newlon
HOUSING TRUST

REPORT & FINANCIAL STATEMENTS

2019/20


HSBC

Contents

Pictured on this spread: View from roof garden at Repton Street.

Executives and advisors for the year ended 31 March 2020

The Board

Sarah Ebanja	Chair
Jackie Ballard	Vice Chair
Mike Hinch	Appointed Executive
Martin Hughes	Appointed Resident (resigned September 2019)
Blossom Shakespeare	Appointed Resident (appointed August 2019)
Lloyd Gale-Ward	Appointed Resident (appointed August 2019)
Maria Grogan	
Nicola Bastin	
Fred Angole	
John Cross	
Matt Campion	

Executive Management Team

Mike Hinch	Group Chief Executive
Surjit Dhande	Group Finance and Resources Director
William Henderson	Housing Services Director
Ezinne Ogbonna	Business Development Director
Peter Little	Group Director Supported Housing and Care
Mark Newstead	Property Services Director

Company Secretary and registered office

Glenn Dhurowa

Registered office:

Newlon House
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Hale Village
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N17 9FE

Group Audit and Risk Committee

Fred Angole	Chair
Maria Grogan	
Nicola Bastin	
Asari St Hill	
Alan McNab	

Bankers

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

External Auditors

BDO LLP
2 City Place
Beehive Ring Road
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West Sussex
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Principal Solicitors

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30 Finsbury Circus
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Internal Auditors

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Chair's statement for the year ended 31 March 2020

In December 2020 I will complete my tenure as Newlon's Chair and step down from the Board, after nine years which have passed in a whirl. I think it is safe to say that we have never previously operated in such a challenging environment. This includes delivering an extensive programme of safety works following the Grenfell Tower fire, planning for the impact of Brexit and in the later part of the past business year dealing with the coronavirus outbreak, with its impact on people's safety, wellbeing and incomes. I am therefore particularly proud to report that 2019/20 was another successful year for Newlon.

Over the course of the year we have started to make genuine progress in our programme of fire safety works, continued to deliver new affordable homes at scale and maintained our financial viability.

Following the tragedy of the Grenfell Tower fire the Government has issued a series of guidelines which require building owners to review the safety of external cladding, insulation and fire stopping and internal fire stopping measures across their stock. The safety of our residents, staff and contractors is our main priority and Newlon has set up a specialist team to lead on this investigation work and deliver any remedial works required. Where we have found that any kind of works are needed we have introduced active safety measures. These include appointing fire wardens or making smart use of technology such as thermal imaging cameras, to maintain residents' safety until works are completed.

This is a national issue and will create unforeseen cost for several years to come, with no clarity on whether we will be able to recover these. I am pleased to say that we have been able to put in place effective budgets to allow us to prioritise our programme of inspecting buildings and carrying out remedial works. At all times our aim is to minimise disruption to residents and we are committed, as far as possible, not to pass back costs to our leaseholders.

Towards the end of the financial year the lockdown was announced and we needed to quickly adapt to new ways of working. I am pleased to say that Newlon has successfully maintained core services, with a minimum level of disruption and with the majority of staff moving from being office based to home working. New technology, such as Puzzel, which we had recently introduced in our Service Centre, has helped us to be able to effectively manage residents' enquiries, allowing us to replicate our call centre set up from home.

Some initiatives such as our consultation with residents on the future of the Barnsbury Estate have inevitably been delayed by the coronavirus outbreak. Overall though we have been able to maintain the majority of services at near to normal levels. We have been able to remain onsite where we have been carrying out essential fire safety works. There have also been some slight delays to our development programme, but contractors were either able to keep working through adopting new working practices or to return to site quickly after the initial lockdown period. I am pleased to say that despite this we have been able to deliver over 200 new homes in the last year with many more in the pipeline.

It is likely that the immediate future will continue to be complex, but I am proud that at the end of my tenure as chair Newlon is a vibrant, diverse organisation, committed to serving the communities it supports and to providing affordable homes for people in housing need. We have achieved so much over the last nine years, from large scale regeneration projects to supporting people into employment and continuing to provide new high quality supported housing. This can only be achieved through commitment, talent and working together and I would like to extend my appreciation to my fellow Board members, all of Newlon's staff and the many partners I have worked with over this time.

Sarah Ebanja

Sarah Ebanja
Chair

15 July 2020

Report of the Board of Management and Strategic Review
for the year ended 31 March 2020

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. 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 ten year growth target of 2,000 homes by 2023.
- Investing in our existing properties to ensure they remain desirable and meet high standards of health and safety.
- To undertake a large regeneration project in one of our core boroughs.
- To remain a GLA preferred partner, obtaining grant when available to maximise our development potential.
- To continue to have required funding and good level of liquidity to finance our development plans.

Objective 2: Provide good quality, convenient, value for money services to our residents. Our priorities for the next few years are:

- Helping residents to maintain tenancies in difficult times, working with them to maximise income and opportunity, and to reduce rent arrears.
- Expanding our digital service to increase efficiency and provide more convenience for customers.
- Continuing to deliver better value for money for residents by further reducing service charges.
- Implementing our Resident Involvement Strategy, including involving more residents in recruitment, procurement and contract management.
- Implementing the asset management strategy and optimising return from our property assets.
- Building on improved resident satisfaction results, challenging ourselves to deliver better services and deal with complaints more swiftly and effectively.

Results

At 31 March 2020 we had assets of £1.2 billion, reserves totalling £185m and an annual turnover of £91m. The Group turnover from our social housing and other activities for the year ended 31 March 2020 is shown below:

	Turnover 2020	Turnover 2019
	£'m	£'m
Social housing letting:		
General needs housing for rent	37	36
Supported housing	5	5
Low cost ownership	6	6
Key Worker housing	13	13
Other social housing activities:		
First tranche low cost home ownership sales:	14	5
Supporting people and care	12	13
Other activities	4	2
Total	91	80

Summary consolidated statement of comprehensive income

	2020	2019	2018	2017	2016
	£'m	£'m	£'m	£'m	£'m
Turnover	91	80	76	93	85
Cost of sales	(8)	(2)	(2)	(3)	(11)
Surplus on disposal of fixed assets	7	7	7	6	9
Operating costs	(54)	(52)	(50)	(46)	(48)
Operating surplus	36	33	31	50	35
Net interest payable	(18)	(14)	(13)	(15)	(16)
Other finance costs	-	-	-		(5)
Fair value movement	12	(2)	2	-	-
Surplus for the year	30	17	20	35	14

The higher level of surplus for the year compared to 2018/19 is due to the £12m positive fair value movements, £11.3m from expiry of financial instrument hedge contract and £0.7m from Outward's Social Housing Pension Scheme (SHPS) defined benefit scheme.

Summary consolidated balance sheet

	2020	2019	2018	2017	2016
	£'m	£'m	£'m	£'m	£'m
Tangible fixed assets – housing properties and others	1,115	1,090	1,033	971	934
Net current assets	69	39	28	34	41
Total assets less current liabilities	1,184	1,129	1,061	1,005	975
Long term liabilities and provisions	(999)	(973)	(922)	(886)	(891)
Net assets/reserves	185	156	139	119	84

Housing properties are held at historic cost and unamortised grant is held in long term creditors. The increased carrying cost of £90m of completed properties in 2019/20 includes an £83m investment in new homes and £7m spend on improvement and remedial work to the existing homes. As at 31 March 2020 we had £421m of social housing and capital grant to support our development programme.

Consolidated cash flow

	2020	2019
	£'m	£'m
Cash generated from operations	**35**	41
Cash used in investing activities	**(45)**	(75)
Cash from financing activities	**17**	35
Net change in cash	**7**	1

At 31 March 2020 we had £41m cash and cash equivalent. In the year we:

- Received £35m from operating activities, including housing asset sales of £11m.
- Invested £45m in existing and new stock.
- Repaid £9m of loan balances.
- Paid interest of £22m.

Key financial indicators – Group

	2020	2019	2018	2017	2016
	£'m	£'m	£'m	£'m	£'m
Operating margin[1]	**40%**	41%	41%	54%	42%
EBITDA MRI [2]	**118%**	132%	126%	268%	151%
Bank interest cover [3]	**175%**	199%	214%	329%	225%
Bank gearing [4]	**49%**	49%	50%	50%	45%
Debt per unit	**£73k**	£69k	£71k	£65k	£60k
Average cost of capital	**3.47%**	3.44%	3.26%	3.11%	3.66%
Housing units owned/Managed	**7,974**	7,768	7,847	7,782	7,974
Units developed as % of current stock	**2.9%**	2.2%	0.8%	-	5.4%

1 Operating margin is defined as operating surplus as a proportion of turnover.

2 EBITDA MRI is defined as operating surplus less surplus on disposal of fixed asset, amortised grant in year, capitalised major works plus interest receivable and depreciation, as a proportion of gross interest payable.

3 Interest cover is for the Association and is defined as operating surplus plus housing depreciation, less surplus on all property sales and grant amortisation as a proportion of net interest payable.

4 The bank gearing covenant is for the Association and is defined as net loans as a proportion of housing asset cost.

Value for money, performance and development during the financial year

The Board believes that value for money (VFM) is inextricably linked with the delivery of our two main objectives of increasing the supply of high-quality, affordable homes and improving resident services. The Board reviewed our Value for Money Strategy in March 2020. The strategy outlines Newlon's definition of VFM and identifies the ways in which we will seek to deliver it.

Newlon's approach to VFM

The Board is committed to the delivery of two simple business objectives: increasing the supply of affordable housing and providing good quality services to residents. In terms of our VFM Strategy, we have tried to keep things simple too. Our overall aim is to gradually reduce unit costs through growth and cost control. We intend to do this by developing an average of 200 new homes a year until 2023 whilst working to make the business operate more economically, efficiently and effectively through a programme of incremental, sustainable improvements. Our approach is captured in five value for money commitments:

1) We will maximise the potential of our resources in order to deliver more homes.

