions of £11,149 (2016 – £11,149) 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 (2016 – 7).

None of the Directors accrued benefits under the Group's defined benefit pension scheme during the year (2016 – NIL).

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

	Group 2017	Group 2016	**Association 2017**	Association 2016
	No.	No.	**No.**	No.
£60,000 - £69,999	**7**	11	**7**	11
£70,000 - £79,999	**3**	1	**3**	1
£80,000 - £89,999	**3**	4	**3**	3
£90,000 - £99,999	**-**	-	**-**	-
£100,000 - £109,999	**2**	2	**2**	2
£110,000 - £119,999	**-**	-	**-**	-
£120,000 - £129,999	**1**	1	**1**	1
£130,000 - £139,999	**-**	-	**-**	-
£140,000 - £149,999	**1**	1	**1**	1

10. Board members

Board member	Remuneration £	Member of: Audit and Risk Committee	Development Committee	Remuneration Committee	Resident Services Committee
Sarah Ebanja	17,602		✓	✓	
Steve Hitchins	10,644			✓	✓
Steve Akeju	3,583		✓		✓
Catherine Ross	3,583				✓
Martin Hughes	7,165				✓
Maria Grogan	7,165	✓			
Jackie Ballard – Chair of the Outward Board	7,165				
Nicola Bastin	7,165	✓		✓	
Fred Angole	7,165	✓			
John Cross	4,785		✓		
Matt Campion	2,939				✓

11. Surplus on disposal of fixed assets

Group	Housing properties 2017 £'000	Other fixed assets 2017 £'000	Total 2017 £'000	Total 2016 £'000
Housing properties:				
Disposal proceeds	14,773	16	14,789	19,936
Cost of disposals	(8,418)	36	(8,382)	(10,544)
Selling costs	(245)	-	(245)	(355)
Grant recycled	(138)	-	(138)	(44)
Grant abated	444	-	444	339
Surplus on disposal of other tangible fixed assets	6,416	52	6,468	9,332

Association	Housing properties 2017 £'000	Other fixed assets 2017 £'000	Total 2017 £'000	Total 2016 £'000
Housing properties:				
Disposal proceeds	14,060	16	14,076	19,439
Cost of disposals	(8,024)	36	(7,988)	(10,422)
Selling costs	(244)	-	(244)	(354)
Grant recycled	(138)	-	(138)	(44)
Grant abated	295	-	295	360
Surplus on disposal of other tangible fixed assets	5,949	52	6,001	8,979

12. Interest receivable and income from investments

	Group 2017 £'000	Group 2016 £'000	**Association 2017 £'000**	Association 2016 £'000
Interest receivable and similar income	**199**	251	**178**	223

13. Interest payable and similar charges

	Group 2017 £'000	Group 2016 £'000	**Association 2017 £'000**	Association 2016 £'000
Bank loans and overdrafts	**16,020**	17,391	**15,990**	17,355
Recycled capital grant fund accrued interest	**-**	37	**-**	37
Disposal proceeds fund accrued interest	**-**	8	**-**	8
Interest capitalised on construction of housing properties	**(989)**	(770)	**(989)**	(770)
	15,031	16,666	**15,001**	16,630
Breakage costs	**-**	5,185	**-**	5,185
Other financing costs through other comprehensive income	**15,031**	21,851	**15,001**	21,815
Movement on fair value of hedged derivative instruments	**360**	440	**360**	440
	360	440	**360**	440

14. Taxation on surplus on ordinary activities

	Group 2017 £'000	Group 2016 £'000
UK corporation tax		
Current tax on surplus for the year	67	29
Adjustment in respect of prior period	7	-
Total current tax	74	29
Taxation on surplus on ordinary activities	74	29

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 2017 £'000	Group 2016 £'000
Surplus on ordinary activities before tax	35,621	14,041
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 20% (2016 - 20%)	7,124	2,808
Effects of:		
Income not taxable for tax purposes	(39)	(13)
Expenses not deductible for tax purposes	(52)	(61)
Deductions and reliefs	-	-
Indexations allowance on property disposals	-	-
Charitable exemption	(6,966)	(2,705)
Adjustments to tax charge in respect of previous period	7	-
	74	29

There was no tax charge for the year (2016 – £Nil) for the Trust.

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £74,000 (2016: £29,000).

