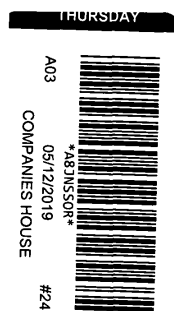


HYDE NEW BUILD LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2019

COMPANY REGISTRATION NO. 07250525



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## BOARD AND ADVISORS

### The Board

David Gannicott (Chair, resigned 31 March 2019)

Tracy Allison (Chair, appointed 1 April 2019)

Simon Vevers

Thomas Shaw

Debbie Small

Peter Denton

Sharon Pearce

### Company Secretary

John Edwards (Resigned 1 June 2018)

Kerry Tromanhauser (Appointed 4 June 2018)

### Registered Office

30 Park Street

London

SE1 9EQ

Tel: 020 3207 2600

Web: [www.hyde-housing.co.uk](http://www.hyde-housing.co.uk)

### Bankers

National Westminster Bank Plc

143 High Street

Bromley

BR1 1JH

### Solicitors

Devonshires

30 Finsbury Circus

London Wall

London

EC2M 7DT

### Trowers and Hamlins

3 Bunhill Row

London

EC1Y 8YZ

### Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

WC2N 6RH

### Internal auditors

Mazars LLP

Tower Bridge House

St Katharine's Way

London

E1W 1DD

**DIRECTORS' AND STRATEGIC REPORT**

The Directors present their report for the financial year ended 31 March 2019.

**Review of the business**

The financial results and position are set out on pages 12 and 13. The results show an operating profit for the year of £4.3m (2018: £7.9m) and profit from ordinary activities before taxation of £3.1m (2018: £6.8m). The current financial year's turnover, costs and profit are lower than last year's due to less East hall outright sales and a lower volume of construction service works and other projects are going through joint ventures. This year Hyde New Build Ltd disposed of the Land development site Addiscombe. This was a strategic withdrawal as the site no longer fit within the Group's development plans.

Hyde New Build Limited (the "Company") had design and build and outright sales turnover in the year of £116.4m (2018: £155.4m) and has a strong pipeline of design and build activities for the coming financial year. All work is performed in London and the South East of England.

Below is a table showing a breakdown of the turnover, costs and profit for 2018/2019 and 2017/2018:

	2018/2019 £'000's	2017/2018 £'000's
Outright Sales Income	36,785	16,718
Construction Services Income	79,569	138,700
<b>Turnover</b>	<b>116,354</b>	<b>155,418</b>
Outright Sale - Cost of Sales	(35,017)	(11,965)
Total operating cost exclude sales	(77,067)	(135,542)
Surplus/(deficit) from Other Housing Assets	(3)	(8)
<b>Operating Costs</b>	<b>(112,087)</b>	<b>(147,515)</b>
<b>Operating Profit</b>	<b>4,267</b>	<b>7,903</b>
Finance Costs	(1,171)	(1,079)
Finance Income	4	2
<b>Profit before taxation</b>	<b>3,100</b>	<b>6,826</b>
Taxation	(8)	(11)
<b>Profit for the financial year</b>	<b>3,092</b>	<b>6,815</b>

The Company had inventories that are held for sale and work in progress of £65.1m (2018: £70.8m)

Hyde New Build Limited may occasionally purchase land as necessary in support of these activities and proceed to construct residential properties. It is intended that these developments would be transferred to other members of the Hyde Group before completion, but on occasion, the company may opt to develop properties to completion for sale to the public.

**DIRECTORS' AND STRATEGIC REPORT****Business environment**

During the financial year ending 31 March 2019, we have seen a slowdown in house price growth across the areas where Hyde operates due to Brexit. However, the Government's Help to Buy scheme continues to support sales and interest rates remain low, providing confidence to buyers in the mortgage market. We expect conditions to remain challenging, particularly for schemes where prices are above the Government's Help to Buy threshold. Our development strategy to develop an increasing amount of our pipeline outside of Greater London has been successful as we have seen consistent sales rates and healthy increases in values. Our London schemes sit outside of the prime value areas and within the Help to Buy thresholds. This is encouraging as the investor market has shrunk and the first time buyer/owner occupier market has grown.

**Business Model and Strategy**

The main activity of the Company is to provide composite design and build services to members of the Hyde Group. The Company is a trading company and will enter into new agreements with external contractors and professionals as required and provide the work and services to the Hyde Group under an Intra-group development agreement.

An additional activity of the Company includes the operation of solar panels.

The Company's profits are distributed as gift aid to the parent company Hyde Housing Association Limited and used to support the Hyde Group's social objectives.

