newlon
HOUSING TRUST

50 years of Newlon

REPORT AND FINANCIAL STATEMENTS 2017/18

celebrating 50 years

Contents

Photo: Kidderpore Green, Rosalind Franklin (CGI)

Executives and advisors for the year ended 31 March 2018

The Board

Sarah Ebanja	Chair
Steve Hitchins	Vice Chair (resigned September 2017)
Jackie Ballard	Vice Chair (from September 2017)
Mike Hinch	Appointed Executive
Martin Hughes	Appointed resident
Maria Grogan	
Nicola Bastin	
Fred Angole	
John Cross	
Matt Campion	

Executive management

Mike Hinch	Group Chief Executive
Surjit Dhande	Group Finance and Resources Director
Barbara Duff	Corporate Services Director (to April 2018)
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 (to April 2018)

Surjit Dhande (appointed April 2018)

Registered office:
Newlon House
4 Daneland Walk
Hale Village
London N17 9FE

Group Audit & Risk Committee

Fred Angole	Chair
Maria Grogan	
Nicola Bastin	
Asari St Hill	
Jackie Ballard	

Bankers

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

External Auditors

BDO LLP
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
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Chair's statement for the year ended 31 March 2018

Newlon Housing Trust was founded in Hackney in 1968 and as we celebrate our 50th anniversary I am pleased to report that the Association and the Newlon Group enjoyed a successful year in 2017/18.

Despite a challenging environment, characterised by increasing land costs and the continuing pressure of cuts to social rents, we once again delivered a healthy surplus. This allows us to continue to invest in providing more new affordable homes and maintaining our existing stock, with a particular emphasis on fire safety following the terrible events at Grenfell Tower.

We are proud of our record as a major provider of new affordable housing in north and east London. We are performing well against our Ten Year Vision of providing 2,000 new affordable homes between 2012 and 2023. We have now increased this target to 2,100. The Board also approved a longer term development strategy to deliver 300 new affordable homes a year from 2023.

In order to be able to invest more in providing much needed new affordable housing we are progressing with our first ever private sale homes, as part of landmark developments in Haringey and Waltham Forest. We are also taking part in our first joint venture, the profits from which will be reinvested in the development of further new affordable homes.

As well as increasing investment in our asset management strategy we are focusing on development of digital services, and are launching a new self-service portal for residents. This is part of our commitment to improving services. I am proud that in the last year we have been shortlisted for major national awards for the work of our Income, Communications and Community Services teams. We also won the award for Best Development Team at the Inside Housing Development Awards. These successes reflect our commitment to providing excellent services and meeting the needs of our residents.

Following an In-Depth Assessment by the Regulator of Social Housing in 2017/18 we were awarded a G1 rating for governance and V2 for viability. Overall, we are pleased that we have retained our excellent rating for governance. Although we understand the reasoning behind our viability rating we remain committed to maximising our development of new affordable homes to meet housing need in north and east London and to investing in the maintenance of our stock. We believe that we have the strategies in place to manage any material risks and that coupled with our strong approach to governance we will be able to continue to safely meet our business plan targets. I am confident we will enjoy a successful 50th year and many successful years ahead.

Sarah Ebanja

Sarah Ebanja
Chair

Date: 18 July 2018

Business model

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

The Association is a registered provider of social housing in the north and east of London and was founded with the purpose of providing high quality affordable housing for the people of Hackney.

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 autism spectrum.
- 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 services aimed at promoting social inclusion and a range of employment and training initiatives.

Objectives and strategies for achieving these objectives

Our simple mission is to increase the supply of affordable housing in London. To do this we provide a range of housing options designed to meet the diverse needs of local people. We think people should have certainty when it comes to where they live and this is why we are dedicated to providing affordable rents, attainable home ownership and developing stable, prosperous communities.

Over the past 15 years, we have delivered 4,000 new homes and played a key role in some of London's most exciting regeneration projects. We are proud that Newlon homes have provided so many Londoners with security and the opportunity to grow. We are determined to build on this success and continue to deliver new homes and good quality, value for money services.

Over the past three years, the Board has refined our business model in order to focus on two simple, complementary objectives:

Objective 1: Increase the supply of high quality, affordable housing in London.

Our priorities for the next few years are:

- Meeting our 10 year growth target of 2,100 homes by 2023.
- Launching our Newlon Living brand and going to market with our first private sale homes.
- Continuing to provide new housing options across a range of tenures including social rent.
- Obtaining additional funding to deliver our growth ambitions.
- Achieving commercial success with our first joint venture.

Objective 2: Provide good quality, convenient, value for money services to our residents.

Our priorities for the next few years are:

- Supporting residents through the introduction of Universal Credit.
- Expanding our digital service to increase efficiency and provide more convenience for customers.

- Continuing to offer a low cost but good quality repairs service.
- Driving greater value for money for service charges.
- Reducing rent arrears, maximising resident income and helping more residents into work, apprenticeships and training.
- Implementing the asset management strategy and optimising return from our property assets.
- Maintaining a high standard of health and safety for our residents across all our properties.

Results

At 31 March 2018 we had assets of £1.1 billion, reserves totalling £139m and an annual turnover of £76m. The turnover from our social housing and other activities for the year ended 31 March 2018 is shown below:

	Turnover
	£'m
Social housing letting:	
General needs housing for rent	33.5
Supported housing	6.1
Low cost ownership	7.6
Key worker housing	11.4
Other social housing activities:	
First tranche low cost home ownership sales	2.7
Supporting people and care	13.2
Other activities	1.5
Total	**76**

Summary consolidated statement of comprehensive income

	2018	2017	2016	2015	2014
	£'m	£'m	£'m	£'m	£'m
Turnover	76	93	85	71	87
Cost of sales	(2)	(3)	(11)	(6)	(23)
Surplus on disposal of fixed assets	7	6	9	6	3
Operating costs	(50)	(46)	(48)	(46)	(43)
Operating surplus	**31**	**50**	**35**	**25**	**24**
Net interest payable	(13)	(15)	(16)	(15)	(14)
Other finance costs	-	-	(5)	-	-
Fair value movement	2	-	-	-	-
Surplus for the year	**20**	**35**	**14**	**10**	**10**

The higher level of surplus in 2016/17 compared to 2017/18 is due to a one-off income item, without which the surplus would have been £21m. The operating costs in 2017/18 include £1.3m in relation to the fire safety work post-Grenfell.

Summary Consolidated Balance Sheet

	2018	2017	2016	2015	2014[1]
	£'m	£'m	£'m	£'m	£'m
Tangible fixed assets – housing properties	1,033	971	934	934	457
Net current assets	28	34	41	27	85
Total assets less current liabilities	1,061	1,005	975	961	542
Long term liabilities and provisions	(922)	(886)	(891)	(891)	(480)
Net assets/reserves	**139**	**119**	**84**	**70**	**62**

Housing properties are held at historic cost and unamortised grant is held in long term creditors. The increased carrying cost of £63m in 2017/18 includes a £70m investment in new homes and £8m spend on improvement and remedial work to the existing homes. As at 31 March 2018 we had £418m of social housing and capital grant to support our development programme.

Consolidated cash flow

	2018	2017
	£'m	£'m
Cash generated from operations	20	36
Cash from investment activities	(59)	(45)
Cash from financing activities	34	2
Net change in cash	(5)	(7)

At 31 March 2018 we had £33m cash and cash equivalent. In the year we:

- Received £20m from operating activities.
- Invested £74m in existing and new stock.
- Received £14m from sale of housing assets.
- Repaid £2.2m of loan balances.
- Paid interest of £16m.

Key financial indicators – Group

	2018	2017	2016	2015	2014[1]
	£'m	£'m	£'m	£'m	£'m
Operating margin	41%	54%	31%	27%	24%
EBITDA MRI	181%	325%	170%	188%	126%
Bank interest cover [2]	205%	296%	190%	188%	172%
Gearing [3]	50%	50%	45%	46%	52%
Debt per unit	£71k	£65k	£60k	£63k	£66k
Average cost of capital	3.26%	3.11%	3.66%	3.74%	3.60%
Housing units owned	7,847	7,782	7,974	7,566	7,383
Units developed as % of current stock	0.8%	-	5.4%	2.5%	-

[1] 2013/14 not restated under FRS 102.

[2] Interest cover covenant is for the Association 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.

[3] The gearing covenant is for the Association and is defined as net loans as a proportion of housing asset cost. The maximum limit is 65%.

Operating margins, EBITDA MRI and Bank interest cover metrics for 2017/18 are significantly lower than 2016/17. This is due to a one-off income item in 2016/17.