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 2016	843,247	7,892	136,649	10,564	998,352
Additions:					
- construction costs	53	42,577	-	16,255	58,885
- works to existing properties	3,584	-	1,918	-	5,502
- replaced components	8	-	-	-	8
Reclassification of properties	(2,808)	-	(1,325)	-	(4,133)
Transfers to held for sale	-	-	-	(9,612)	(9,612)
Completed schemes	2,935	(2,935)	1,908	(1,908)	-
Disposals:					
- staircasing sales	(254)	-	(8,173)	-	(8,427)
- replaced components	(638)	-	-	-	(638)
At 31 March 2017	**846,127**	**47,534**	**130,977**	**15,299**	**1,039,937**
Depreciation:					
At 1 April 2016	(73,971)	-	-	-	(73,971)
Charge for the year	(6,600)	-	-	-	(6,600)
Eliminated on disposals:					
- replaced components	636	-	-	-	636
- housing properties	25	-	-	-	25
- accelerated charge on components	(262)	-	-	-	(262)
At 31 March 2017	**(80,172)**	**-**	**-**	**-**	**(80,172)**
Net book value at 31 March 2017	**765,955**	**47,534**	**130,977**	**15,299**	**959,765**
Net book value at 31 March 2016	769,276	7,892	136,649	10,564	924,381

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 2016	836,425	7,892	129,054	10,564	983,935
Additions:					
- construction costs	-	42,577	-	16,255	58,832
- works to existing properties	3,584	-	1,918	-	5,502
- replaced components	-	-	-	-	-
Reclassification of properties	(2,808)	-	(1,325)	-	(4,133)
Transfers to held for sale	-	-	-	(9,612)	(9,612)
Completed schemes	2,935	(2,935)	1,908	(1,908)	-
Disposals:					
- staircasing sales	(254)	-	(7,779)	-	(8,033)
- replaced components	(633)	-	-	-	(633)
At 31 March 2017	**839,249**	**47,534**	**123,776**	**15,299**	**1,025,858**
Depreciation:					
At 1 April 2016	(73,316)	-	-	-	(73,316)
Charge for the year	(6,545)	-	-	-	(6,545)
Eliminated on disposals:					
- replaced components	633	-	-	-	633
- Right to Buy	25	-	-	-	25
- accelerated charge – components	(262)	-	-	-	(262)
At 31 March 2017	**(79,465)**	**-**	**-**	**-**	**(79,465)**
Net book value at 31 March 2017	**759,784**	**47,534**	**123,776**	**15,299**	**946,393**
Net book value at 31 March 2016	763,109	7,892	129,054	10,564	910,619

15. Tangible fixed assets – housing properties (continued)

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
The net book value of housing properties may be further analysed as:				
Freehold	**700,057**	663,653	**690,751**	654,434
Long leasehold	**259,267**	260,287	**255,201**	255,744
Short leasehold	**441**	441	**441**	441
	959,765	924,381	**946,393**	910,619
Interest capitalisation				
Interest capitalised in the year	**989**	770	**989**	770
Cumulative interest capitalised	**35,180**	34,410	**35,180**	34,410
	36,169	35,180	**36,169**	35,180
Rate used for capitalisation	**3.12%**	3.77%	**3.12%**	3.77%
Works to properties				
Improvements to existing properties capitalised	**2,025**	934	**2,017**	913
Major repairs expenditure to income and expenditure account	**58**	239	**58**	239
	2,083	1,173	**2,075**	1,152
Total Social Housing Grant received or receivable to date is as follows:				
Capital grant – housing properties	**420,201**	424,445	**413,339**	417,369
Recycled Capital Grant Fund	**9,249**	7,690	**9,120**	7,364
Disposals Proceeds Fund	**669**	1,169	**669**	1,169
Revenue grant – I&E	**63,586**	59,777	**62,552**	58,791
	493,705	493,081	**485,680**	484,693

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 (2016 – £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 £622m pledged as security at 31 March 2017 (2016 – £647m).