Growth in unit numbers is at the heart of our VFM strategy. We aim to reduce overall unit costs through increasing stock numbers and keeping increases in management costs below inflation. Delivering sustained growth relies on maintaining strong operating margins and keeping borrowing costs as low as possible and these are key considerations of the Board when approving budgets and seeking new funding.

2) We will provide good quality services and increase customer satisfaction without exceeding the sector median for management costs.

Maintaining a strong focus on the customer experience as well as on controlling costs means that staff are encouraged to be innovative in finding ways to improve services but cuts are not made at the expense of current residents.

3) We will seek to maximise return on our current property assets whilst maintaining a tenure mix that fulfils our charitable mission.

In 2017 the Board set a five year Asset Investment Plan based on independently validated stock information and this has been implemented alongside a strategic disposal programme, with the aim of improving long-term viability by boosting the overall stock efficiency and resident satisfaction.

4) We will scrutinise spending and challenge costs to ensure we reduce waste and deliver greater value.

As part of the annual business planning cycle, the Board consider detailed departmental plans for the coming year alongside a proposed budget to ensure that the business is making best use of resources. The budget is presented together with the predicted impact on unit costs, allowing the Board to make decisions about the allocation of resources with reference to overall impact on costs. The Board also identifies opportunities to deliver greater VFM and these are integrated into departmental targets and monitored throughout the year.

5) We will deliver efficiencies across the Group by reducing overheads, streamlining back office processes and systems, making better use of data, automating processing activity and improving cost analysis.

We have already had success in cutting overheads at Group level through optimising the resources of the Group such as office space, systems and back office functions. We will continue to look at opportunities to combine and streamline as well as examine the way we could do things more efficiently and deliver savings to each of the Group members, including opportunities for automation and streamlining of processes.

Responsibility and reporting

The overall responsibility for delivering VFM lies with the Board. The Chairs of the Residents' Services Committee, the Group Audit and Risk Committee, the People and Governance Committee and the Development Committee are also responsible for ensuring that VFM is considered as part of the decision-making process.

We have produced regulatory metrics at 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 the Regulator of Social Housing ("RSH") metrics and the Board's chosen VFM indicators.

The Board has set the targets at both Group and Association level. These were set taking account of:

- The principles and priorities set out in the VFM Strategy.
- Peer group median and top performer/top quartile performance taken from a peer group of seven similar groups at Group level and all London providers at Association level.
- Reference to budgets and other performance targets agreed at the Board workshops earlier in the year, especially our commitments to invest in health and safety works.
- The overall ethos of continuous improvement encouraged by the Board when setting service performance targets.

Group VFM Metrics

Registered providers are required by the Regulator of Social Housing to publish their performance against the indicators below. 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 costs.

We worked with the benchmarking consultancy, Vantage, who selected a small peer group with similar group structures. We have used the median from that peer group to provide a comparison in the table below.

Group performance*		**2020**	2019	Peer median 2019	Target 2020	Target 2021
Business health	Operating Margin	**32.2%**	31.8%	27.1%	**32.0%**	31.0%
	Operating Margin SHL	**37.5%**	37.6%	28.7%	**39.0%**	29.0%
	EBITDA MRI Interest Cover	**118.3%**	131.7%	131.7%	**130.0%**	125%
Development	New Supply Social	**3.0%**	2.3%	2.3%	**3.0%**	2.0%
	New Supply Non-Social	**0.0%**	0.0%	0.0%	**0.0%**	0.0%
	Gearing	**48.7%**	48.1%	43.8%	**50.0%**	50.0%
Outcomes	Reinvestment	**12.3%**	12.1%	6.2%	**10.0%**	6.5%
Asset management	ROCE	**3.1%**	2.9%	2.4%	**3.0%**	3.1%
Cost per unit	Headline social housing cost	**£7,321**	£7,070	£6,161	**£6,970**	£7,650

* The definitions are per the VFM Sector Scorecard.

At Group level we met our target for overall operating margin whilst falling slightly short of our target for social housing lettings with another year of increased spending on health and safety works and fire warden costs impacting these results. The Board is pleased that despite these challenges, profitability continues to compare well with similar groups.

Our investment in additional building safety works is also reflected in a reduction in our interest cover and an increase in the headline social housing cost. Headline social housing unit costs are also higher at

Group level than within the Trust because they include expenditure related to care and support services, which are recovered through charges to local authority clients – in 2019/20 these costs accounted for 23% of Group operating costs.

We expect the cost of safety improvements to continue to impact our results in 2020/21 as we progress with a programme of works on our tall buildings. It is with this and the potential impact of the ongoing public health crisis in mind that the Board have set less ambitious targets in relation to profitability and unit costs for the coming year.

Group entities

When looking at Group performance the Board has to take into account the impact of the subsidiaries and their contribution in terms of the value they bring to the Group.

Four of the subsidiaries do not have any staff of their own and share services and/or back office functions with Newlon Housing Trust. NewlonBuild and NewlonInvest facilitate the development programme and optimise the use of resources to deliver new homes. Meanwhile, Newlon Fusion, a charity, is able to fundraise and Access Homes is able to gift-aid profits from commercial activities.

In respect of the Regulator of Social Housing's metrics, Outward is the only subsidiary that has a significant cost associated with non-housing activities.

Due to an intra-group agreement, Group Audit and Risk Committee and shared services (crucially finance and landlord health and safety), the Board considers that the relationship with Outward presents significantly less risk than dealing with a range of third party care and support providers in what is a challenging market.

Does Outward add value and make the best use of properties?

In 2019/20 Outward attracted over £12m of funding to provide care and support services, with Newlon residents being beneficiaries of many of those services. Occupancy was 91.9%, up from 91.2% in 2018/19, but below Outward's target of 95%. Outward have committed in their three year plan to review void levels across all schemes, work to identify new referral sources and, as a last resort, consider closure of schemes with persistent voids.

Does Outward provide high quality services?

Outward has maintained 100% good ratings from CQC and the latest customer survey showed 83% of customers and stakeholders were satisfied with the support services they received, whilst 94% were satisfied with housing services.

Is Outward financially independent and secure?

Outward made a small surplus of £389k, this is up on the previous year. The care and support market is still very challenging though, with commissioning authorities still absorbing the impact of austerity and the increase in the national living wage both putting additional pressure on margins. Outward has developed a three year plan as part of which they will engage with commissioning bodies and seek a commitment to increase funding in order to safeguard the quality of services. The Board is reassured that Outward holds more than £5m in cash reserves, which provides some security in the event that financial targets are not met.

Is Outward efficient?

Outward successfully met targets to reduce overheads in 2020. The Outward Board is seeking continuous improvement in relation to occupancy, financial performance and efficiency.

Association metrics

We benchmark the Association's performance against a range of indicators across the themes of overall financial health, delivery of new homes, asset performance, quality of outcomes, efficiency and overall cost. In order to ensure a consistency of approach and access to a wide peer group, the Board adopted the Sector Scorecard as the foundation of this reporting and added a number of additional indicators that reflected Newlon's specific priorities.

Peer group selection is consistent with reporting in previous years, using the latest available London median obtained from either the Regulator of Social Housing's published Global Accounts or the social housing benchmarking service HouseMark.

Business health

Association performance	2020	2019	Median 2019	Target 2020	Target 2021
Operating margin overall	**39.4%**	39.5%	25.3%	**40.0%**	32.0%
Operating margin social housing lettings	**38.4%**	39.9%	28.7%	**40.0%**	30.0%
EBITDA MRI interest cover	**124%**	131%	150%	**130%**	125%
Weighted average interest rate	**3.47%**	3.44%	-	**3.60%**	3.55%

We continue to demonstrate strong financial performance with margins well above the sector average. The drop in the target operating margin for 2021 reflects the increase in overheads due to the fire safety costs. We maintained our A3 stable credit rating in January 2020 with Moody's credit opinion noting our 'strong profitability' 'healthy liquidity position, and 'management's continued focus on efficiency'.

The Board has noted that the report also recognises our 'higher than average debt burden' and 'interest cover below the sector average'. The Board will continue to rigorously stress test our plans against a range of scenarios that reflect the challenges of the current operating environment and has regular reporting in place to ensure that we continue to perform comfortably within covenants.

Growth

Association performance	2020	2019	Median 2019	Target 2020	Target 2021
New supply (total units)	**232**	175	100	**240**	193
New supply as a % of current stock	**3.1%**	2.3%	1.5%	**3.0%**	2.0%
Gearing	**49.8%**	49.2%	45.2%	**50%**	50.0%

Our aim is still to deliver an average of more than 200 homes a year up until 2023 in line with our Growth Strategy which seeks to address housing need across a range of tenures. The Board's aim is to support the delivery of as much low-cost rental housing as possible and this has been supported by a programme of low-cost home ownership, low-risk private sale and a joint venture.

Although we narrowly missed our target this year, the Board remains satisfied that Newlon continues to make a significant contribution to the supply of new homes in London.

The Board has agreed a Growth Strategy for 2023-28 which aims to increase supply to 300 units a year. The Board will review these ambitions annually taking account of the operating environment.

Asset management

Association performance	2020	2019	Median 2019	Target 2020	Target 2021
ROCE	**3.1%**	2.9%	2.9%	**3.0%**	3.0%
Occupancy %	**99.5%**	99.7%	99.6%	**99.9%**	99.7%
Ratio of responsive to planned repairs	**49%**	42%	65%	**42%**	50%
% of residents satisfied with property condition	**72%**	69%	-	**70%**	72%
Reinvestment %	**12.4%**	12.2%	4.9%	**10%**	6.5%

The Board has approved a programme of disposal, development and improvement that is designed to improve the overall quality, safety and economic performance of our stock. The level of investment in new and existing properties is reflected in the rising reinvestment percentage. Although the ratio of responsive to planned repairs has risen due to greater investment in safety works, it remains significantly below the London average and we expect it to remain around this level for the next few years as we continue to invest in improvement works.

We failed to meet our end of year occupancy target partially due to difficulties letting properties in March due to Covid-19. The Board has set a target in line with some of the top performers in London.

The Board are pleased to see an increase in the percentage of residents who are satisfied with the condition of their property for the second year running.