Value for money, performance and development during the financial year

The Board has considered the Regulator of Social Housing's new Value for Money Standard and welcomes the approach. The Board believes the delivery of value for money is inextricably linked with the delivery of our two main objectives of increasing the supply of high-quality, affordable homes and improving resident services. We have analysed the metrics prescribed by the Regulator on both Group and Association level to be consistent with the financial statements as a whole. The section immediately below addresses the metrics at Group level before we focus in on the performance of the Association where we have compared performance across these indicators and the Sector Scorecard.

Group performance

		2017	2018
Business health	Operating margin[1]	54%	41%
	EBITDA MRI interest cover[1]	325%	181%
Development	New supply as a % of current units	0%	0.8%
	Gearing	50%	50%
Outcomes	Reinvestment %	Not reported	8.0%
Effective asset management	ROCE[1]	5.0%	3.0%
Cost per unit	Headline social housing cost	£6,217	£6,865

[1] These KPIs are affected by a significant one-off item in 2016/17.

Registered housing providers are required by the Regulator of Social Housing to publish their performance against the seven indicators as shown above. As the Newlon Group contains entities that are not housing providers (notably Outward, which is a care and support provider) these numbers give a wider view of performance. In the next section, we have provided a more detailed, benchmarked analysis of the performance of the housing provider.

The Board has considered performance at Group level and notes that the headline social housing cost per unit is higher for the Group than for the Association. This difference is largely driven by the inclusion of costs associated with the care and support activities undertaken by Outward. Within these care and support activities, the costs are offset by direct income received for the provision of these services which is not recognised in the calculation of this indicator.

As part of a review of our Value for Money Strategy this year, we will look in close detail at the differences between the housing business and the Group as a whole and ensure that our approach to value for money (VFM) covers all the entities and activities. We look forward to the publication of more data in 2018/19 and the opportunity to benchmark the Group performance where useful comparators can be found.

Association performance – Sector Scorecard

In addition to the metrics prescribed by the Regulator, providers have been encouraged to present additional metrics that allow stakeholders to assess their performance in relation to their overall strategy.

Since the publication of our initial VFM Standard in 2012, the Board has defined VFM in terms of the our main business objectives and our annual self-assessments have measured and benchmarked our performance against a range of indicators across the themes of overall financial health, delivery of new homes, asset performance, cost of delivering services and service performance. In 2017 we agreed to join the pilot of the Sector Scorecard, a sector-led initiative that sought to benchmark sector performance against a range of indicators across similar themes.

Given the close match between the Scorecard and the metrics we had previously reported in relation to our own business objectives, the Board decided to adopt the Sector Scorecard as the basis of our VFM reporting. The Board believes transparency of cost and performance is an important element in driving organisational improvement and, therefore, welcomes a framework where comparisons can easily be made with other providers.

The Board intends to review performance and update our VFM strategy this year and we will agree targets annually against the Scorecard as part of the usual business planning process for 2019/20 onwards.

The London median used in the tables below is taken from the 2016/17 results of a peer group of providers obtained through HouseMark.

Business health

Business health	Association 2017	Association 2018	London median	Quartile 2018
Operating margin	64.5%	53.1%	30.3%	Q1
Operating margin – SHL	48.8%	44.0%	32.6%	Q1
EBITDA MRI interest cover	313%	175%	223%	Q3

Our latest results demonstrate the Association's continued financial strength, with our operating margin remaining well above the average for London providers and the sector as a whole. The Board also notes that, at 41%, the Group's operating margin still exceeds the sector average even with the inclusion of care and support services provided by Outward.

Interest cover was lower than the sector average in 2017/18 which was a result of a combination of two factors:

1) Increased costs post-Grenfell to address health and safety concerns, particularly relating to cladding which has reduced our operating profit by £1.3m.
2) Increased stock investment in line with our asset management strategy.

The Board carefully monitors interest cover and are aware of how it compares to the sector average.

Development

Development	Association 2017	Association 2018	London median	Quartile 2018
New supply (number)	14	69	91	Q3
New supply (%)	0%	0.84%	1.45%	Q3
Gearing	50%	50%	38%	Q4

The low completions over the last two years reflects the long-term nature of our developments creating cyclical supply. Our new build programme is set to pick up over the next five years with around 900 new homes already in the pipeline and more to follow. We anticipate this will push our rate of development above the sector average, delivering a steady supply of much needed new homes in north and east London. The Board's intention is that Newlon continues to punch above its weight in terms of development over the next ten years. We are set to deliver an average of more than 200 homes a year up until 2023 and recently agreed a Growth Strategy for 2023–28 which aims to increase that number to 300 units a year. The Board anticipates that this will place Newlon in the top quartile in London when it comes to the number of new homes delivered as a percentage of existing homes.

Our relatively high level of gearing is a result of a continued commitment to investing in the development of new homes. However, our financial plans have been stress tested against a range of scenarios to ensure that we would continue to operate comfortably within our covenants in the face of adverse economic conditions such as interest rate rises or a significant fall in the housing market.

All development indicators are the same at Group level.

Asset management

Asset management	Association 2017	Association 2018	London median	Quartile 2018
ROCE	5%	3%	3.3%	Q3
Occupancy %	99.8%	99.5%	99.7%	Q3
Ratio of responsive to planned maintenance	48%	43%	72%	Q1

As noted in this report Return on Capital Employed (ROCE) fell as a result of a one off income in 2017. The Board are committed to driving further efficiencies and have approved a programme of disposal and reinvestment with the intention of maximising economic and social value from our property portfolio. At Group level there is a slight improvement on ROCE to 3% in 2018.

Whilst occupancy was slightly below the sector median, due to some new handovers and some properties that were awaiting disposal at year end, we recorded our lowest ever void turnaround time last year – an average of just 15 days, one of the best in the benchmark group.

Outcomes

Outcomes	Association 2017	Association 2018	London median	Quartile 2018
Customer satisfaction overall	72%	73%	78%	Q4
Reinvestment %	-	8.0%	new	new

Resident satisfaction is stable, up 1% from 2016/17. Despite this being the fourth year in a row that we have seen an increase, the Board are eager to drive further performance in this area whilst keeping management costs below the sector median. The Board will check how our record on reinvestment compares with our peers.

Efficiency

Operating efficiency	Association 2017	Association 2018	London median	Quartile 2018
Rent collected	98.9%	100%	99.7%	Q2
Overheads as a % of adjusted turnover	7.3%	9.3%	12.0%	Q1

The Board were pleased with the improvement in rent collection rates and this reflects a further reduction in rent arrears with overall arrears now below 3%. This was the fourth year in succession that our Income Recovery team have reduced arrears and we were delighted to see them shortlisted for the Outstanding Approach to Income Management award at the UK Housing Awards.

Cost per unit

Cost per unit [1]	Association 2017	Association 2018	London median	Quartile 2017	Quartile 2018
Headline social housing	£4,050	£4,739	£4,638	Q1	Q3
Management	£1,011	£999	£1,083	Q2	Q2
Maintenance	£1,060	£1,238	£1,113	Q2	Q3
Major repairs	£637	£1,120	£750	Q2	Q4
Service charge	£1,151	£1,157	£717	Q4	Q4
Other social housing costs	£190	£224	£296	Q2	Q2

[1] Costs associated with the provision of leasehold services have been excluded along with leasehold units.

The increase in our headline social housing cost per unit has been driven by the Board's decision to invest in higher compliance standards and an expanded asset management programme. There was increased expenditure on routine and planned maintenance in 2017/18, as a result of additional health and safety works in the wake of the Grenfell fire. The Board has also approved an increased budget for 2018/19 to ensure that we remain in step with best practice and are able to respond quickly to any changes in regulations and standards announced following inquiries into Grenfell.

The Board has also signalled a commitment to improving existing homes by significantly increasing investment in major repairs. We plan to maintain a similar level of investment for at least the next five years. This approach is supported by our new asset management strategy, which will improve the overall efficiency of the organisation.

The Board notes that the headline social housing cost increases to £6,865 per unit when taken at a Group level. Whilst the majority of this is expenditure related to the provision of care and support services, the Board will address any other minor cost variations in their new VFM Strategy.

Service costs and procurement targets

The Board has identified reductions in service costs as a priority. They have picked out a number of areas and set savings targets for 2018/19. These are summarised in the table below. The Board will check progress against these targets at each meeting as part of their regular monitoring of the implementation of our strategic plan.

Contract	Strategy	Savings target
Cleaning	OJEU procurement involving residents	Minimum 5% saving through competition and specification changes.
Door entry and CCTV systems	OJEU procurement	5% saving through competition.
Design, management and compliance consultancy framework	New framework	Unit cost saving of 2% to 4% as Newlon will no longer pay framework fees.
External works	OJEU procurement	£500k per annum saving on scaffolding costs (by improved programming and combining jobs).
Advertising services	New framework	5% saving on Schedule of Rates based through competition.
TV and aerial systems	Open tender	5% saving through competition.
Water testing/legionella	Open tender	5% saving through competition.