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	8,990	3,258	174	1,303	13,725
Additions	-	221	7	129	357
Disposals	-	-	(32)	-	(32)
At 31 March 2017	**8,990**	**3,479**	**149**	**1,432**	**14,050**
Depreciation					
At 1 April 2015	(455)	(2,294)	(120)	(1,002)	(3,871)
Charge for year	(105)	(397)	(32)	(362)	(896)
Disposals	-	-	24	47	71
At 31 March 2017	**(560)**	**(2,691)**	**(128)**	**(1,317)**	**(4,696)**
Net book value					
At 31 March 2017	**8,430**	**788**	**21**	**115**	**9,354**
At 31 March 2016	8,535	964	54	301	9,854

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 2016	8,694	2,360	101	1,011	12,166
Additions	-	158	-	76	234
Disposals	-	-	(32)	-	(32)
At 31 March 2017	**8,694**	**2,518**	**69**	**1,087**	**12,368**
Depreciation					
At 1 April 2015	(455)	(1,574)	(56)	(780)	(2,865)
Charge for year	(91)	(280)	(30)	(320)	(721)
Disposals	-	-	24	47	71
At 31 March 2017	**(546)**	**(1,854)**	**(62)**	**(1,053)**	**(3,515)**
Net book value					
At 31 March 2017	**8,148**	**664**	**7**	**34**	**8,853**
At 31 March 2016	8,239	786	45	231	9,301

16. Other tangible fixed assets (continued)

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

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Freehold	**8,430**	8,535	**8,148**	8,239
	8,430	8,535	**8,148**	8,239

17. Investment properties

Group	Commercial £'000	Total £'000
At 1 April 2016	1,600	1,600
Additions	17	17
Revaluations	83	83
At 31 March 2017	**1,700**	**1,700**

All investment properties are held within Outward Housing.

The freehold property in East Sussex was last valued, on an open market basis, on 13 April 2017 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 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 £82,190 (2016 – £89,000) 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 2017 £'000	Group 2016 £'000
Historic cost	**1,882**	1,882
Accumulated depreciation	**(484)**	(446)
	1,398	1,436

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 2017 £'000	Total 2017 £'000	Total 2016 £'000
Work in progress	**14,246**	**14,246**	5,804
Completed properties	-	-	616
	14,246	**14,246**	6,420

Properties developed for sale include capitalised interest of £488,456 (2016 – £579,000).

20. Debtors

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Due within one year				
Rent and service charge arrears	2,443	2,781	1,851	2,265
Less: Provision for doubtful debts	(888)	(887)	(729)	(872)
	1,555	1,894	1,122	1,393
Amounts owed by Group undertakings	1,266	-	449	69
Other debtors	3,210	2,207	2,222	997
Prepayments and accrued income	1,062	969	872	802
Taxation	86	47	86	47
	7,179	5,117	4,751	3,308
Due after one year				
Other debtors	-	284	-	284
	7,179	5,401	4,751	3,592

21. Current asset investments

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Opening fair value	15,000	6,000	15,000	5,000
Purchases	10,000	10,000	10,000	10,000
Sales	(20,000)	(1,000)	(20,000)	-
Fair value	5,000	15,000	5,000	15,000

All current asset investments are short term fixed time deposits held with Lloyds Bank PLC which earn interest at 50 basis points.

22. Creditors: amounts falling due within one year

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Loans and borrowings (note 27)	836	3,491	742	3,397
Trade creditors	4,427	927	1,679	571
Rent and service charges received in advance	1,453	1,530	1,093	1,245
Amounts owed to Group undertakings	-	1,423	3,188	5,241
Taxation and social security	468	452	213	222
Other creditors	1,167	2,361	1,822	2,053
Deferred capital grant (note 24)	3,686	3,841	3,623	3,777
Recycled capital grant fund (note 25)	3,206	2,060	3,191	1,845
Disposal proceeds fund (note 26)	593	181	593	181
Accruals and deferred income	8,545	10,681	5,789	6,610
Accrued interest	3,729	3,969	3,729	3,969
Leasehold maintenance	1,777	1,422	1,513	1,216
	29,887	32,338	27,175	30,327

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

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Loans and borrowings (note 27)	461,547	461,550	458,299	458,207
Deferred capital grant (note 24)	416,515	420,603	409,716	413,592
Recycled capital grant fund (note 25)	6,043	5,630	5,929	5,519
Disposal proceeds fund (note 26)	76	988	76	988
Pension scheme deficit liability	585	618	-	-
Service charge creditors	953	748	-	-
	885,719	890,137	874,020	878,306

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 – 0.5% and 18.3% per annum. These loans are repayable over their life as set out in note 27.