Outcomes

Association performance	2020	2019	Median 2019	Target 2020	Target 2021
Customer satisfaction with the service overall (Rented)	**75%**	74%	75%	**75%**	76%
Customer satisfaction overall (Supported Housing)	**94%**	94%	-	**94%**	94%
Income per £ invested in community services	**£1.30**	£1.37	-	**£1.04**	£1.30
Net social value of community services (HACT)	**£4.3m**	£3.6m	-	**£3.7m**	£4.3m

The Board is pleased to see further improvement in overall customer satisfaction having made this a priority for 2019/20. During the year staff attended a series of Newlon Gold customer service training events and, in addition to overall satisfaction, we also saw improvements in satisfaction with staff helpfulness and the ability of staff to deal with queries efficiently, as well as an increase in the percentage of residents saying their query was dealt with the first time they called. There was a small decrease in satisfaction amongst supported housing residents but, overall, the level remains high.

Another factor that has been influential in improving standards of customer services is our employment programme through which an increasing number of residents have been recruited into roles across the business. Residents now make up almost 20% of Newlon's workforce and the Board were pleased to see the programme receive recognition in the Guardian's Public Service awards where we were selected as finalists in the Recruitment and HR category.

The Board considers the Resident Services team to be an important part of our VFM offer to residents. The role of the team is to maximise income for the benefit of Newlon residents and their communities. The team's ability to generate income in excess of its budget means that the social value generated by the employment, training and advice services they provide was not subsidised by other residents or delivered at the expense of Newlon's other objectives.

Operating efficiency

Association performance	2020	2019	Median 2019	Target 2020	Target 2021
Rent collected %	**99.7%**	98.8%	99.6%	**99.9%**	99.9%
Overheads as a % of adjusted turnover	**6.2%**	9.0%	12.8%	**9.0%**	6%

Although there was an increase in the level of rent collected, we also saw an increase in arrears for the first time in over five years. Our overheads remain low compared with many others in the sector and performance against this metric improved as a result of a 15% increase in turnover in the fiscal year together with prudent management of overhead budget, keeping cost increases to a minimum.

Cost per unit

Association performance	2020	2019	Median 2019	Target 2020	Target 2021
Headline social housing cost	**£5,167**	£4,799	£5,665	**£4,699**	£5,086
Management cost	**£956**	£914	-	**£900**	£950
Maintenance	**£1,817**	£1,515	-	**£1,515**	£2,020
Major repairs	**£1,018**	£805	-	**£805**	£959
Service charge costs	**£1,078**	£1,330	-	**£1,250**	£1,057
Other social housing costs	**£298**	£132	-	**£130**	£100

Additional safety works resulted in increased maintenance and major repairs expenditure and this was the main factor behind the increase in headline social housing cost. Management costs also increased slightly above inflation as a result of additional investment in our Property Services departments, who are now handling more complex major works projects.

The Board is pleased to see that service charge costs, which were identified as a particular area of focus when we first published these metrics, have been reduced. This is a result of savings on communal services which were tendered in consultation with residents. A consolidation of cleaning services contracts was particularly successful last year and should result in most residents seeing a saving on their service charge bills next year.

VFM targets

Last year the Board identified specific opportunities for savings within the procurement pipeline.

Area	Saving	Method	Outcome
Overall communal cleaning	5%	OJEU tender	Met with a saving of over 20%.
External audit services	5%	Open tender	Fewer bidders than expected and no saving achieved.
Building security systems	5%	OJEU tender or framework	Not yet tendered due to additional workload and prioritisation of health and safety tenders.
Heating system maintenance and servicing	Efficiency savings	Framework procurement and delivery of efficiency savings through IT integration	Improved integration has reduced back office administration such as payment processes and manual database reconciliations.

Savings opportunities that have been identified by the Board for this year include:

Area	Saving	Method
Insurance	5%	OJEU tender or framework
Door and window replacement	5%	OJEU tender or framework
Kitchen and bathroom replacement	5%	OJEU tender or framework
Water maintenance services	5%	OJEU tender or framework

The Association will continue to work towards implementing digital solutions to improve efficiency. Over the next 12 months we expect to complete the following projects that are focused on improving efficiency and effectiveness. Progress will be monitored by the Board during the year:

- Implement a portal to improve the exchange of information between Newlon and contractors and reduce administration.
- Implement price per property arrangements with our principal contractor to reduce administration in the repairs process and enable easier online reporting for residents.
- Significantly increase the number of residents accessing services online and implement automated surveys.
- Review remote working arrangements in light of lessons learned from working in lockdown, including consideration of opportunities to reduce costs and improve efficiency.

The Impact of Covid-19

Covid-19 has dominated the headlines since February 2020 across the world. The forced lockdown of most of the UK started just before the year-end, therefore the impact on the financial results for year ended 31 March 2020 has been minimal. Government rules concerning which services could remain open and guidance to residents meant that delivering repairs services was limited to 'emergency or essential services only' while the Trust continued to deliver its statutory and health and safety compliance services. Other housing management services continued to be provided.

In responding to the epidemic Newlon has taken a range of actions, including:

- Reviewing the 2020/21 budget and revising it under the Covid-19 conditions and factoring in assumptions such as delay in property sales and drop in values, delay in new development schemes, increase in arrears, voids, bad debt etc.
- Reviewing monthly three year cashflows under Covid-19 and stress testing these.
- Tightening of internal liquidity rules to ensure the cash availability and the secured funding facility could cope with possible adverse situations.
- Reviewing the long term financial plan under Covid-19 and stress testing under a Covid-19 recession scenario.
- Development and monitoring of Covid-19 Risk Register and Covid Crisis Key Performance Indicators ("KPI").

The Trust's updated Corporate Plan for 2020/21 included a recovery plan as the lockdown is relaxed. We have also used this period of lockdown as an opportunity to learn and a 'lessons learnt' project will look at how the organisation and services might be shaped in future.

Capital Structure and Treasury Policy

Borrowings at the year-end were £579m after fair value adjustment. Undrawn facilities amounted to £119m, which were fully secured.

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 commitments.

Newlon Housing Trust has a Treasury Management Policy which is annually reviewed and 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 2020, 85% of our debt portfolio was fully hedged and the remaining 15% was unhedged.

	Newlon		Access		Total	
	2020	2019	2020	2019	2020	2019
	£'m	£'m	£'m	£'m	£'m	£'m
Fixed	432	336	-	-	432	336
Fixed (cancellable option)	-	31	-	-	-	31
Index – linked hedge	61	62	-	-	61	62
Variable	86	121	3	3	89	124
Total drawn (after fair value adjustment)	579	550	3	3	582	553
Total facilities	698	710	3	3	701	713

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	2.8	2.7
1 – 2 years	3.4	3.3
2 – 5 years	14.3	13.9
5 – 10 years	98.9	98
10 – 20 years	354.2	352.6
20 – 30 years	105.1	105.1

New funding was obtained in 2018/19 through a £135m private placement, £80m of this was drawn down in 2019/20. This funding ensures the Group's business plan is fully funded and a sufficient level of 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 fully complied with our financial covenants in 2019/20 and expect to continue to be compliant.

Principal risks and uncertainties

Risk	Mitigation
Increased costs due to changing safety standards	We have identified a number of tall buildings that require additional fire safety works and this has meant increased cost, both in the short-term on fire wardens, and in the medium term in remediation works. We have made changes to the structure of our Property Services department to ensure that we have the resource and expertise to manage a number of complex major works projects. We have factored the cost of additional fire safety measures and works into our financial plans. We are engaging with residents, partners and insurers to rectify issues as quickly as possible and to minimise the financial impact.
Sales income	We are facing continued uncertainty in the sales market and reduced income from staircasing whilst we obtain External Wall System certificates for tall buildings. There is regular scrutiny of sales performance at Executive, Committee and Board level, whilst scenario testing showed the Association to be resilient to a fall in the housing market. On developments where sales have been slow we have contingency plans to change tenure that will be triggered under certain market conditions.
Rent arrears	Year-end arrears were higher than in 2019/20, the first year we have seen an increase for many years. Arrears across all tenures are monitored closely by a well-resourced team. Internal auditors carry out quarterly checks of arrears collection and this would alert the Audit and Risk Committee to a dip in the performance. The work of the Resident 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. This work will become even more important over the next year with disruption to employment and new benefit claims likely to impact the ability of some households to maintain current payment patterns.
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. The Board has made extra investment in our property services department in order to ensure that we have the in-house expertise to deal with some complex major works projects related to safety.
Contractor failure	With the UK facing a period of profound and sustained economic disruption, many businesses are vulnerable including businesses in the construction and maintenance sectors. Some of our usual controls such as periodic financial monitoring may not pick up some of the difficulties that could arise as a result of a sudden economic shock of this kind. We are actively monitoring risks on all construction projects and large supplier contracts with project and contract managers closely engaging with our partners and feeding any concerns back through the Executive Team.

Anti-slavery statement

We recognise we need to be vigilant and committed to driving out potential acts of modern day slavery from our supply chains. We have responsibility under the Modern Slavery Act 2015 to ensure transparency in the provision of all our goods and services. We confirm, so far as we are aware, we had no acts of modern day slavery within our organisation at 31 March 2020.

Future prospects

With the country beginning to emerge from lockdown at the time of writing and uncertainty over whether there will be a second wave of Covid-19, it is difficult to predict with any certainty how the country and the economy will respond. However, we believe that Newlon remains in a strong financial position with good liquidity and a financial plan that demonstrates our ability to absorb the impact of the economic challenges facing the sector.

Newlon remain committed to delivering new homes within our strategic development partnership, which makes us distinct from some other associations as they have stopped or slowed developing. We are also in consultation with residents about an exciting transformation project on one of our larger estates.

Along with managing the impacts of the current crisis and implementing our Recovery Plan, health and safety, especially fire safety, will remain at the top of our agenda. We are working hard to implement new systems to respond to regulatory requirements and resource works to tall buildings as a priority. As well as having to factor the cost of remediation works into our long-term financial plans, we are incurring additional costs in the short-term for fire marshals to patrol.