Capital Structure and Treasury Policy

Borrowings at the year-end were £506m after fair value adjustment. Undrawn facilities amounted to £75m 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.

All drawn and undrawn loans were secured against social housing assets. Together with our available cash balance these funds are sufficient to meet our contractual development commitment.

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.

Risk is managed through the use of hedges. As at 31 March 2018, 63% of our debt portfolio was fully hedged, 10.3% was partially hedged via interest rate caps and the remaining 27% was unhedged.

	Newlon		Access		Total	
	2018	2017	**2018**	2017	**2018**	2017
	£'m	£'m	**£'m**	£'m	**£'m**	£'m
Fixed	**232**	232	**-**	-	**232**	232
Fixed (cancellable option)	**30**	32	**-**	-	**30**	32
Index – linked hedge	**62**	62	**-**	-	**62**	62
Variable	**179**	133	**3**	3	**182**	136
Total drawn (after fair value adjustment)	**503**	459	**3**	3	**506**	462
Total facility	**568**	493	**3**	3	**571**	496

We structure our loan portfolio to ensure the maturity period is staggered such that large repayments do not occur in the same financial year. This helps us to minimise the refinancing risk. The table below provides an analysis of when the drawn debt falls due for repayment.

Maturity	Group	Association
	£'m	£'m
0-1 year	4	4
1-2 years	4	4
2-5 years	15	15
5-10 years	103	102
10-20 years	366	364
20-30 years	14	14

New funding is planned in 2018/19. This will ensure the Group's business plan is forward funded and sufficient liquidity is maintained.

Compliance with the loan covenants is monitored by the management team monthly and by the Development Committee and the Board quarterly. We complied with our financial covenants in 2017/18 and expect to continue to be compliant.

Principal risks and uncertainties

In the face of serious challenges to the social housing sector over the past five years, we are proud that we have continued to deliver a significant number of much needed affordable homes for local people in London. We have also seen a genuine transformation within the organisation, with new teams, systems and ways of working leading to greater efficiency and a steady increase in customer satisfaction. It has been a challenge to deliver improvements year after year within increasingly tight budgets and we recognise that we need to carry on being very cautious in our financial planning over the next few years.

There is more pressure than ever on finances with health and safety compliance standards expected to rise in the wake of the Grenfell disaster and the Regulator of Social Housing urging housing providers to deliver greater efficiencies with the introduction of their new Value for Money Standard. Universal Credit also remains a threat to our income and a cause of serious concern for some of our residents. With many more claimants moving to the new benefit this year, we have to make sure that we maintain the excellent levels of rent collection we have seen over the past five years and continue to offer valuable support to residents who are looking for help to find work, manage finances or save on household bills.

As an organisation we have to consider all these challenges along with the potential for further political and economic disruption associated with Brexit, the possibility of a downturn in the housing market and any increases in the cost of borrowing. We have to make sure we carefully calculate the risks we can afford to take and we do this by stress testing our financial plans, making sure that the organisation is as resilient as possible and prepared to respond quickly if the operating environment becomes more difficult for us.

Risk	Mitigation
Increased competition and changes in government policy	The Board undertook a thorough review of the Association's Ten Year Vision and Growth Strategy during 2017/18 to ensure that our targets and strategies are appropriate.
Failure to sell new-build for expected price	Our Development Committee reviewed our scheme appraisal criteria in 2017/18. Prudent assumptions and the approval process, involving the Development Committee, further protect the Association against this risk. Regular reporting to the Executive team and Development Committee means that any problems are identified early in the marketing and sales phase, whilst scenario testing showed us to be resilient to a fall in the housing market. We have one joint venture which has its own Board that reports in detail to the Newlon Board and the Development Committee.
Welfare reform	Although it is highly likely that welfare reform will impact our rent collection, we continue to reduce rent arrears 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.

Risk	Mitigation
Increase in the cost of debt	Our position is closely monitored by the Executive team and is reported to the Board regularly. Whilst the external factors that could lead to increased cost cannot be controlled or prevented by the Association, the Business Plan is subjected to multi-variate stress testing and we ensure that there is adequate headroom to withstand such events in the short term.
Breach of health and safety standards	Key aspects of landlord health and safety are audited by internal auditors as part of a quarterly compliance check. Fire and gas safety, water hygiene and asbestos are also subject to in-depth audits on a three year rolling programme. We engage expert advisors in all these areas to ensure that our assessments and processes are thorough and remain in step with best practice.
Build cost inflation or land cost rises	We insure against unexpected rises through fixed price build contracts. Sessions are held at Board weekends to consider the development programme and operating environment.
IT or information security failure	We have undertaken a comprehensive data audit and compiled an Information Processing Register. We have also updated privacy notices and trained all staff on the new General Data Protection Regulations. In terms of system security, there is a well thought out security architecture, well developed framework of management controls and regular independent penetration testing. The Audit and Risk Committee have received regular reports on IT security.

Future prospects

Prospects for the housing sector are generally positive with the Government's Housing White Paper of February 2017 being followed by a series of supportive policy announcements throughout 2017 including an announcement of the return of an annual index-linked rent increase formula from 2020. It is clear that housing associations are once again seen as key players in the Government's strategy to address the housing crisis.

Over the course of 2017/18 the Board reviewed our overall Ten Year Vision together with our growth and asset management strategies. In doing so, they reaffirmed Newlon's commitment to maintaining a significant development programme across a range of tenures until 2028 and adopted a more active approach to asset management, including a disposal programme of uneconomic stock and reinvestment of the proceeds in new homes.

Like many other associations, we are also undertaking more commercial ventures in order to generate returns to invest in new affordable housing, with our first joint venture and private sale schemes currently in development. We have taken steps during the year to further strengthen our risk management framework and we are pleased that the Regulator of Social Housing recognised the strength of our governance arrangements when they carried out their in-depth assessment and awarded their highest G1 rating.

With comprehensive plans in place to capitalise on the positive outlook for the sector, strong financial performance and sound governance, we expect to continue to grow and provide many new homes for people in London.

Governance

Newlon is committed to sound corporate governance and has adopted the latest (2015) version of the National Housing Federation (NHF) Code of Governance and Code of Conduct 2012. The Board reviews compliance with the codes annually and confirms that the Association is compliant with both the Code of Governance and Code of Conduct with the exception of two areas of non-compliance with the Code of Governance. These are covered in the Statement of Internal Controls on page 16.

The Board

The Group Board is comprised of nine non-executives and the Group Chief Executive. It is also the Association 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 Association's residents and met four times during the year. The Committee is supported by a Residents' Forum and Residents' 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 significant Human Resources issues across the Association.

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 46 and 47).

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

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 confirms that the Group has complied with the Regulator of Social Housing'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 2018/19 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 in notes forming part of the financial statements (note 3, page 37).

Post balance sheet events

There were 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 Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the 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 Association's website (**www.newlon.org.uk**) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Association's website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement of internal controls

The Newlon Housing Trust Board has overall responsibility for establishing and maintaining the Group's system of internal controls 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 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 financial statements.

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 Regulator of Social Housing 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 Association's compliance with the Regulator of Social Housing's Governance and Financial Viability Standard and are satisfied the Association meets the requirements. The latest Regulatory Judgement, following an In-Depth Assessment, in 2017/18, awarded the highest G1 rating for governance and a compliant V2 rating for viability.

There were two exceptions to compliance with the NHF Code of Governance in 2017/18. The first was an extension to the tenure of a Board Member that was agreed with the Regulator. The second was a failure to report that breach within the 2016/17 financial statements. The regulator was informed and corrections were made to the financial statements and the Association's website as soon as the issue was discovered.

All subsidiaries of the Association have their own Boards of Management with financial services provided through the Association'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 Association's auditors in connection with preparing their report of which the Association'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 Association's auditors in connection with preparing their report and to establish that the Association'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

Surjit Dhande
Company Secretary

Date: 18 July 2018

Independent Auditors' Report
to the members of Newlon Housing Trust

Opinion

We have audited the financial statements of Newlon Housing Trust ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the Consolidated and Association statement of comprehensive income, the Consolidated and Association balance sheet, the Consolidated and Association statement of changes in equity, the Consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable in law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2018 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Board are responsible for the other information. Other information comprises the information included in the Report of the Board other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information so we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 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; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association's 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.

Responsibilities of the Board

As explained more fully in the Board members' responsibilities statement set out on pages 15 and 16, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

BDO LLP, Statutory Auditor

Gatwick, West Sussex, United Kingdom.