24. Deferred capital grant

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
At 1 April	**424,445**	429,072	**417,369**	421,857
Grants received during the year	**1,429**	1,225	**1,429**	1,225
Grants recycled from the recycled capital grant fund/ disposal proceeds fund	**1,040**	1,685	**1,040**	1,685
Grants recycled to the recycled capital grant fund/ disposal proceeds fund	**(2,596)**	(3,260)	**(2,581)**	(3,164)
Released to income during the year	**(431)**	(436)	**(295)**	(457)
Grant amortised during the year	**(3,686)**	(3,841)	**(3,623)**	(3,777)
At 31 March	**420,201**	424,445	**413,339**	417,369

Deferred capital grant	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Due within one year (note 22)	**3,686**	3,842	**3,623**	3,777
Due in more than one year (note 23)	**416,515**	420,603	**409,716**	413,592
At 31st March	**420,201**	424,445	**413,339**	417,369

25. Recycled capital grant fund

Group	HCA 2017	HCA 2016
Funds pertaining to activities within areas covered by:	**£'000**	**£'000**
At 1 April 2016	**7,690**	5,828
Inputs to fund:		
- grants recycled from surplus on disposal of fixed asset	**-**	-
- grants recycled from deferred capital grants	**2,596**	3,193
- interest accrued	**-**	37
Recycling of grant:		
- new build	**(1,037)**	(1,368)
At 31 March	**9,249**	7,690

Association	HCA 2017	HCA 2016
Funds pertaining to activities within areas covered by:	**£'000**	**£'000**
At 1 April	**7,364**	5,461
Inputs to fund:		
- grants recycled from surplus on disposal of fixed asset	**-**	-
- grants recycled from deferred capital grants	**2,581**	3,096
- interest accrued	**-**	37
- transfers from other Group members	**215**	138
Recycling of grant:		
- new build	**(1,040)**	(1,368)
At 31 March 2017	**9,120**	7,364

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 2017	Group 2016	Association 2017	Association 2016
	£'000	£'000	**£'000**	£'000
Due within one year (note 22)	**3,206**	2,060	**3,191**	1,845
Due in more than one year (note 23)	**6,043**	5,630	**5,929**	5,519
At 31 March 2017	**9,249**	7,690	**9,120**	7,364

26. Disposal Proceeds Fund

Association and Group	HCA 2017	HCA 2016
Funds pertaining to activities within areas covered by:	**£'000**	£'000
At 1 April	**1,169**	1,410
Inputs to fund:		
- grants recycled from surplus on disposal of fixed asset	**-**	68
- grants recycled from deferred capital grants	**-**	-
- net PRTB receipts	**-**	-
- interest accrued	**-**	8
Recycling of grant:		
- new build	**(500)**	(317)
At 31 March	**669**	1,169

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

Disposal proceeds fund	Group 2017	Group 2016	Association 2017	Association 2016
	£'000	£'000	**£'000**	£'000
Due within one year	**593**	181	**593**	181
Due in more than one year	**76**	988	**76**	988
At 31 March 2017	**669**	1,169	**669**	1,169

27. Loans and borrowings

Maturity of debt:

Group	Bank loans 2017	Other loans 2017	Total 2017
	£'000	**£'000**	**£'000**
In one year or less, or on demand	836	-	836
In more than one year but not more than two years	2,619	-	2,619
In more than two years but not more than five years	8,566	-	8,566
In five years or more	350,362	100,000	450,362
	362,383	100,000	462,383

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

Association	Bank loans 2017 £'000	Other loans 2017 £'000	Total 2017 £'000
In one year or less, or on demand	**742**	**-**	**742**
In more than one year but not more than two years	**2,525**	**-**	**2,525**
In more than two years but not more than five years	**8,227**	**-**	**8,227**
In five years or more	**347,547**	**100,000**	**447,547**
	359,041	**100,000**	**459,041**

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

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 – 0.5% and 18.3% per annum.

At 31 March 2017 the Group had undrawn facilities of £43m (2016 – £43m).

Total issue cost included in the loan books was £2.184k for 2017 (2016 – £2.651k).