The outlook for the sales market is also uncertain and, although we have seen an encouraging amount of activity since the election in December, it is likely that there will be further disruption to the market as a result of Covid-19. The Board is monitoring the sales market closely and is ready to trigger contingency plans in the event of a sharp downturn or freeze in the market.

The current environment does offer opportunities for the business to adapt and become more agile. The enforced move to home working has shown us that we are able to work differently and remain effective. An important piece of work for this year will be to review the lessons we have learned from this and to take opportunities to refine the way we work and make the business more efficient and more resilient to any future interruption.

Many residents will be facing challenges of their own and we will look to build on recent improvement in resident satisfaction, continuing to improve services and engagement processes in anticipation of the Housing White Paper.

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..

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

Group Audit and Risk Committee, the Residents' Services Committee, the Development Committee and the People and Governance Committee. In addition, there is an Urgency Committee for any urgent commercial or strategic decisions.

Group Audit and Risk Committee

The Group 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 Committee gains external assurance that the Group has appropriate systems of internal control. The Group 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.

People and Governance Committee

The People and Governance 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.

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 48 and 49).

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, as a registered provider, has 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 2020/21 and the business plans have also been issued and approved by the Board. The Budget and the business plan were re-done under the Covid-19 conditions and subjected to various adverse scenarios. This work, along with the consideration of the mitigation plans and good level of liquidity, provides evidence in support of the going concern. For this reason Newlon continues to adopt the going concern basis in preparation of 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 40).

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 2019 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 2019. 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 2019.

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 control and for reviewing its effectiveness.

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

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

The Board confirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group and a robust and prudent business planning, risk and control framework is in place. This approach has operated throughout the year under review up to and including the date of approval of the annual report and 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 Group Audit and Risk Committee, which follows a needs and risk based plan. The implementation of recommendations is monitored by the Group 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 Corruption Policy and Anti-Money Laundering Policy and Procedure 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 Corruption Policy. There is a Fraud Response Plan which is aimed at ensuring the Group responds promptly to fraud or fraud allegations and is able to recover its assets where relevant.

There is a Fraud & Bribery Register which is reviewed at each Group 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 Trust's compliance with the RSH's Governance and Financial Viability Standard during the year in a Stability Check and reaffirmed Newlon's G1 rating for governance and a compliant V2 rating for viability.

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

Auditors

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

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

By order of the Board

Glenn Dhurowa
Company Secretary

15 July 2020

Independent Auditor's 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 2020 which comprise the Consolidated and Association statement of comprehensive income, the Consolidated and Association statement of financial position, 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 2020 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 requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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 annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, 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, Report of the Board of Management and 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Report of the Board have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Report of the Board.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Association, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Association's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board member and or directors' remuneration specified by law are not made; 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 18 and 19, 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 Chapter 3 of Part 16 of the Companies Act 2006. 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.

Phil Cliftlands (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Gatwick

Date: 18 August 2020

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 2020

	Note	Group 2020 £'000	Group 2019 £'000
Turnover	4	**91,001**	80,267
Cost of sales	4	**(7,940)**	(2,715)
Operating costs	4	**(53,746)**	(52,000)
Surplus on disposal of fixed assets: Housing properties	11	**6,978**	7,152
Operating surplus	4,7	**36,293**	32,704
Share of loss from Joint Venture	19	**(155)**	-
Other interest receivable and similar income	12	**342**	191
Interest and financing costs	13	**(18,971)**	(14,703)
Movement in fair value of investment properties	17	**(166)**	50
Surplus before taxation		**17,343**	18,242
Taxation on surplus	14	**-**	(70)
Surplus for the financial year		**17,343**	18,172
Movement in fair value of defined benefit pension schemes	31	**654**	(694)
Movement in fair value of hedged financial instrument	13	**11,784**	(869)
Total comprehensive income for year		**29,781**	16,609

The notes on pages 30 to 73 form part of these financial statements.

All activities relate to continuing operations.

Association statement of comprehensive income
for the year ended 31 March 2020

	Note	Association 2020 £'000	Association 2019 £'000
Turnover	4	**75,358**	63,408
Cost of sales	4	**(7,939)**	(2,715)
Operating costs	4	**(37,771)**	(35,650)
Surplus on disposal of fixed assets: Housing properties	11	**6,396**	6,881
Operating surplus	4,7	**36,044**	31,924
Other interest receivable and similar income	12	**963**	537
Interest and financing costs	13	**(18,931)**	(14,664)
Surplus before taxation		**18,076**	17,797
Taxation on surplus	14	**-**	-
Surplus for the financial year		**18,076**	17,797
Other Comprehensive Income			
Movement in fair value of hedged financial instrument	13	**11,784**	(869)
Total comprehensive income for year		**29,860**	16,928

The notes on pages 30 to 73 form part of these financial statements.

All activities relate to continuing operations.

Consolidated and Association balance sheets
at 31 March 2020

	Note	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Fixed assets					
Tangible fixed assets - housing	15	**1,103,121**	1,077,748	**1,091,172**	1,065,227
Tangible fixed assets - other	16	**9,734**	9,879	**8,905**	8,763
Investment properties	17	**1,990**	1,800	**-**	-
Investments	18	**2**	149	**-**	-
		1,114,847	1,089,576	**1,100,077**	1,073,990
Current assets					
Properties developed for sale	20	**37,110**	23,578	**37,110**	23,578
Debtors - receivable within one year	21	**10,264**	7,168	**30,159**	18,184
Debtors - receivable after one year	21	**20,431**	12,556	**-**	-
Current asset investments	22	**30**	30	**30**	30
Cash and cash equivalents		**41,300**	34,024	**32,391**	25,172
		109,135	77,356	**99,690**	66,964
Creditors: amounts falling due within one year	23	**(39,354)**	(38,100)	**(37,536)**	(35,619)
Net current assets		**69,781**	39,256	**62,154**	31,345
Total assets less current liabilities		**1,184,628**	1,128,832	**1,162,231**	1,105,335
Creditors: amounts falling due after more than one year	24	**(999,285)**	(973,252)	**(988,997)**	(961,943)
Provisions for liabilities and charges	30	**(7)**	(25)	**(7)**	(25)
Net assets		**185,336**	155,555	**173,227**	143,367
Capital and reserves					
Called up share capital	32	**-**	-	**-**	-
Designated reserve		**1,752**	1,752	**-**	-
Income and expenditure reserve		**183,550**	165,553	**173,227**	155,151
Cashflow hedge reserve		**-**	(11,784)	**-**	(11,784)
Restricted reserve		**34**	34	**-**	-
		185,336	155,555	**173,227**	143,367

The financial statements were approved by the Board of Directors and authorised for issue on 15 July 2020.

Sarah Ebanja

Sarah Ebanja
Chair

Jackie Ballard

Jackie Ballard
Vice Chair

G. Dh

Glenn Dhurowa
Company Secretary

The notes on pages 30 to 73 form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 March 2020

Group	Cashflow hedge reserve	Designated reserve	Income and expenditure reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	(11,784)	1,752	165,553	34	155,555
Surplus/(deficit) for the year	-	-	17,343	-	17,343
Movement in fair value of hedged financial instrument	11,784	-	-	-	11,784
Actuarial losses on defined benefit pension schemes	-	-	654	-	654
Other comprehensive income for the year	11,784	-	654	-	12,438
Balance at 31 March 2020	**-**	**1,752**	**183,550**	**34**	**185,336**

Group	Cashflow hedge reserve	Designated reserve	Income and expenditure reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	(10,915)	1,752	148,063	46	138,946
Surplus (deficit) for the year	-	-	18,184	(12)	18,172
Movement in fair value of hedged financial instrument	(869)	-	-	-	(869)
Actuarial losses on defined benefit pension schemes	-	-	(694)		(694)
Other comprehensive income for the year	(869)	-	(694)	-	(1,563)
Balance at 31 March 2019	(11,784)	1,752	165,553	34	155,555

Association statement of changes in equity
for the year ended 31 March 2020

Association	Cash flow hedge reserve	Income and expenditure reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2019	(11,784)	155,151	143,367
Surplus for the year	-	18,076	18,076
	(11,784)	173,227	161,443
Movement in fair value of hedged financial instrument	11,784	-	11,784
Other comprehensive income for the year	11,784	-	11,784
Balance at 31 March 2020	-	**173,227**	**173,227**

Association	Cash flow hedge reserve	Income and expenditure reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2018	(10,915)	137,354	126,439
Surplus for the year	-	17,797	17,797
	(10,915)	155,151	144,236
Movement in fair value of hedged financial instrument	(869)	-	(869)
Other comprehensive income for the year	(869)	-	(869)
Balance at 31 March 2019	(11,784)	155,151	143,367

Consolidated statement of cash flows
for the year ended 31 March 2020

	Note	Group 2020	Group 2019
		£'000	£'000
Cash flows from operating activities			
Surplus for the financial year		17,343	18,172
Adjustments for:			
Depreciation of fixed assets – housing properties	15	7,073	7,133
Depreciation of fixed assets – other	16	440	490
Increase in stock	20	(9,111)	(2,262)
Amortised grant	5	(3,384)	(3,796)
Housing asset component write off	15	200	364
Interest payable	13	18,971	14,703
Interest received	12	(342)	(191)
Movement in fair value of investment properties	17	166	(50)
Taxation expense	14	-	70
Surplus on the sale of fixed assets – housing properties	11	(6,978)	(7,152)
Increase in trade and other debtors		(10,946)	(6,889)
Proceeds from sales of fixed assets – housing properties	11	18,791	17,417
Decrease in trade creditors		3,210	3,333
Decrease in Pension Liability		(88)	-
Share of Joint Venture Loss	19	155	-
Decrease in Provision	30	(18)	-
Transaction costs from sale of housing properties	11	(564)	(147)
Cash from operations		34,918	41,195
Taxation paid		-	(70)
Net cash generated from operating activities		34,918	41,125
Cash flows from investing activities			
Proceeds from sales of fixed assets – other	11	350	-
Purchase of fixed assets – housing properties	15	(44,606)	(73,850)
Purchase of fixed assets – investment properties	17	(356)	-
Purchase of fixed assets – other	16	(645)	(1,234)
Interest received	12	342	191
Purchase of current asset investments	22	-	(24)
Purchase of investment in joint venture	19	(8)	(37)
Net cash used in investing activities		(44,923)	(74,954)
Cash flows from financing activities			
Interest paid		(20,514)	(18,459)
New loans – banks		80,000	55,000
Repayment of loans		(42,967)	(9,272)
Grant repaid		-	(229)
Grants received during the year	25	762	8,112
Net cash from financing activities		17,281	35,152
Net increase in cash and cash equivalents		7,276	1,323
Cash and cash equivalents at beginning of year		34,024	32,701
Cash and cash equivalents at end of year		41,300	34,024

The notes on pages 30 to 73 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 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" 2019, the Accounting Direction for Private Registered Providers of Social Housing 2019.