Date: 20 August 2018

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 2018

	Note	Group 2018 £'000	Group 2017 Restated £'000
Turnover	4	**76,034**	93,467
Cost of sales	4	**(1,534)**	(2,451)
Operating costs	4	**(50,348)**	(47,114)
Surplus on disposal of fixed assets: Housing properties	11	**7,235**	6,416
Operating surplus	4,7	**31,387**	50,318
Surplus on sale of other fixed assets	11	**23**	52
Other interest receivable and similar income	12	**93**	199
Interest and financing costs	13	**(13,120)**	(15,031)
Movement in fair value of investment properties	17	**50**	83
Other finance costs	13	**-**	-
Surplus before taxation		**18,433**	35,621
Taxation on surplus	14	**(85)**	(74)
Surplus for the financial year		**18,348**	35,547
Movement in fair value of hedged financial instrument	13	**1,710**	(360)
Total comprehensive income for year		**20,058**	35,187

The notes on pages 27 to 67 form part of these financial statements.

All activities relate to continuing operations.

Association statement of comprehensive income
for the year ended 31 March 2018

	Note	Association 2018 £'000	Association 2017 Restated £'000
Turnover	4	**58,588**	75,927
Cost of sales	4	**(1,534)**	(2,451)
Operating costs	4	**(32,669)**	(30,481)
Surplus on sale of fixed assets – housing	11	**6,753**	5,949
Operating surplus	4,7	**31,138**	48,944
Surplus from sale of other fixed assets	11	**23**	52
Other interest receivable and similar income	12	**230**	178
Interest and financing costs	13	**(13,090)**	(15,001)
Surplus before taxation		**18,301**	34,173
Taxation on surplus	14	**-**	-
Surplus for the financial year		**18,301**	34,173
Movement in fair value of hedged financial instrument	13	**1,710**	(360)
Total comprehensive income for year		**20,011**	33,813

The notes on pages 27 to 67 form part of these financial statements.

All activities relate to continuing operations.

Consolidated and Association balance sheets
at 31 March 2018

	Note	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Fixed assets					
Tangible fixed assets - housing	15	**1,021,569**	959,765	**1,008,911**	946,393
Tangible fixed assets - other	16	**9,135**	9,354	**8,785**	8,853
Investment properties	17	**1,750**	1,700	**-**	-
Investments	18	**111**	-	**-**	-
		1,032,565	970,819	**1,017,696**	955,246
Current assets					
Properties developed for sale	20	**17,469**	14,246	**17,469**	14,246
Debtors - receivable within one year	21	**5,906**	7,179	**10,126**	4,751
Debtors - receivable after one year	21	**6,929**	-	**-**	-
Current asset investments	22	**6**	5,000	**6**	5,000
Cash and cash equivalents		**32,701**	37,275	**24,320**	28,405
		63,011	63,700	**51,921**	52,402
Creditors: amounts falling due within one year	23	**(34,767)**	(29,887)	**(32,312)**	(27,175)
Net current assets		**28,244**	33,813	**19,609**	25,227
Total assets less current liabilities		**1,060,809**	1,004,632	**1,037,305**	980,473
Creditors: amounts falling due after more than one year	24	**(921,838)**	(885,719)	**(910,841)**	(874,020)
Provisions for liabilities and charges	30	**(25)**	(25)	**(25)**	(25)
Net assets		**138,946**	118,888	**126,439**	106,428
Capital and reserves					
Called up share capital	32	**-**	-	**-**	-
Designated reserve		**1,752**	1,752	**-**	-
Income and expenditure reserve		**148,063**	129,648	**137,354**	119,053
Cashflow hedge reserve		**(10,915)**	(12,625)	**(10,915)**	(12,625)
Restricted reserve		**46**	113	**-**	-
		138,946	118,888	**126,439**	106,428

The financial statements were approved by the Board of Directors and authorised for issue on 18 July 2018.

Sarah Ebanja

Sarah Ebanja
Chair

Jackie Ballard

Jackie Ballard
Vice Chair

Surjit Dhande
Company Secretary

The notes on pages 27 to 67 form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 March 2018

Group	Cashflow hedge reserve	Designated reserve	Income and expenditure reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	**(12,625)**	**1,752**	**129,648**	**113**	**118,888**
Surplus/(deficit) for the year	-	-	18,415	(67)	18,348
	(12,625)	1,752	148,063	46	137,236
Movement in fair value of hedged financial instrument	1,710	-	-	-	1,710
Other comprehensive income for the year	**1,710**	**-**	**-**	**-**	**1,710**
Balance at 31 March 2018	**(10,915)**	**1,752**	**148,063**	**46**	**138,946**

Group	Cashflow hedge reserve	Designated reserve	Income and expenditure reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 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)**
Balance at 31 March 2017	**(12,625)**	**1,752**	**129,648**	**113**	**118,888**

Association statement of changes in equity
for the year ended 31 March 2018

Association	Cash flow hedge reserve	Income and expenditure reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2017	**(12,625)**	**119,053**	**106,428**
Surplus for the year	-	18,301	18,301
	(12,625)	137,354	124,729
Movement in fair value of hedged financial instrument	1,710	-	1,710
Other comprehensive income for the year	1,710	-	1,710
Balance at 31 March 2018	**(10,915)**	**137,354**	**126,439**

Association	Cash flow hedge reserve	Income and expenditure reserve	Total
	£'000	£'000	£'000
Balance at 1 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**

Consolidated statement of cash flows
for the year ended 31 March 2018

	Note	Group 2018	Group 2017
		£'000	£'000
Cash flows from operating activities			
Surplus for the financial year		18,348	35,547
Adjustments for:			
Depreciation of fixed assets - housing properties	15	6,790	6,600
Depreciation of fixed assets - other	16	698	896
Increase in stock	20	(2,485)	(7,826)
Amortised grant	5	(3,785)	(3,824)
Housing asset component write off	15	212	262
Interest payable	13	13,120	15,031
Interest received	12	(93)	(199)
Movement in fair value of investment properties	17	(50)	(83)
Taxation expense	14	85	74
Surplus on the sale of fixed assets - housing properties	11	(7,235)	(6,416)
Surplus on the sale of fixed assets - other	11	(23)	(52)
Proceeds from sales of fixed assets - housing properties	11	14,281	14,773
(Increase) in trade and other debtors		(5,742)	(1,778)
Decrease/(increase) in trade creditors		811	(1,510)
Decrease in provisions		-	(1,128)
Transaction costs from sale of housing properties	11	(258)	(259)
Cash from operations		34,674	50,108
Taxation paid		45	(74)
Net cash generated from operating activities		34,719	50,034
Cash flows from investing activities			
Proceeds from sales of fixed assets - other	11	30	13
Purchase of fixed assets - housing properties	15	(73,645)	(49,661)
Purchase of fixed assets - other	16	(486)	(357)
Purchases of fixed assets - investment properties	17	-	(17)
Interest received	12	93	199
Purchase of current asset investments	22	(6)	(10,000)
Purchase of investment in joint venture	19	(111)	-
Net cash used in investing activities		(74,125)	(59,823)
Cash flows from financing activities			
Sale of current asset investments	22	5,000	20,000
Interest paid		(16,069)	(16,020)
Finance cost	13	(657)	-
New loans - banks		48,500	-
Repayment of loans		(2,217)	(3,018)
Grants received during year	25	275	1,429
Net cash from financing activities		34,832	2,391
Net decrease in cash and cash equivalents		(4,574)	(7,398)
Cash and cash equivalents at beginning of year		37,275	44,673
Cash and cash equivalents at end of year		32,701	37,275

The notes on page 27 to 67 form part of these financial statements.

Index of notes

1. Legal status

The Association is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Regulator of Social Housing as a social housing provider and is a public benefit entity. The Association is limited by guarantee, incorporated in England and Wales with registered number 18449R. The registered office is Newlon House, 4 Daneland Walk, Hale Village, London, N17 9FE.

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.

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.
- Proceeds from the sale of land and property.
- Supporting People contract income.

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. Supported People contract income is recognised on delivery of supported services.

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 Association as developer and owner of the property and included in the balance sheet of the Association. 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 Association 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 where:

- 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 Association operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Association in an independently administered fund. The pension costs included in these financial statements represent contributions payable by the Association 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 31. 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.

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. Surplus/(deficits) on service charges will be adjusted against income.

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 31).

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, Homes England 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 Homes England 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.

Associates and joint ventures

An entity is treated as a joint venture where the company is party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate. The consolidated statement of comprehensive income includes the consolidated share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Association. In the consolidated balance sheet, the interests in associated undertakings are shown as the consolidated share of the identifiable net assets, including any unamortised premium paid on acquisition.

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.

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

Designated funds are unrestricted funds earmarked by the Trustees for particular purposes.

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.
- Cash generating units have been defined as schemes for the purpose of evaluating impairment issues.
- Restatement of prior year information was due to mathematical mistakes in applying disclosure interpretation.

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 21)**

  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.