28. Financial instruments

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

	Group 2017 £'000	Group 2016 £'000	**Association 2017 £'000**	Association 2016 £'000
Financial assets				
Financial assets measured at fair value				
- Investment properties	**1,700**	1,600	**-**	-
Financial assets measured at historical cost				
- Rental debtors	**2,443**	2,781	**1,851**	2,265
- Other receivables	**3,210**	2,491	**2,222**	1,281
- Prepayments and accrued income	**1,062**	969	**872**	802
- Taxation	**86**	47	**86**	47
- Cash and cash equivalents	**42,275**	59,673	**33,405**	52,469
Total financial assets	**50,776**	67,561	**38,436**	56,864
Financial liabilities				
Financial liabilities held at fair value				
- Loans payable	**12,632**	12,265	**12,632**	12,265
Financial liabilities held at amortised cost				
- Loans payable	**449,751**	452,776	**446,409**	449,339
Financial liabilities held at historical cost				
- Trade creditors	**4,427**	927	**1,679**	571
- Other creditors	**28,595**	32,063	**27,136**	29,089
- Deferred capital grant	**420,201**	424,445	**413,339**	417,369
Total financial liabilities	**915,606**	922,476	**901,195**	908,633

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 £0.36m (2016: £0.4m) 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 2016	-	7	1,146	1,153
Utilised in year	-	-	(1,128)	(1,128)
At 31 March 2017	-	7	18	25

As at 31 March 2017, there are ongoing 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 pension contributions of £460k (2016: £493k) were charged to income and expenditure and at 31 March 2017 190 staff (2016: 170 staff) were in the scheme.

Social Housing Pension Scheme defined contribution (auto-enrolment)

During the year employer pension contributions of £368k (2016: £248k) were charged to income and expenditure and at 31 March 2017 530 staff (2016: 382 staff) were in the scheme.

Local government and other schemes

During the year employer pension contributions of £31,350k (2016: £31.311k) were charged to income and expenditure and at 31 March 2017 8 staff (2016: 7 staff) were in the scheme.

31. Share capital

	2017	2016
	£'000	£'000
At 1 April and 31 March	30	30
Issued during the year	1	-
	31	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 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Grant amortised	**63,586**	59,777	**62,552**	58,791

33. Operating leases

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

Amounts payable as Lessee	**Group 2017 £'000**	Group 2016 £'000	**Association 2017 £'000**	Association 2016 £'000
Not later than 1 year	**42**	30	**24**	5
Later than 1 year and not later than 5 years	**43**	20	**43**	9
Total	**85**	50	**67**	14

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 2017 £'000	Group 2016 £'000	**Association 2017 £'000**	Association 2016 £'000
Less than one year	**52,691**	51,515	**52,167**	51,004

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 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Commitments contracted but not provided for:				
Construction	**91,911**	22,601	**91,911**	22,601
Commitments approved by the Board but not contracted for:				
Construction	**99,433**	93,756	**99,433**	93,756
	191,344	116,357	**191,344**	116,357

All capital commitments will be financed by Social Housing Grant, private loans and internally generated funds. Newlon currently has loan facilities of £493m in place. At 31 March 2017 Newlon had undrawn facilities totalling £43m. In addition the Trust has over £33m 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.

We have one Resident Board member – Martin Hughes. During the year the total rent charged was £6,208. The balance on the account at year end was £781 credit.

Transactions with non regulated entities

Payable to Association by subsidiaries:	Service level agreements 2017 £'000	Service level agreements 2016 £'000	Other charges 2017 £'000	Other charges 2016 £'000	Intercompany balance 2017 £'000	Intercompany balance 2016 £'000
Outward Housing	**505**	476	**2,234**	2,389	**213**	426
Newlon Fusion	-	131	-	26	-	(1)
NewlonBuild Limited	**24**	18	**1,521**	941	**2**	1
	529	625	**3,755**	3,356	**215**	426

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 £800k in gift aid to Newlon Housing Trust.

36. Capital and reserves

Revaluation gains of £100k were recognised on property investments, known as Nutley Edge Holiday Cottages, valued at £1.7m, on an open market basis by an independent third party valuer.

37. Joint Venture

The Newlon Group is currently considering entering into a Joint Venture with Galliford Try ("GT") in respect of the development of a site at Devons Road, Bow. The freehold of the site is owned by Workspace (an unconnected third party).

The proposed development will consist of new residential units (6 for Shared Ownership and the remainder for open market sale) and commercial/retail units.

All development costs/profits of the LLP will be split 50:50 between the LLP members.

38. Post balance sheet event

There are no post balance sheet events.

Executive Team serving during the year

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

William 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

John Cross

Matt Campion

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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.

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