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 preparation

The financial statements have been prepared with strong consideration of the impact of Covid-19 on the Group and its subsidiaries. The nature of the Group's activities and financial position has meant Covid-19 has had an immaterial impact on the Group to date. The Budget and the business plan were re-done under the Covid-19 conditions and subjected to various adverse scenarios. This work, along with the consideration of the mitigation plans and a good level of liquidity, provides evidence in support of the Group and subsidiaries going concern. For this reason the Group continues to adopt the going concern basis in preparation of the financial statements.

Basis of consolidation

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

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 2019. 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 2019 the useful economic life of the housing property structure has been selected (see table on page 34).

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 arrangements 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 equivalent 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 increase 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.

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	Cost of sales	Operating costs	Surplus on sale of fixed assets	Operating surplus/ (deficit)
	2020	2020	2020	2020	2020
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 5)	61,088	-	(38,174)	-	22,914
Other social housing activities					
First tranche low cost home ownership sales	13,466	(7,939)	(455)	-	5,072
Development services	1,234	-	(1,904)	-	(670)
Supporting people and care	12,377	-	(12,978)	-	(601)
Community regeneration	42	-	(41)	-	1
Surplus on sale of fixed assets	-	-	-	6,978	6,978
Other activities	2,794	(1)	(194)	-	2,599
	29,913	(7,940)	(15,572)	6,978	13,379
Total social housing activities	91,001	(7,940)	(53,746)	6,978	36,293

Group	Turnover	Cost of sales	Operating costs	Surplus on sale of fixed assets	Operating surplus/ (deficit)
	2019	2019	2019	2019	2019
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 5)	60,503	-	(37,733)	-	22,770
Other social housing activities					
First tranche low cost home ownership sales	4,726	(2,715)	-	-	2,011
Development services	349	-	(718)	-	(369)
Supporting people and care	13,017	-	(12,347)	-	670
Community regeneration	57	-	(66)	-	(9)
Surplus on sale of fixed assets	-	-	-	7,152	7,152
Other activities	1,615	-	(1,136)	-	479
	19,764	(2,715)	(14,267)	7,152	9,934
Total social housing activities	80,267	(2,715)	(52,000)	7,152	32,704

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

Association	Turnover 2020	Cost of sales 2020	Operating costs 2020	Surplus on sale of fixed assets 2020	Operating surplus/(deficit) 2020
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 5)	57,218	-	(35,223)	-	21,995
Other social housing activities					
First tranche low cost home ownership sales	13,466	(7,939)	(455)	-	5,072
Development services	1,234	-	(1,904)	-	(670)
Surplus on sale of fixed assets	-	-	-	6,396	6,396
Other activities	3,440	-	(189)	-	3,251
	18,140	(7,939)	(2,548)	6,396	14,049
Total social housing activities	75,358	(7,939)	(37,771)	6,396	36,044

Association	Turnover 2019	Cost of sales 2019	Operating costs 2019	Surplus on sale of fixed assets 2019	Operating surplus/(deficit) 2019
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 5)	56,559	-	(34,010)	-	22,549
Other social housing activities					
First tranche low cost home ownership sales	4,726	(2,715)	-	-	2,011
Development services	349	-	(718)	-	(369)
Surplus on sale of fixed assets	-	-	-	6,881	6,881
Other activities	1,774	-	(922)	-	852
	6,849	(2,715)	(1,640)	6,881	9,375
Total social housing activities	63,408	(2,715)	(35,650)	6,881	31,924

5. Income and expenditure from social housing lettings

Group	General Needs	Supported Housing	Low cost home ownership	Key Worker	Total 2020	Total 2019
	£'000	£'000	£'000	£'000	**£'000**	**£'000**
Income						
Rents net of identifiable service charges	28,593	3,210	4,820	12,193	**48,816**	47,012
Service charge income	3,890	2,125	2,031	593	**8,639**	9,176
Amortised government grants	3,356	-	28	-	**3,384**	3,796
Net rental income	35,839	5,335	6,879	12,786	**60,839**	59,984
Other Income	2	-	92	155	**249**	519
Turnover from social housing lettings	35,841	5,335	6,971	12,941	**61,088**	60,503
Expenditure						
Management	4,250	620	1,205	1,138	**7,213**	7,133
Service charge costs	3,920	2,118	1,850	2,247	**10,135**	11,859
Routine maintenance	6,204	84	16	507	**6,811**	5,050
Planned maintenance	5,265	153	37	928	**6,383**	5,819
Major repairs expenditure	215	-	-	-	**215**	86
Bad debts	103	32	-	9	**144**	289
Depreciation of housing properties:						
Annual charge	5,977	236	-	859	**7,072**	7,133
Accelerated on disposal of components	201	-	-	-	**201**	364
Operating expenditure on social housing lettings	26,135	3,243	3,108	5,688	**38,174**	37,733
Operating surplus on social housing lettings	9,706	2,092	3,863	7,253	**22,914**	22,770
Void losses	**318**	**647**	**9**	**231**	**1,205**	1,079

5. Income and expenditure from social housing lettings

Association	General Needs	Supported Housing	Low cost home ownership	Key Worker	**Total 2020**	**Total 2019**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**
Income						
Rents net of identifiable service charges	28,365	2,334	4,517	12,193	**47,409**	45,484
Service charge income	3,920	-	1,791	593	**6,304**	6,955
Amortised government grants	3,323	-	-	-	**3,323**	3,735
Net rental income	35,608	2,334	6,308	12,786	**57,036**	56,174
Other income	2	-	25	155	**182**	385
Turnover from social housing lettings	35,610	2,334	6,333	12,941	**57,218**	56,559
Expenditure						
Management	4,199	333	1,205	1,138	**6,875**	6,387
Service charge costs	3,892	-	1,609	2,247	**7,748**	9,295
Routine maintenance	6,182	-	-	507	**6,689**	4,777
Planned maintenance	5,248	153	35	928	**6,364**	5,816
Major repairs expenditure	215	-	-	-	**215**	79
Bad debts	104	-	-	9	**113**	214
Depreciation of housing properties:						
Annual charge	5,925	236	-	859	**7,020**	7,078
Accelerated on disposal of components	199	-	-	-	**199**	364
Operating expenditure on social housing lettings	25,964	722	2,849	5,688	**35,223**	34,010
Operating surplus on social housing lettings	9,646	1,612	3,484	7,253	**21,995**	22,549
Void losses	**310**	**-**	**9**	**231**	**550**	553

6. Units of housing stock

Group	Restated balance brought forward	Addition	Disposal	Transfers	Balance carried forward
	No.	No.	No.	No.	No.
General Needs Housing:					
Social	3,866	159	(26)	-	3,999
Affordable	283	-	-	-	283
Low cost home ownership	1,080	67	-	(11)	1,136
Supported Housing	675	-	-	-	675
Intermediate Rent	1,131	6	-	-	1,137
Total social housing units	7,035	232	(26)	(11)	7,230
Leaseholder	733	-	-	11	744
Commercial properties	68	-	-	-	68
Total owned and/or managed	7,836	232	(26)	-	8,042
Units under construction	640	-	-	(175)	465

Association	Restated balance brought forward	Addition	Disposal	Transfers	Balance carried forward
	No.	No.	No.	No.	No.
General Needs Housing:					
Social	3,866	159	(26)	-	3,999
Affordable	283	-	-	-	283
Low cost home ownership	1,079	67	-	(11)	1,136
Supported Housing	630	-	-	-	630
Intermediate Rent	1,131	6	-	-	1,137
Total social housing units	6,989	232	(26)	(11)	7,184
Leaseholder	733	-	-	11	744
Commercial properties	68	-	-	-	68
Total owned and/or managed	7,790	232	(26)	-	7,996
Units under construction	640	-	-	(175)	465

7. Operating surplus

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
The operating surplus is arrived at after charging:				
Annual charge	7,072	7,133	7,020	7,078
Accelerated depreciation on replaced components	201	364	199	364
Depreciation of other tangible fixed assets	440	490	360	463
Operating lease charges				
Other leases	14	28	14	28
Auditor's remuneration (excluding vat):				
Fees payable to the Group's auditor for the audit of the Group's annual accounts	24	24	24	24
Fees for audit of accounts of associated entities	33	33	-	-
Fees for tax advice	10	9	-	-
Defined contribution pension cost	764	674	504	471
Defined benefit pension cost (see note 31)	240	178	-	-

8. Employees

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	17,384	17,157	6,973	6,377
Social security costs	1,619	1,534	730	627
Cost of defined contribution scheme	764	674	504	471
Temporary agency workers	1,116	763	470	441
	20,883	20,128	8,677	7,916

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 £764,000 (2019: £674,000).

Contributions amounting to £0 (2019: £100,105) were payable to the fund and are included in creditors.

The average number of employees (including the 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 2020	Group 2019	Association 2020	Association 2019
	No.	No.	No.	No.
Administration	79	75	55	54
Development and sales	14	15	14	15
Support and care	483	519	-	-
Housing management	114	103	96	87
	690	712	165	156

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 2020	Group 2019 (restated)	Association 2020	Association 2019 (restated)
	£	£	£	£
Executive Directors' emoluments	703,712	672,827	703,712	672,827
Contributions to money purchase pension schemes	52,092	49,742	52,092	49,742
	755,804	722,569	755,804	722,569

The total amount payable to the Chief Executive, who was also the highest paid Director in respect of emoluments was £159,567 (2019: £155,959).