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

Group	Turnover 2018	Cost of sales 2018	Operating costs 2018	Surplus on sale of fixed assets 2018	Operating surplus/ (deficit) 2018
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 5)	58,674	-	(35,548)	-	23,126
Other social housing activities					
First tranche low cost home ownership sales	2,697	(1,534)	-	-	1,163
Development services	375	-	(668)	-	(293)
Supporting people and care	13,151	-	(12,901)	-	250
Community regeneration	53	-	(118)	-	(65)
Surplus on sale of fixed assets	-	-	-	7,235	7,235
Other activities	1,084	-	(1,113)	-	(29)
	17,360	(1,534)	(14,800)	7,235	8,261
Total social housing activities	76,034	(1,534)	(50,348)	7,235	31,387

Group	Turnover 2017 Restated	Cost of sales 2017	Operating costs 2017 Restated	Surplus on sale of fixed assets 2017	Operating surplus/ (deficit) 2017 Restated
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 5)	60,456	-	(33,603)	-	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)
Surplus on sale of fixed assets	-	-	-	6,416	6,416
Other activities	15,639	-	(866)	-	14,773
	33,011	(2,451)	(13,511)	6,416	23,465
Total social housing activities	93,467	(2,451)	(47,114)	6,416	50,318

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

Association	Turnover 2018	Cost of sales 2018	Operating costs 2018	Surplus on sale of fixed assets 2018	Operating surplus/ (deficit) 2018
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 5)	53,920	-	(31,132)	-	22,788
Other social housing activities					
First tranche low cost home ownership sales	2,697	(1,534)	-	-	1,163
Development services	375	-	(668)	-	(293)
Supporting people and care	-	-	-	-	-
Community regeneration	-	-	-	-	-
Surplus on sale of fixed assets	-	-	-	6,753	6,753
Other activities	1,596	-	(869)	-	727
	4,668	(1,534)	(1,537)	6,753	8,350
Total social housing activities	58,588	(1,534)	(32,669)	6,753	31,138

Association	Turnover 2017 Restated	Cost of sales 2017	Operating costs 2017 Restated	Surplus on sale of fixed assets 2017	Operating surplus/ (deficit) 2017 Restated
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 5)	55,382	-	(29,220)	-	26,162
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	-	-	-	-	-
Community regeneration	-	-	-	-	-
Surplus on sale of fixed assets	-	-	-	5,949	5,949
Other activities	15,639	-	(859)	-	14,780
	20,545	(2,451)	(1,261)	5,949	22,782
Total social housing activities	75,927	(2,451)	(30,481)	5,949	48,944

5. Income and expenditure from social housing lettings

Group	General Needs	Supported Housing	Low cost home ownership	Key Worker	**Total 2018**	Total 2017 Restated
	£'000	£'000	£'000	£'000	**£'000**	£'000
Income						
Rents net of identifiable service charges	26,867	3,992	4,303	11,335	**46,497**	46,161
Service charge income	2,809	2,156	3,097	15	**8,077**	9,835
Amortised government grants	3,779	-	6	-	**3,785**	3,809
Net rental income	33,455	6,148	7,406	11,350	**58,359**	59,805
Other Income	97	2	155	61	**315**	651
Turnover from social housing lettings	33,552	6,150	7,561	11,411	**58,674**	60,456
Expenditure						
Management	5,382	1,372	171	1,018	**7,943**	7,930
Service charge costs	3,584	2,447	2,829	2,557	**11,417**	11,076
Routine maintenance	4,278	833	4	409	**5,524**	4,185
Planned maintenance	3,637	-	1	-	**3,638**	3,386
Major repairs expenditure	37	-	-	-	**37**	60
Bad debts	(25)	49	14	(40)	**(2)**	105
Depreciation of housing properties:						
- annual charge	5,495	432	-	852	**6,779**	6,599
- accelerated on disposal of components	212	-	-	-	**212**	262
Operating expenditure on social housing lettings	22,600	5,133	3,019	4,796	**35,548**	33,603
Operating surplus on social housing lettings	**10,952**	**1,017**	**4,542**	**6,615**	**23,126**	26,853
Void losses	171	457	2	257	**887**	939

5. Income and expenditure from social housing lettings

Association	General Needs	Supported Housing	Low cost home ownership	Key Worker	**Total 2018**	Total 2017 Restated
	£'000	£'000	£'000	£'000	**£'000**	£'000
Income						
Rents net of identifiable service charges	26,600	2,353	4,056	11,335	**44,344**	44,203
Service charge income	2,780	-	2,793	15	**5,588**	6,868
Amortised government grants	3,749	-	-	-	**3,749**	3,761
Net rental income	33,129	2,353	6,849	11,350	53,681	54,832
Other income	161	-	17	61	**239**	550
Turnover from social housing lettings	33,290	2,353	6,866	11,411	53,920	55,382
Expenditure						
Management	5,356	311	167	1,018	**6,852**	6,720
Service charge costs	3,600	215	2,498	2,557	**8,870**	8,498
Routine maintenance	4,264	186	-	409	**4,859**	3,663
Planned maintenance	3,633	-	-	-	**3,633**	3,384
Major repairs expenditure	37	-	-	-	**37**	58
Bad debts	(29)	-	14	(40)	**(55)**	90
Depreciation of housing properties:						
- annual charge	5,440	432	-	852	**6,724**	6,545
- accelerated on disposal of components	212	-	-	-	**212**	262
Operating expenditure on social housing lettings	22,513	1,144	2,679	4,796	31,132	29,220
Operating surplus on social housing lettings	10,777	1,209	4,187	6,615	22,788	26,162
Void losses	170	-	2	257	429	340

The previous year's service charge income and expenditure has been restated to reflect the change in service charge surplus/(deficit) treatment. Going forward surplus/(deficits) on service charges will be adjusted against income.

6. Units of housing stock

	Group 2018 Number	Group 2017 Number	Association 2018 Number	Association 2017 Number
General Needs housing:				
- Social	**3,836**	3,839	**3,804**	3,807
- Affordable	**245**	234	**245**	234
Low cost home ownership	**1,731**	1,718	**1,545**	1,519
Supported Housing	**803**	775	**552**	546
Intermediate Rent	**1,128**	1,112	**1,120**	1,104
Total social housing units	**7,743**	7,678	**7,266**	7,210
Commercial properties	**68**	68	**68**	68
Total owned	**7,811**	7,746	**7,334**	7,278
Units managed by other associations	**36**	36	**36**	36
Total owned and managed accommodation	**7,847**	7,782	**7,370**	7,314
Units under construction	**878**	493	**878**	493

7. Operating surplus

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
The operating surplus is arrived at after charging:				
Depreciation of housing properties:				
- annual charge	**6,790**	6,600	**6,735**	6,545
- accelerated depreciation on replaced components	**212**	638	**212**	262
Depreciation of other tangible fixed assets	**698**	896	**520**	715
Operating lease charges				
- land and buildings	**-**	-	**-**	-
- other leases	**59**	85	**44**	67
Auditors' remuneration (excluding VAT):				
- fees payable to the Group's auditor for the audit of the Group's annual accounts	**23**	42	**-**	-
- fees for audit of accounts of associated entities	**54**	50	**42**	42
- fees for non-audit services	**32**	32	**30**	30
- fees for tax advice	**5**	5	**2**	2
Defined contribution pension cost	**596**	460	**596**	460
Defined benefit pension cost (see note 31)	**156**	135	**-**	-

8. Employees

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	**16,726**	15,584	**6,016**	5,861
Social security costs	**1,578**	1,417	**656**	615
Cost of defined benefit scheme	**368**	368	**-**	-
Cost of defined contribution scheme	**596**	460	**440**	431
Temporary agency workers	**797**	521	**317**	320
	20,065	18,350	**7,429**	7,227

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 2018 £'000	Group 2017 Restated £'000	Association 2018 £'000	Association 2017 £'000
Administration	**72**	76	**57**	55
Development and sales	**14**	15	**14**	15
Support and care	**319**	301	**-**	-
Housing management	**91**	93	**76**	77
	496	485	**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 £596,000 (2017: £460,000.)

Contributions amounting to £18,697 (2017: £14,802) 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 2018	Group 2017 Restated	Association 2018	Association 2017 Restated
	£	£	£	£
Executive Directors' emoluments	711,983	759,185	708,831	759,185
Compensation for loss of office	80,000	-	80,000	-
Contributions to money purchase pension schemes	52,761	55,085	52,761	55,085
	844,744	814,270	841,592	814,270

Compensation for loss of office relates to payment for the outgoing Corporate Services Director (CSD) following the efficiency restructure during the year. The previous year's loss of office has been restated to nil as the amounts (£34k) disclosed in the 2016/17 financial statements was in error.

The total amount payable to the Chief Executive, who was also the highest paid Director in respect of emoluments was £152,344 (2017: £154,898), excluding the CSD's compensation for loss of office.