Pension contributions of £11,716 (2019: £11,486) 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 six Directors in the Group's defined contribution pension scheme (2019: 6).

None of the Directors accrued benefits under the Group's defined benefit pension scheme during the year (2019: Nil).

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

	Group 2020	Group 2019 (restated)	**Association 2020**	Association 2019 (restated)
	No.	No.	**No.**	No.
£60,000 - £69,999	**7**	8	**7**	8
£70,000 - £79,999	**7**	5	**7**	5
£80,000 - £89,999	**2**	2	**2**	2
£90,000 - £99,999	**1**	-	**1**	-
£100,000 - £109,999	**2**	3	**2**	3
£110,000 - £119,999	**1**	1	**1**	1
£120,000 - £129,999	**1**	-	**1**	-
£130,000 - £139,999	**-**	-	**-**	-
£140,000 - £149,999	**-**	-	**-**	-
£150,000 - £159,999	**1**	1	**1**	1

10. Board members

Board member	**Remuneration**	**Member of:**			
	£	**Group Audit and Risk Committee**	**Development Committee**	**People and Governance Committee**	**Residents' Services Committee**
Sarah Ebanja - Chair	18,278		✓	✓	✓
Maria Grogan	7,311	✓			
Jackie Ballard -Vice Chair	10,966			✓	
Nicola Bastin	7,331	✓		✓	
Fred Angole	7,311	✓			
John Cross	7,311		✓		
Matt Campion	7,311				✓
Lloyd Gale-Ward	4,874				✓
Blossom Shakespeare	4,075				✓

11. Surplus on disposal of fixed assets

Group	Housing properties 2020 £'000	Other fixed assets 2020 £'000	Total 2020 £'000	Total 2019 £'000
Housing properties:				
Disposal proceeds	10,802	-	10,802	13,850
Cost of disposals	(2,966)	-	(2,966)	(6,348)
Selling costs	(564)	-	(564)	(148)
Grant recycled	(347)	-	(347)	(445)
Grant abated	53	-	53	243
Surplus on disposal of other tangible fixed assets	6,978	-	6,978	7,152

Association	Housing properties 2020 £'000	Other fixed assets 2020 £'000	Total 2020 £'000	Total 2019 £'000
Housing properties:				
Disposal proceeds	9,902	-	9,902	13,455
Cost of disposals	(2,691)	-	(2,691)	(6,243)
Selling costs	(561)	-	(561)	(147)
Grant recycled	(307)	-	(307)	(427)
Grant abated	53	-	53	243
Surplus on disposal of other tangible fixed assets	6,396	-	6,396	6,881

12. Interest receivable and income from investments

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Interest receivable and similar income	342	191	963	537

13. Interest payable and similar charges

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Bank loans and overdrafts	22,248	18,459	22,208	18,420
Recycled capital grant fund accrued interest	46	51	46	51
Disposal proceeds fund accrued interest	-	2	-	2
Interest capitalised on construction of housing properties	(3,323)	(3,809)	(3,323)	(3,809)
	18,971	14,703	18,931	14,664
Other financing costs through other comprehensive income				
Movement on fair value of hedged derivative instruments	11,784	869	11,784	869
	11,784	869	11,784	869

14. Taxation on surplus on ordinary activities – Group only

	Group 2020 £'000	Group 2019 £'000
UK corporation tax		
Current tax on surplus for the year	-	70
Adjustment in respect of prior period	-	-
Total current tax	-	70
Taxation on surplus on ordinary activities	-	70

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 2020 £'000	Group 2019 £'000
Surplus on ordinary activities before tax	17,343	18,242
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19%	3,295	3,466
Effects of:		
Income not taxable for tax purposes	-	-
Expenses not deductible for tax purposes	-	-
Charitable exemption	(3,295)	(3,396)
Adjustments to tax charge in respect of previous period	-	-
	-	70

There was no tax charge for the year (2019: Nil) for the Association.

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of £0 (2019: £70,000).

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 2019	885,621	84,740	140,564	58,889	1,169,814
Additions:					
Construction costs	-	8,956	-	31,789	40,745
Works to existing properties	7,184	-	-	-	7,184
Reclassification of properties	(193)	-	193	-	-
Transfers to held for sale	-	-	(4,421)	-	(4,421)
Completed schemes	58,904	(58,904)	28,484	(28,484)	-
Disposals:					
Property sales	(1,970)	-	-	-	(1,970)
Staircasing sales	-	-	(9,202)	-	(9,202)
Replaced components	(854)	-	-	-	(854)
At 31 March 2020	**948,692**	**34,792**	**155,618**	**62,194**	**1,201,296**
Depreciation:					
At 1 April 2019	(92,066)	-	-	-	(92,066)
Charge for the year	(7,073)	-	-	-	(7,073)
Eliminated on disposals:					
Property sales	854	-	-	-	854
Housing property components	310	-	-	-	310
Accelerated charge on components	(200)	-	-	-	(200)
At 31 March 2020	**(98,175)**	**-**	**-**	**-**	**(98,175)**
Net book value at 31 March 2020	**850,517**	**34,792**	**155,618**	**62,194**	**1,103,121**
Net book value at 31 March 2019	793,555	84,740	140,564	58,889	1,077,748

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 2019	878,743	85,088	133,757	58,889	1,156,477
Additions:					
Construction costs	-	9,283	-	31,789	41,072
Works to existing properties	7,100	-	-	-	7,100
Reclassification of properties	(193)	-	193	-	-
Transfers to held for sale	-	-	(4,421)	-	(4,421)
Completed schemes	58,904	(58,904)	28,484	(28,484)	-
Disposals:					
Property sales	(1,970)	-	-	-	(1,970)
Staircasing sales	-	-	(8,927)	-	(8,927)
Replaced components	(854)	-	-	-	(854)
At 31 March 2020	**941,730**	**35,467**	**149,086**	**62,194**	**1,188,477**
Depreciation:					
At 1 April 2019	(91,250)	-	-	-	(91,250)
Charge for the year	(7,019)	-	-	-	(7,019)
Eliminated on disposals:					
Property sales	310	-	-	-	310
Housing property components	854	-	-	-	854
Accelerated charge on components	(200)	-	-	-	(200)
At 31 March 2020	**(97,305)**	**-**	**-**	**-**	**(97,305)**
Net book value at 31 March 2020	**844,425**	**35,467**	**149,086**	**62,194**	**1,091,172**
Net book value at 31 March 2019	787,493	85,088	133,757	58,888	1,065,226

15. Tangible fixed assets – housing properties (continued)

	Group 2020 £'000	Group 2019 £'000	**Association 2020 £'000**	Association 2019 £'000
The net book value of housing properties may be further analysed as:				
Freehold	**771,877**	764,863	**763,325**	756,014
Long leasehold	**330,803**	312,444	**327,406**	308,772
Short leasehold	**441**	441	**441**	441
	1,103,121	1,077,748	**1,091,172**	1,065,227
Interest capitalisation				
Interest capitalised in the year	**3,323**	3,809	**3,323**	3,809
Cumulative interest capitalised	**43,124**	39,315	**43,124**	39,315
	46,447	43,124	**46,447**	43,124
Rate used for capitalisation	**3.56%**	3.40%	**3.56%**	3.40%
Works to properties				
Improvements to existing properties capitalised	**7,184**	5,552	**7,100**	5,552
Major repairs expenditure to income and expenditure account	**215**	79	**215**	79
	7,399	5,631	**7,315**	5,631
Total Social Housing Grant received or receivable to date is as follows:				
Capital grant – housing properties	**420,660**	424,061	**414,337**	417,535
Recycled Capital Grant Fund	**7,118**	5,999	**6,784**	5,830
Disposals Proceeds Fund	**-**	-	**-**	-
Revenue grant – I&E	**74,551**	71,167	**73,359**	70,036
	502,329	501,227	**494,480**	493,401

Properties held for security

The Association had property with a net book value of £814m pledged as security at 31 March 2020 (2019: £737m).

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 2019	8,990	4,909	121	1,674	15,694
Additions	127	441	-	77	645
Disposals	(350)	-	-	-	(350)
At 31 March 2020	**8,767**	**5,350**	**121**	**1,751**	**15,989**
Depreciation					
At 1 April 2019	(748)	(3,440)	(91)	(1,536)	(5,815)
Charge for year	(85)	(219)	(15)	(121)	(440)
Disposals	-	-	-	-	-
At 31 March 2020	**(833)**	**(3,659)**	**(106)**	**(1,657)**	**(6,255)**
Net book value					
At 31 March 2020	**7,934**	**1,691**	**15**	**94**	**9,734**
At 31 March 2019	8,242	1,469	30	138	9,879

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 2019	8,694	3,197	48	1,260	13,199
Additions	-	441	-	61	502
Disposals	-	-	-	-	-
At 31 March 2020	**8,694**	**3,638**	**48**	**1,321**	**13,701**
Depreciation					
At 1 April 2019	(707)	(2,476)	(24)	(1,229)	(4,436)
Charge for year	(70)	(219)	(12)	(59)	(360)
Disposals	-	-	-	-	-
At 31 March 2020	**(777)**	**(2,695)**	**(36)**	**(1,288)**	**(4,796)**
Net book value					
At 31 March 2020	**7,917**	**943**	**12**	**33**	**8,905**
At 31 March 2019	7,987	721	24	31	8,763

16. Other tangible fixed assets (continued)

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

	Group 2020 £'000	Group 2019 £'000	**Association 2020 £'000**	Association 2019 £'000
Freehold	**7,934**	8,242	**7,917**	7,987

17. Investment properties

Group	Commercial £'000	Total £'000
At 1 April 2019	1,800	1,800
Additions	356	356
Revaluations	(166)	(166)
At 31 March 2020	**1,990**	**1,990**

All investment properties are held within Outward Housing. The freehold holiday accommodation, comprising Nutley Edge in East Sussex was valued as at 31 March 2020 at £1,650,000, on an open market basis, as set out in a side letter dated 28 April 2020 by an external firm Avison Young (UK) Ltd, Leisure Division. Avison Young are RICS accredited valuers and undertook the valuation in accordance with the RICS Global Standards – 31 January 2020. The services of Avison Young were procured in accordance with the Charity's procurement procedures and the Trustees are satisfied of the independence of Avison Young.