Pension contributions of £11,261 (2017: £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 (2017: 7).

None of the Directors accrued benefits under the Group's defined benefit pension scheme during the year (2017 – Nil).

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

	Group 2018	Group 2017	Association 2018	Association 2017
	No.	No.	No.	No.
£60,000 - £69,999	10	7	10	7
£70,000 - £79,999	3	3	3	3
£80,000 - £89,999	1	3	1	3
£90,000 - £99,999	3	-	3	-
£100,000 - £109,999	1	2	1	2
£110,000 - £119,999	-	-	-	-
£120,000 - £129,999	-	1	-	1
£130,000 - £139,999	-	-	-	-
£140,000 - £149,999	-	1	-	1
£150,000 – £159,999	1	1	1	1
£160,000 – £169,999	1	-	1	-

10. Board members

Board member	Remuneration	Member of:			
	£	Audit and Risk Committee	Development Committee	Remuneration Committee	Resident Services Committee
Sarah Ebanja	17,568		✓	✓	✓
Steve Hitchins	3,513			✓	✓
Martin Hughes	7,027		✓		✓
Maria Grogan	7,027	✓			
Jackie Ballard – Chair of the Outward Board	10,540	✓		✓	
Nicola Bastin	7,027	✓		✓	
Fred Angole	7,027	✓			
John Cross	7,027		✓		
Matt Campion	7,027				✓

11. Surplus on disposal of fixed assets

Group	Housing properties 2018	Other fixed assets 2018	Total 2018	Total 2017
	£'000	£'000	£'000	£'000
Housing properties:				
Disposal proceeds	14,281	30	14,311	14,789
Cost of disposals	(7,010)	(7)	(7,017)	(8,382)
Selling costs	(258)	-	(258)	(245)
Grant recycled	(211)	-	(211)	(138)
Grant abated	433	-	433	444
Surplus on disposal of other tangible fixed assets	7,235	23	7,258	6,468

Association	Housing properties 2018	Other fixed assets 2018	Total 2018	Total 2017
	£'000	£'000	£'000	£'000
Housing properties:				
Disposal proceeds	13,614	30	13,644	14,076
Cost of disposals	(6,721)	(7)	(6,728)	(7,988)
Selling costs	(256)	-	(256)	(244)
Grant recycled	(211)	-	(211)	(138)
Grant abated	327	-	327	295
Surplus on disposal of other tangible fixed assets	6,753	23	6,776	6,001

12. Interest receivable and income from investments

	Group 2018 £'000	Group 2017 £'000	**Association 2018 £'000**	Association 2017 £'000
Interest receivable and similar income	**93**	199	**230**	178

13. Interest payable and similar charges

	Group 2018 £'000	Group 2017 £'000	**Association 2018 £'000**	Association 2017 £'000
Bank loans and overdrafts	**16,234**	16,020	**16,204**	15,990
Recycled capital grant fund accrued interest	**32**	-	**32**	-
Disposal proceeds fund accrued interest	**-**	-	**-**	-
Interest capitalised on construction of housing properties	**(3,146)**	(989)	**(3,146)**	(989)
	13,120	15,031	**13,090**	15,001
Other financing costs through other comprehensive income	**13,120**	15,031	**13,090**	15,001
Movement on fair value of hedged derivative instruments	**(1,710)**	360	**(1,710)**	360
	(1,710)	360	**(1,710)**	360

14. Taxation on surplus on ordinary activities – Group only

	Group 2018 £'000	Group 2017 £'000
UK corporation tax		
Current tax on surplus for the year	85	67
Adjustment in respect of prior period	-	7
Total current tax	85	74
Taxation on surplus on ordinary activities	85	74

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 2018 £'000	Group 2017 £'000
Surplus on ordinary activities before tax	18,433	35,621
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017 – 20%)	3,502	7,124
Effects of:		
Income not taxable for tax purposes	-	(39)
Expenses not deductible for tax purposes	(174)	(52)
Charitable exemption	(3,243)	(6,966)
Adjustments to tax charge in respect of previous period	-	7
	85	74

There was no tax charge for the year (2017: £Nil) for the Association.

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £85,000 (2017: £74,000).

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 2017	846,127	47,534	130,977	15,299	1,039,937
Additions:					
- construction costs	-	37,380	-	31,767	69,147
- works to existing properties	5,048	-	-	-	5,048
- replaced components	1,149	-	1,447	-	2,596
Reclassification of properties	(1,021)	-	1,021	-	-
Transfers to held for sale	-	-	(738)	-	(738)
Completed schemes	6,157	(6,157)	1,846	(1,846)	-
Disposals:					
- property sales	(457)	-	-	-	(457)
- staircasing sales	-	-	(6,937)	-	(6,937)
- replaced components	(621)	-	-	-	(621)
At 31 March 2018	**856,382**	**78,757**	**127,616**	**45,220**	**1,107,975**
Depreciation:					
At 1 April 2017	(80,172)	-	-	-	(80,172)
Charge for the year	(6,790)	-	-	-	(6,790)
Eliminated on disposals:					-
- property sales	147	-	-	-	147
- housing property components	621	-	-	-	621
- accelerated charge on components	(212)	-	-	-	(212)
At 31 March 2018	**(86,406)**	**-**	**-**	**-**	**(86,406)**
Net book value at 31 March 2018	**769,976**	**78,757**	**127,616**	**45,220**	**1,021,569**
Net book value at 31 March 2017	765,955	47,534	130,977	15,299	959,765

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 2017	839,249	47,534	123,776	15,299	1,025,858
Additions:					
- construction costs	-	37,750	-	31,767	69,517
- works to existing properties	5,048	-	-	-	5,048
- replaced components	1,149	-	1,447	-	2,596
Reclassification of properties	(1,021)	-	1,021	-	-
Transfers to held for sale	-	-	(738)	-	(738)
Completed schemes	6,157	(6,157)	1,846	(1,846)	-
Disposals:					
- property sales	(457)	-	-	-	(457)
- staircasing sales	-	-	(6,648)	-	(6,648)
- replaced components	(621)	-	-	-	(621)
At 31 March 2018	**849,504**	**79,127**	**120,704**	**45,220**	**1,094,555**
Depreciation:					
At 1 April 2017	(79,465)	-	-	-	(79,465)
Charge for the year	(6,735)	-	-	-	(6,735)
Eliminated on disposals:					
- property sales	147	-	-	-	147
- housing property components	621	-	-	-	621
- accelerated charge on components	(212)	-	-	-	(212)
At 31 March 2018	**(85,644)**	**-**	**-**	**-**	**(85,644)**
Net book value at 31 March 2018	**763,860**	**79,127**	**120,704**	**45,220**	**1,008,911**
Net book value at 31 March 2017	759,784	47,534	123,776	15,299	946,393

15. Tangible fixed assets – housing properties (continued)

	Group 2018 £'000	Group 2017 £'000	**Association 2018 £'000**	Association 2017 £'000
The net book value of housing properties may be further analysed as:				
Freehold	**735,301**	700,057	**726,420**	690,751
Long leasehold	**285,827**	259,267	**282,050**	255,201
Short leasehold	**441**	441	**441**	441
	1,021,569	959,765	**1,008,911**	946,393
Interest capitalisation				
Interest capitalised in the year	**3,146**	989	**3,146**	989
Cumulative interest capitalised	**36,169**	35,180	**36,169**	35,180
	39,315	36,169	**39,315**	36,169
Rate used for capitalisation	**3.28%**	3.12%	**3.28%**	3.12%
Works to properties				
Improvements to existing properties capitalised	**7,644**	2,025	**7,644**	2,017
Major repairs expenditure to income and expenditure account	**37**	58	**37**	58
	7,681	2,083	**7,681**	2,075
Total Social Housing Grant received or receivable to date is as follows:				
Capital grant – housing properties	**417,906**	420,201	**411,263**	413,339
Recycled Capital Grant Fund	**7,820**	9,249	**7,614**	9,120
Disposals Proceeds Fund	**639**	669	**639**	669
Revenue grant – I&E	**67,371**	63,586	**66,301**	62,552
	493,736	493,705	**485,817**	485,680

Properties held for security

The Association had property with a net book value of £706m pledged as security at 31 March 2018 (2017: £622m).

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 2017	8,990	3,479	149	1,432	14,050
Additions	-	324	48	114	486
Disposals	-	-	(69)	-	(69)
At 31 March 2018	**8,990**	**3,803**	**128**	**1,546**	**14,467**
Depreciation					
At 1 April 2017	(560)	(2,691)	(128)	(1,317)	(4,696)
Charge for year	(105)	(419)	(14)	(160)	(698)
Disposals	-	-	62	-	62
At 31 March 2018	**(665)**	**(3,110)**	**(80)**	**(1,477)**	**(5,332)**
Net book value					
At 31 March 2018	**8,325**	**693**	**48**	**69**	**9,135**
At 31 March 2017	8,430	788	21	115	9,354

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 2017	8,694	2,518	69	1,087	12,368
Additions	-	324	48	87	459
Disposals	-	-	(69)	-	(69)
At 31 March 2018	**8,694**	**2,842**	**48**	**1,174**	**12,758**
Depreciation					
At 1 April 2017	(546)	(1,854)	(62)	(1,053)	(3,515)
Charge for year	(91)	(296)	(12)	(121)	(520)
Disposals	-	-	62	-	62
At 31 March 2018	**(637)**	**(2,150)**	**(12)**	**(1,174)**	**(3,973)**
Net book value					
At 31 March 2018	**8,057**	**692**	**36**	**-**	**8,785**
At 31 March 2017	8,148	664	7	34	8,853

16. Other tangible fixed assets (continued)

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

	Group 2018	Group 2017	**Association 2018**	Association 2017
	£'000	£'000	**£'000**	£'000
Freehold	**8,325**	8,430	**8,057**	8,148
	8,325	8,430	**8,057**	8,148

17. Investment properties

Group	Commercial	Total
	£'000	£'000
At 1 April 2017	1,700	1,700
Additions	-	-
Revaluations	50	50
At 31 March 2018	1,750	1,750

All investment properties are held within Outward Housing.

The freehold property in East Sussex was last valued, on an open market basis, on 24 May 2018 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 £50,000 (2017: £82,190) 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 2018	Group 2017
	£'000	£'000
Historic cost	**1,882**	1,882
Accumulated depreciation	**(522)**	(484)
	1,360	1,398

18. Investments

Details of subsidiary undertakings and 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%	Joint venture and private sales	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 Joint ventures

The Newlon Group entered into a joint venture with Galliford Try ("GT") in June 2017 in respect of the development of a site at Devon's Road, Bow. The proposed development will consist of new residential units (6 for shared ownership and 124 for open market sale) and commercial/retail units costing £50m, 50% of which will be contributed by NewlonBuild, partner of the joint venture. The contribution during 2017/18 was £6.9m with an outstanding capital commitment balance of £18.1m.

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

Group	Joint ventures	
	2018	2017
	£'000	£'000
Cost		
At 1 April	-	-
Additions	111	-
At 31 March	111	-

Details of subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company 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
Joint ventures				
DR4 Developments LLP*	England	50%	Development company	Limited Liability Partnership

* DR4 is a joint venture held by NewlonBuild Ltd, a subsidiary.

20. Properties for sale

Group and Association	First tranche Shared Ownership properties 2018	Total 2018	Total 2017
	£'000	£'000	£'000
Work in progress	16,505	16,505	14,246
Completed properties	964	964	-
	17,469	17,469	14,246

Properties developed for sale include capitalised interest of £1,258,441 (2017: £488,456).

21. Debtors

	Group 2018	Group 2017	Association 2018	Association 2017
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charge arrears	2,031	2,443	1,431	1,851
Less: Provision for doubtful debts	(834)	(888)	(633)	(729)
	1,197	1,555	798	1,122
Amounts owed by Group undertakings	-	1,266	7,243	449
Other debtors	3,629	3,210	1,196	2,222
Prepayments and accrued income	1,080	1,062	889	872
Taxation	-	86	-	86
	5,906	7,179	10,126	4,751
Due after one year				
Other debtors	6,929	-	-	-
	12,835	7,179	10,126	4,751

22. Current asset investments

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Opening fair value	**5,000**	15,000	**5,000**	15,000
Purchases	**6**	10,000	**6**	10,000
Sales	**(5,000)**	(20,000)	**(5,000)**	(20,000)
Fair value	**6**	5,000	**6**	5,000

All current asset investments are short term fixed time deposits held with Lloyds Bank PLC which earn interest at 57 basis points.

23. Creditors: amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Loans and borrowings (note 28)	**3,983**	836	**3,889**	742
Trade creditors	**4,043**	4,427	**2,456**	1,679
Rent and service charges received in advance	**1,790**	1,453	**1,420**	1,093
Amounts owed to Group undertakings	**-**	-	**626**	3,188
Taxation and social security	**115**	468	**44**	213
Other creditors	**2,970**	1,167	**2,453**	1,822
Deferred capital grant (note 25)	**3,811**	3,686	**3,749**	3,623
Recycled Capital Grant Fund (note 26)	**3,374**	3,206	**3,263**	3,191
Disposal Proceeds Fund (note 27)	**639**	593	**639**	593
Accruals and deferred income	**8,106**	8,545	**8,162**	5,789
Accrued interest	**3,894**	3,729	**3,894**	3,729
Leasehold maintenance	**2,042**	1,777	**1,717**	1,513
	34,767	29,887	**32,312**	27,175

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

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Loans and borrowings (note 28)	**502,133**	461,547	**498,976**	458,299
Deferred capital grant (note 25)	**414,095**	416,515	**407,514**	409,716
Recycled Capital Grant Fund (note 26)	**4,446**	6,043	**4,351**	5,929
Disposal Proceeds Fund (note 27)	**-**	76	**-**	76
Pension scheme deficit liability	**517**	585	**-**	-
Service charge creditors	**647**	953	**-**	-
	921,838	885,719	**910,841**	874,020

Housing loans from banks, bondholders and other private lenders are secured by specific charges on the Association's housing properties. The loans are at differing fixed and variable rates of interest between 0.75% and 18.3% per annum. The loans are repayable over their life as set out in note 28.

25. Deferred capital grant

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
At 1 April	**420,201**	424,445	**413,339**	417,369
Grants received during the year	**275**	1,429	**275**	1,429
Grants recycled from the recycled capital grant fund/ disposal proceeds fund	**3,276**	1,040	**3,276**	1,040
Grants recycled to the recycled capital grant fund/ disposal proceeds fund	**(1,799)**	(2,596)	**(1,738)**	(2,581)
Released to income during the year	**(236)**	(431)	**(140)**	(295)
Grant amortised during the year	**(3,811)**	(3,686)	**(3,749)**	(3,623)
At 31 March	**417,906**	420,201	**411,263**	413,339

Deferred capital grant	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Due within one year (note 23)	**3,811**	3,686	**3,749**	3,623
Due in more than one year (note 24)	**414,095**	416,515	**407,514**	409,716
At 31 March	**417,906**	420,201	**411,263**	413,339

26. Recycled Capital Grant Fund

Group	Homes England 2018	Homes England 2017
Funds pertaining to activities within areas covered by:	**£'000**	£'000
At 1 April	**9,249**	7,690
Inputs to fund:		
- grants recycled from surplus on disposal of fixed asset	**15**	-
- grants recycled from deferred capital grants	**1,800**	2,596
- interest accrued	**32**	-
Recycling of grant:		
- new build	**(3,276)**	(1,037)
At 31 March	**7,820**	9,249

Association	Homes England 2018	Homes England 2017
Funds pertaining to activities within areas covered by:	**£'000**	£'000
At 1 April	**9,120**	7,364
Inputs to fund:		
- grants recycled from surplus on disposal of fixed asset	**-**	-
- grants recycled from deferred capital grants	**1,738**	2,581
- interest accrued	**32**	-
- transfers from other Group members	**-**	215
Recycling of grant:		
- new build	**(3,276)**	(1,040)
At 31 March	**7,614**	9,120

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 2018	Group 2017	Association 2018	Association 2017
	£'000	£'000	**£'000**	£'000
Due within one year (note 23)	**3,374**	3,206	**3,263**	3,191
Due in more than one year (note 24)	**4,446**	6,043	**4,351**	5,929
At 31 March	**7,820**	9,249	**7,614**	9,120

27. Disposal Proceeds Fund

Association and Group	Homes England 2018	Homes England 2017
Funds pertaining to activities within areas covered by:	**£'000**	£'000
At 1 April	**669**	1,169
Inputs to fund:		
- grants recycled from surplus on disposal of fixed asset	**-**	-
- grants recycled from deferred capital grants	**-**	-
- net PRTB receipts	**-**	-
- interest accrued	**-**	-
Recycling of grant:		
- new build	**(30)**	(500)
At 31 March	**639**	669

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

Disposal proceeds fund	Group 2018	Group 2017	Association 2018	Association 2017
	£'000	£'000	**£'000**	£'000
Due within one year	**639**	593	**639**	593
Due in more than one year	**-**	76	**-**	76
At 31 March	**639**	669	**639**	669

28. Loans and borrowings

Maturity of debt:

Group	Bank loans 2018		Other loans 2018	Total 2018
	Bullet	Amortising	Bullet	
	£'000	£'000	£'000	£'000
In one year or less, or on demand	516	3,467	-	3,983
In more than one year but not more than two years	-	3,774	-	3,774
In more than two years but not more than five years	-	15,369	-	15,369
In five years or more	27,000	355,990	100,000	482,990
At 31 March	27,516	378,600	100,000	506,116

Group	Bank loans 2017 Bullet	Bank loans 2017 Amortising	Other loans 2017 Bullet	Total 2017
	£'000	£'000	£'000	£'000
In one year or less, or on demand	-	836	-	836
In more than one year but not more than two years	516	2,103	-	2,619
In more than two years but not more than five years	-	8,566	-	8,566
In five years or more	22,000	350,411	100,000	472,411
At 31 March	22,516	361,916	100,000	484,432

Association	**Bank loans 2018 Bullet**	**Bank loans 2018 Amortising**	**Other loans 2018 Bullet**	**Total 2018**
	£'000	**£'000**	**£'000**	**£'000**
In one year or less, or on demand	**516**	**3,373**	**-**	**3,889**
In more than one year but not more than two years	**-**	**3,661**	**-**	**3,661**
In more than two years but not more than five years	**-**	**15,011**	**-**	**15,011**
In five years or more	**27,000**	**353,304**	**100,000**	**480,304**
At 31 March	**27,516**	**375,349**	**100,000**	**502,865**

Association	Bank loans 2017 Bullet	Bank loans 2017 Amortising	Other loans 2017 Bullet	Total 2017
	£'000	£'000	£'000	£'000
In one year or less, or on demand	-	742	-	742
In more than one year but not more than two years	516	2,009	-	2,525
In more than two years but not more than five years	-	8,227	-	8,227
In five years or more	22,000	325,547	100,000	447,547
At 31 March	22,516	336,525	100,000	459,041

Housing loans from banks, bondholders and other private lenders are secured by specific charges on the Associations housing properties.

The loans are at different fixed and variable rates of interest between – 0.75% and 18.3% per annum.

At 31 March 2018 the Group had undrawn facilities of £75m (2017: £43m).

Total issue cost included in the loan books was £2,841k for 2018 (2017: £2,184k).

29. Financial instruments

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

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Financial assets				
Financial assets measured at fair value				
- Investment properties	1,750	1,700	-	-
Financial assets measured at historical cost				
- Rental debtors	2,031	2,443	1,431	1,851
- Other receivables	10,558	3,210	1,196	2,222
- Prepayments and accrued income	1,080	1,062	889	872
- Taxation	-	86	-	86
- Cash and cash equivalents	32,707	42,275	24,326	33,405
Total financial assets	48,126	50,776	27,842	38,436
Financial liabilities				
Financial liabilities held at fair value				
- Loans payable	10,922	12,632	10,922	12,632
Financial liabilities held at amortised cost				
- Loans payable	495,194	449,751	491,943	446,409
Financial liabilities held at historical cost				
- Trade creditors	4,043	4,427	2,456	1,679
- Other creditors	28,540	28,595	26,569	27,136
- Deferred capital grant	417,906	420,201	411,263	413,339
Total financial liabilities	956,605	915,606	943,153	901,195

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 (2017: £0.4m) at the balance sheet date.

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

30. Provisions for liabilities

Group and Association	Dilapidations	Major repairs on stock transfer	Total
	£'000	£'000	£'000
At 1 April 2017	7	18	25
Utilised in year	-	-	-
At 31 March 2018	7	18	25

As at 31 March 2018, 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 12 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.

31. 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 Housing 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 2018 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1st April)

Tier 2	
From 1 April 2018 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1st April)

Tier 3	
From 1 April 2018 to 30 September 2026:	(payable monthly and increasing by 3% each year on 1st April)

Tier 4	
From 1 April 2018 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 – Association and Group

During the year employer pension contributions of £596k (2017: £460k) were charged to income and expenditure and at 31 March 2018 167 staff (2017: 190 staff) were in the scheme.

Social Housing Pension Scheme defined contribution (auto-enrolment) – Group only

During the year employer pension contributions of £156k (2017: £135k) were charged to income and expenditure and at 31 March 2018 556 staff (2017: 530 staff) were in the scheme.

Local government and other schemes – Group only

During the year employer pension contributions of £31,349 (2017: £31,350) were charged to income and expenditure and at 31 March 2018 7 staff (2017: 8 staff) were in the scheme.

32. Share capital

	2018	2017
	£	£
At 1 April and 31 March	30	30
Issued during the year	-	1
As at 31 March	30	31

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.

33. 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 2018	Group 2017	Association 2018	Association 2017
	£'000	£'000	£'000	£'000
Grant amortised	**67,371**	63,586	**66,301**	62,552

34. Operating leases

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

	Group 2018	Group 2017	**Association 2018**	Association 2017
Amounts payable as lessee	**£'000**	£'000	**£'000**	£'000
Not later than 1 year	**37**	42	**22**	24
Later than 1 year and not later than 5 years	**22**	43	**22**	43
Total	**59**	85	**44**	67

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 2018	Group 2017	**Association 2018**	Association 2017
	£'000	£'000	**£'000**	£'000
Less than one year	**53,824**	52,691	**53,009**	52,167

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

35. Capital commitments

	Group 2018	Group 2017	Association 2018	Association 2017 Restated
	£'000	£'000	£'000	£'000
Commitments contracted but not provided for:				
Construction	**101,515**	91,911	**102,530**	92,830
Commitments approved by the Board but not contracted for:				
Construction	**97,183**	99,433	**98,155**	100,427
	198,698	191,344	**200,685**	193,257

All capital commitments will be financed by Social Housing Grant, private loans and internally generated funds. Newlon currently has loan facilities of £570m in place. At 31 March 2018 Newlon had undrawn facilities totalling £75m. In addition the Association has over £24m of cash resources. Therefore sufficient funds are available to finance the commitments stated above.

36. Related party transactions

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

We have one Resident Board member – Martin Hughes. During the year the total rent charged was £5,574. The balance on his account at year end was £862 credit.

Intercompany sales between NewlonBuild and Newlon Housing Trust during 2017/18 were £47m (2016/17: £23m).

The interest charges between Newlon Housing Trust and NewlonBuild are £164k and between DR4 and NewlonBuild are £184k.

Transactions with non regulated entities

Payable to Association by subsidiaries:	Service level agreements		Other charges		Intercompany balance	
	2018	2017	**2018**	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Outward Housing	**418**	505	**2,353**	2,234	**174**	213
Newlon Fusion	**-**	-	**2**	-	**-**	-
NewlonBuild Limited	**119**	24	**490**	1,521	**5,707**	2
NewlonInvest Limited	**-**	-	**-**	-	**7,091**	-
	537	529	**2,845**	3,755	**12,972**	215

Payable to Association by subsidiaries:	Donated services		Loans		Joint venture	
	2018	2017	**2018**	2017	**2018**	2017
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Newlon Fusion	**2**	2	**-**	-	**-**	-
NewlonBuild Limited	**-**	-	**111**	-	**-**	-
NewlonInvest Limited	**-**	-	**6,929**	-	**-**	
DR4 – Joint venture	**-**	-	**-**	-	**7,113**	-
	2	2	**7,040**	-	**7,113**	-

Service level agreements

The service level agreement relates to a percentage of payroll costs 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 the Association but managed by Outward Housing.

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

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

Gift Aid

Access Homes paid a total of £920k (2017: £800k) in gift aid to the Association.

37. Capital and reserves

Revaluation gains of £50k were recognised on property investments, known as Nutley Edge Holiday Cottages, valued at £1.75m, on an open market basis by an independent third party valuer.

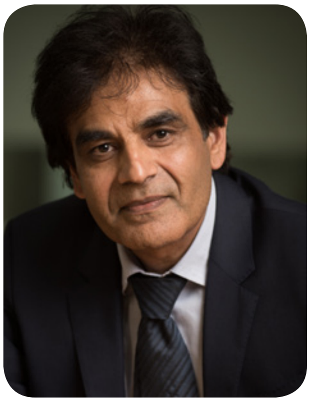
38. Post balance sheet event

There are no post balance sheet events.

Executive Team serving during the year

Mike Hinch

Group Chief Executive



Surjit Dhande

Group Finance and Resources Director

Caroline Pennock

Business Development Director

William Henderson

Housing Services Director

Mark Newstead

Property Services Director

Peter Little

Group Director Supported Housing and Care

Barbara Duff

Corporate Services Director and Company Secretary

Board members serving during the year

Sarah Ebanja

Chair

Steve Hitchins

Vice Chair
until September 2017

Jackie Ballard

Vice Chair
after September 2017

Mike Hinch

Martin Hughes

Maria Grogan

Nicola Bastin

Fred Angole

John Cross

Matt Campion

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Newlon Housing Trust is a charitable housing association

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