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, at a capitalisation rate of 10.5% and to comparable local sales and properties offered for sale, in particular holiday complexes. Consideration was given to the current Covid-19 pandemic and resultant 'lockdown' of UK businesses which is affecting the property market.

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 loss on revaluation of investment property arising of £166,000 (2019: Surplus £50,000) has been credited to the statement of comprehensive income for the year.

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

	Group 2020 £'000	Group 2019 £'000
Historic cost	**1,882**	1,882
Accumulated depreciation	**(598)**	(560)
	1,284	1,322

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				
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
NewlonBuild Limited	England	100%	Development company	Limited company
Newlon Fusion	England	100%	Community services	Registered charity
NewlonInvest	England	100%	Joint venture and private sales	Limited company
Finsbury Park Homeless Families Project (FPHFP)*	England	100%	Community services for homeless persons	Registered charity

* 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, DR4 Developments LLP ("DR4"), with Vistry Linden Ltd (formerly Galliford Try ("GT") in June 2017 in respect of the development of a site at Devon's Road, Bow. The development consist of new residential units (6 for shared ownership and 124 for open market sale) and commercial/retail units costing £50m. 50% of which was contributed by NewlonBuild, partner of the joint venture.

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

Group	Joint ventures	
	2020	2019
	£'000	£'000
Cost		
At 1 April	**148**	111
Additions	**7**	37
Share of loss	**(155)**	-
At 31 March	**-**	148

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 of Newlon Housing Trust.

20. Properties for sale

Group and Association	First tranche Shared Ownership properties 2020 £'000	Total 2020 £'000	Total 2019 £'000
Work in progress	27,878	27,878	18,766
Completed properties	9,232	9,232	4,812
	37,110	37,110	23,578

Properties developed for sale include capitalised interest of £1,818,338 (2019: £1,712,140).

21. Debtors

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Due within one year				
Rent and service charge arrears	2,341	2,201	1,892	1,659
Less: Provision for doubtful debts	(852)	(864)	(786)	(727)
	1,489	1,337	1,106	932
Amounts owed by Group undertakings	-	-	21,790	12,899
Other debtors	6,876	4,410	5,591	3,128
Prepayments and accrued income	1,899	1,421	1,672	1,225
Taxation	-	-	-	-
	10,264	7,168	30,159	18,184
Due after one year				
Other debtors	20,431	12,556	-	-
	30,695	19,724	30,159	18,184

22. Current asset investments

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Opening fair value	30	6	30	6
Purchases	-	24	-	24
Sales	-	-	-	-
Fair value	30	30	30	30

All current asset investments relate to equity investments in MORhomes, a social housing sector borrowing vehicle. Mangement deems this to be equivalent to its fair value.

23. Creditors: amounts falling due within one year

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Loans and borrowings (note 28)	2,764	3,900	2,651	3,787
Trade creditors	4,121	4,898	2,849	1,309
Rent and service charges received in advance	1,741	1,560	1,384	1,167
Amounts owed to Group undertakings	-	-	6,355	7,652
Taxation and social security	26	272	26	202
Other creditors	5,408	2,149	5,036	1,412
Deferred capital grant (note 25)	3,384	3,796	3,323	3,735
Recycled Capital Grant Fund (note 26)	1,841	3,472	1,764	3,454
Disposal Proceeds Fund (note 27)	-	-	-	-
Accruals and deferred income	12,370	11,471	6,449	6,667
Accrued interest	5,808	4,656	5,808	4,656
Leasehold maintenance	1,891	1,926	1,891	1,578
	39,354	38,100	37,536	35,619

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

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Loans and borrowings (note 28)	575,898	548,815	572,964	545,767
Deferred capital grant (note 25)	417,276	420,265	411,013	413,800
Recycled Capital Grant Fund (note 26)	5,277	2,527	5,020	2,376
Disposal Proceeds Fund (note 27)	-	-	-	-
Pension scheme deficit liability	317	1,059	-	-
Service charge creditors	517	586	-	-
	999,285	973,252	988,997	961,943

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 0.70% and 10.7% per annum. The loans are repayable over their life as set out in note 28.

25. Deferred capital grant

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
At 1 April	424,061	417,905	417,535	411,263
Grants received during the year	762	8,112	762	8,112
Grants recycled from the recycled capital grant fund/disposal proceeds fund	630	5,120	630	5,120
Grants recycled to the recycled capital grant fund/disposal proceeds fund	(1,356)	(3,036)	(1,215)	(2,981)
Released to income during the year	(53)	(244)	(53)	(244)
Grant amortised during the year	(3,384)	(3,796)	(3,323)	(3,735)
At 31 March	420,660	424,061	414,336	417,535

Deferred capital grant	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Due within one year (note 23)	3,384	3,796	3,323	3,735
Due in more than one year (note 24)	417,276	420,265	411,013	413,800
At 31 March	420,660	424,061	414,336	417,535

26. Recycled Capital Grant Fund

Group	Homes England 2020	Homes England 2019
Funds pertaining to activities within areas covered by:	**£'000**	£'000
At 1 April	**5,999**	7,820
Inputs to fund:		
Grants recycled from surplus on disposal of fixed asset	**41**	18
Grants recycled from deferred capital grants	**1,662**	3,459
Grants paid back	**-**	(229)
Interest accrued	**46**	51
Recycling of grant:		
New build	**(630)**	(5,120)
At 31 March	**7,118**	5,999

Association	Homes England 2020	Homes England 2019
Funds pertaining to activities within areas covered by:	**£'000**	£'000
At 1 April	**5,830**	7,614
Inputs to fund:		
Grants recycled from surplus on disposal of fixed asset	**-**	-
Grants recycled from deferred capital grants	**1,521**	3,404
Grants paid back	**-**	(214)
Interest accrued	**45**	50
Transfers from other Group members	**18**	96
Recycling of grant:		
New build	**(630)**	(5,120)
At 31 March	**6,784**	5,830

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 2020	Group 2019	Association 2020	Association 2019
	£'000	£'000	**£'000**	£'000
Due within one year (note 23)	**1,841**	3,472	**1,764**	3,454
Due in more than one year (note 24)	**5,277**	2,527	**5,020**	2,376
At 31 March	**7,118**	5,999	**6,784**	5,830

27. Disposal Proceeds Fund

Group and Association	Homes England 2020	Homes England 2019
Funds pertaining to activities within areas covered by:	**£'000**	£'000
At 1 April	-	639
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	-	(639)
At 31 March	-	-

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

Disposal proceeds fund	Group 2020	Group 2019	Association 2020	Association 2019
	£'000	£'000	**£'000**	£'000
Due within one year (note 23)	-	-	-	-
Due in more than one year (note 24)	-	-	-	-
At 31 March	-	-	-	-

28. Loans and borrowings

Maturity of debt:

Group	Bank loans 2020		Other loans 2020	Total 2020
	Bullet	Amortising	Bullet	
	£'000	£'000	**£'000**	£'000
In one year or less, or on demand	-	2,764	-	2,764
In more than one year but not more than two years	-	3,428	-	3,428
In more than two years but not more than five years	2,000	12,323	-	14,323
In five years or more	20,000	303,148	235,000	558,148
At 31 March	22,000	321,663	235,000	578,663

Group	Bank loans 2019 Bullet	Bank loans 2019 Amortising	Other loans 2019 Bullet	Total 2019
	£'000	£'000	£'000	£'000
In one year or less, or on demand	-	3,900	-	3,900
In more than one year but not more than two years	-	4,424	-	4,424
In more than two years but not more than five years	2,000	17,558	-	19,558
In five years or more	20,000	349,833	155,000	524,833
At 31 March	22,000	375,715	155,000	552,715

Association	Bank loans 2020 Bullet	Bank loans 2020 Amortising	Other loans 2020 Bullet	Total 2020
	£'000	£'000	£'000	£'000
In one year or less, or on demand	-	2,651	-	2,651
In more than one year but not more than two years	-	3,315	-	3,315
In more than two years but not more than five years	2,000	11,908	-	13,908
In five years or more	20,000	300,741	235,000	555,741
At 31 March	22,000	318,615	235,000	575,615

Association	Bank loans 2019 Bullet	Bank loans 2019 Amortising	Other loans 2019 Bullet	Total 2019
	£'000	£'000	£'000	£'000
In one year or less, or on demand	-	3,787	-	3,787
In more than one year but not more than two years	-	4,311	-	4,311
In more than two years but not more than five years	2,000	17,181	-	19,181
In five years or more	20,000	347,275	155,000	522,275
At 31 March	22,000	372,554	155,000	549,554

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

The loans are at different fixed and variable rates of interest between – 0.70% and 10.70% per annum. At 31 March 2020 the Group had undrawn facilities of £119m (2019: £160m).

Total issue cost included in the loan books was £3,054k for 2020 (2019: £3,300k).

29. Financial instruments

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

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Financial assets				
Financial assets measured at fair value				
Investment properties	1,990	1,800	-	-
Financial assets measured at historical cost				
Rental debtors	2,341	2,201	1,892	1,659
Other receivables	6,876	4,410	5,591	3,128
Prepayments and accrued income	1,899	1,421	1,672	1,225
Taxation	-	-	-	-
Cash and cash equivalents	41,300	34,024	32,391	25,172
Total financial assets	54,406	43,856	41,546	31,184
Financial liabilities				
Financial liabilities held at fair value				
Loans payable	-	11,219	-	11,219
Financial liabilities held at amortised cost				
Loans payable	578,663	541,496	575,615	538,335
Financial liabilities held at historical cost				
Trade creditors	4,121	4,898	2,849	1,309
Other creditors	34,362	28,033	33,733	29,164
Deferred capital grant	420,660	424,061	414,336	417,535
Total financial liabilities	1,037,806	1,009,707	1,026,533	997,562

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

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 was a counterparty to an embedded cancellable swap to exchange floating rate Libor for a fixed cancellable rate of 4.9% per annum. This is classed as a 'non basic' financial instrument in accordance with FRS 102.

The embedded cancellable swap had a total fair value movement of £11.7m (2019: £0.87m) at the balance sheet date due to its expiry in August 2019.

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 2019	7	18	25
Utilised in year	-	(18)	(18)
At 31 March 2020	**7**	**-**	**7**

As at 31 March 2020, 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)

Outward Housing participates in the Social Housing Pension Scheme ('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. 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 last triennial valuation of the Scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1.522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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.

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

	31 March 2020	31 March 2019
	£'000	£'000
Fair value of plan assets	3,601	3,435
Issued during the year	(4,037)	(4,610)
Surplus (deficit) in plan	(436)	(1,175)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(436)	(1,175)

Reconciliation of the opening and closing balances of the defined benefit obligation

	Period ended 31 March 2020	Period ended 31 March 2019
		£'000
Defined benefit obligation at start of period	4,610	4,420
Current service cost	-	-
Expenses	6	6
Interest expense	106	110
Actuarial losses/(gains) due to scheme experience	(52)	12
Actuarial losses/(gains) due to changes in demographic assumptions	(39)	12
Actuarial losses/(gains) due to changes in financial assumptions	(521)	284
Benefits paid and expenses	(73)	(234)
Defined benefit obligation at end of period	4,037	4,610

Reconciliation of the opening and closing balances of the fair value of plan assets

	Period ended 31 March 2020	Period ended 31 March 2019
	£'000	£'000
Fair value of plan assets at start of period	3,435	3,381
Interest income	80	84
Experience on plan assets (excluding amounts included in interest income) – gain	41	130
Contributions by the employer	118	74
Benefits paid and expenses	(73)	(234)
Fair value of plan assets at end of period	3,601	3,435

Defined benefit costs recognised in the statement of comprehensive income (SOCI)

	Period ended 31 March 2020	Period ended 31 March 2019
	£'000	
Expenses	6	6
Net interest expense	26	26
Defined benefit costs recognised in the statement of comprehensive income (SOCI)	32	32

Defined benefit costs recognised in other comprehensive income

	Period ended 31 March 2020	Period ended 31 March 2019
	£'000	£'000
Experience on plan assets (excluding amounts included in interest income) - gain/(loss)	41	130
Experience gains and losses arising on the plan liabilities - gain/(loss)	52	(12)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss)	39	(12)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss)	521	(284)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain/(loss)	653	(178)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain/(loss)	-	-
Total amount recognised in other comprehensive income - gain/(loss)	653	(178)

Assets

	31 March 2020	31 March 2019
	£'000	£'000
Global equity	527	578
Absolute return	188	297
Distressed opportunities	69	62
Credit relative value	99	63
Alternative risk premia	252	198
Fund of hedge funds	2	15
Emerging markets debt	109	119
Risk sharing	122	104
Insurance-linked securities	111	99
Property	79	77
Infrastructure	268	180
Private debt	73	46
Opportunistic Illiquid credit	87	-
Corporate bond fund	205	160
Liquid credit	1	-
Long lease property	62	51
Secured income	137	123
Liability driven investment	1,195	1,256
Net current assets	15	7
Total assets	3,601	3,435

Key assumptions

	31 March 2020	31 March 2019
	% per annum	% per annum
Discount rate	2.38	2.31
Inflation (RPI)	2.62	3.29
Inflation (CPI)	1.62	2.29
Salary growth	2.62	3.29
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

	Life expectancy at age 65 (years)
	No.
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

Change in fair value of defined benefit pension schemes charged to the Statement of Comprehensive Income.

	31 March 2020	31 March 2019
	£'000	£'000
At 1 April	1,174	448
Change in fair value	(770)	694
Interest cost and expense	32	32
At 31 March	436	1,174

Scottish Widows defined contribution scheme – Newlon Housing Trust

During the year employer pension contributions of £504k (2019: £471k) were charged to income and expenditure and at 31 March 2020 181 staff (2019: 180 staff) were in the scheme.

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

During the year employer pension contributions of £240k (2019: £178k) were charged to income and expenditure and at 31 March 2020 505 staff (2019: 530 staff) were in the scheme.

Local government and other schemes – Outward Housing only

During the year employer pension contributions of £24,002 (2019: £23,893) were charged to income and expenditure and at 31 March 2020 4 staff (2019: 4 staff) were in the scheme.

32. Share capital

	2020	2019
	£	£
At 1 April	30	30
Issued during the year	-	-
As at 31 March	30	30

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

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 2020 £'000	Group 2019 £'000	**Association 2020 £'000**	Association 2019 £'000
Grant amortised	**74,497**	71,140	**73,359**	70,036

34. Operating leases

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

Amounts payable as lessee	**Group 2020 £'000**	Group 2019 £'000	**Association 2020 £'000**	Association 2019 £'000
Not later than one year	**10**	21	**10**	21
Later than one year and not later than five years	**4**	7	**4**	7
Total	**14**	28	**14**	28

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 2020 £'000	Group 2019 £'000	**Association 2020 £'000**	Association 2019 £'000
Less than one year	**60,832**	59,637	**56,505**	54,952

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 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Commitments contracted but not provided for:				
Construction	**76,965**	112,059	**76,872**	104,502
Commitments approved by the Board but not contracted for:				
Construction	**49,323**	105,445	**49,816**	106,500
	126,288	217,504	**126,688**	211,002

All capital commitments will be financed by Social Housing Grant, private loans and internally generated funds. Newlon currently has secured loan facilities of £701m in place. At 31 March 2020 Newlon had undrawn facilities totaling £119m. In addition the Association has over £41m 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 two Resident Board members – Blossom Shakespeare and Lloyd Gale-Ward. The total rent charged during the year and balance on their accounts at year end are as follows:

Board Member	Total rent charged £	Account balance at year end Debit/(credit) £
Blossom Shakespeare	5,955	27
Lloyd Gale-Ward	3,375	-

Intercompany sales between NewlonBuild and Newlon Housing Trust were £41m (2019: £43m).

The interest charges between Newlon Housing Trust and NewlonInvest are £653k (2019: £372k) and between DR4 and NewlonInvest are £1,184k (2019: £425k).

Transactions with non regulated entities

Payable to Association by subsidiaries:	Service level agreements		Other charges		Intercompany balance	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Outward Housing	**493**	455	**2,334**	2,320	**72**	278
Newlon Fusion	**-**	-	**-**	2	**-**	-
Access Homes	**67**	43	**-**	-	**-**	
NewlonBuild Limited	**102**	107	**(14)**	463	**6,355**	7,652
NewlonInvest Limited	**26**	25		-	**20,534**	12,588
	688	630	**2,320**	2,785	**26,961**	20,518

Payable to Association by subsidiaries:	Donated services		Loans		Joint venture	
	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000
Newlon Fusion	2	2	-	-	-	-
NewlonBuild Limited	-	-	156	148	-	-
NewlonInvest Limited	-	-	20,432	12,552	-	-
DR4 – Joint venture	-	-	-	-	20,559	12,563
	2	2	20,588	12,700	20,559	12,563

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

The Association received a total of £1,409k (2019: £770k) in gift aid from subsidiaries.

	Payable to Association by subsidiaries	Gift Aid
	2020	2019
	£'000	£'000
Access Homes	955	770
NewlonBuild Limited	393	-
NewlonInvest Limited	61	-
	1,409	770

37. Capital and reserves

Total revaluation losses of £166k were recognised on property investments across Nutley Edge Holiday Cottages and Cedar Court, valued at £1.99m, on an open market basis by an independent third party valuer.

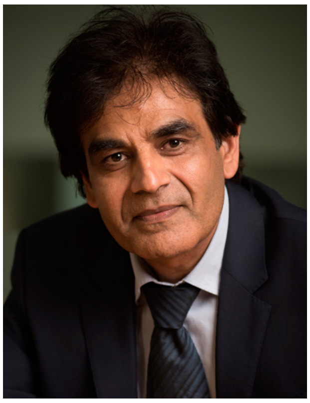
38. Post balance sheet event

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

Ezinne Ogbonna

Business Development Director

William Henderson

Housing Services Director

Mark Newstead

Property Services Director

Peter Little

Group Director Supported Housing and Care

Board members serving during the year


Sarah Ebanja
Chair

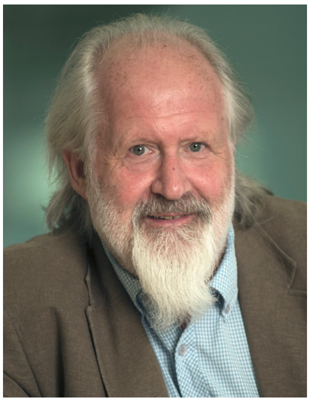

Jackie Ballard
Vice Chair


Mike Hinch


Fred Angole


Nicola Bastin


Matt Campion


John Cross


Lloyd Gale-Ward


Maria Grogan


Blossom Shakespeare


Martin Hughes

disability confident COMMITTED

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

Newlon Housing Trust is a charitable housing association

Group Chief Executive: Mike Hinch   Chair: Sarah Ebanja

Newlon Housing Trust is a Community Benefit Society – company no. 18449R, registered with the Regulator of Social Housing no. L0006, HMRC charities reference no. EW91301, VAT registration no. GB778532683.

Access Homes is a Community Benefit Society – company no. 24992R, registered with the Regulator of Social Housing SL3605

Outward Housing, trading as Outward, is a company limited by guarantee – company no. 02151434, registered charity no. 800529.

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

Newlon Fusion is a company limited by guarantee – company no. 04000022, registered charity no. 1119673.

NewlonBuild Ltd is a private limited company no. 07884092.

NewlonInvest is a private limited company no. 09492006.

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