The Company has no employees (2019: none) and receives logistical support from Hyde Housing Association Limited for which it pays a management fee.

**Principal risks and uncertainties**

There are a number of potential risks and uncertainties which could have a material impact upon the Company's performance and viability. These risks and uncertainties may cause actual results to differ significantly from expected results or from historical trends. Within the Company the risk is reviewed and actively managed through regular review of the Risk Map, sensitivity testing at the investment appraisal stage for new developments and reports to the Board/Executives on the property market and the Company's current and projected development and sales activity.

The principal risks inherent in the Hyde New Build Limited business model include the following:

- Lower than expected sales volumes and revenues resulting from a downturn in the property market;
- Deterioration in credit markets resulting in an increase in funding costs;
- A downturn in the economy or a weak economic recovery which will undermine confidence in the housing market, thereby reducing demand and property prices;
- Default by major suppliers or contractors; and
- Government changes to Solar Panel tariffs.

**DIRECTORS' AND STRATEGIC REPORT (CONTINUED)**

Following the publication of Institute of Chartered Accountants in England and Wales (ICAEW) Technical Alert 16/14 BL, gift-aid payments are treated as distributions of reserves. Distributions of reserves are shown in note 16 - retained earnings.

**Post balance sheet events**

The Board considers that there have been no other events since the year end that have had a significant effect on its financial position.

**Directors**

The Directors of the Company who were in office during the year and up to the date of signing are set out on page 3. The Directors are salaried employees of Hyde Housing Association Limited, and are not remunerated for their services to the Company.

The Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

**Pensions**

There are no direct employees (2018: none) of Hyde New Build Limited and no pension obligations as a result.

**Going concern**

The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. These financial statements are prepared on a going concern basis.

**Internal controls assurance**

The Company's system of internal control for reviewing its effectiveness falls under the overall Group framework for internal controls. This is set out in the Statement of Internal Controls Assurance on page 7.

**Future developments**

The Company intends to continue the activity of providing composite design and build services as part of the overall Group strategy for delivering sustainable mixed tenure communities. It aims to do so principally, but not exclusively, as part of major developments in regeneration areas.

**Disclosure of information to auditors**

Each of the persons who is a Director at the date of approval of this report confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware.

The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Audit Tender**

A tender for the statutory audit took place during the financial year and PwC were appointed as external auditors.

**GROUP GOVERNANCE**

The overall governance of the Group and its subsidiaries is summarised as follows:

**The Group Board**

The Group Board is the ultimate governing body of the Group. It has places for ten non-executive Directors and two executive Directors and meets regularly throughout the year. Four of these meetings are formal business meetings, the remainder are set aside for the Board to consider wider strategic issues. The Group places significant importance in attracting the right mix of skills and members receive remuneration to

**DIRECTORS' AND STRATEGIC REPORT (CONTINUED)**

support this aim and compensate them for their time and effort. Members are drawn from a range of professional and business backgrounds such that there is an optimum mix of skills and expertise to fulfil the function of the Group Board.

**Delegation**

The Group Board delegates some of its responsibilities to functional committees. Each of these committees has clear terms of reference and delegated authority. They report back to the Group Board after each meeting, where their recommendations are fully considered and approved where appropriate. Each of these committees is chaired by a non-executive member of the Group Board. The functional committees have a Group wide remit.

**Functional Committees**

There are five main functional committees within the Group: the Group Audit Committee, the Group Housing Services Board, the Group Investment Committee, the Group Treasury Committee and the Group Remuneration and Appointments Committee. Each of these committees is chaired by a non-executive member of the Group Board. The functional committees have a Group wide remit.

**The Group Audit Committee**

The role of this committee is to oversee the work of both the internal and external audit function and to oversee the risk management framework and internal control framework 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. It is also responsible for recommending to the Group and subsidiary Boards the appointment of internal and external auditors and investigating any activity it thinks fit, or as may be referred to it. It submits an annual report on internal controls to the Group Board. Through the reports it receives the Audit Committee gains comfort that the Group has applicable systems of internal control and is able to comply with the Regulator of Social Housing expectations in this area.

**The Group Housing Services Board**

The Group Housing Services Board's (the "GHS Board") role is to scrutinise executive performance in respect of the Group's core business operations. It provides the Group Board with the reassurance that operational performance is subject to effective non-executive oversight.

In particular, the GHS Board scrutinises delivery of the Group's service promise, and its progress against ongoing operational work programmes and oversees the development of appropriate benchmarking criteria for internal and external validation of service performance, the identification and mitigation of statutory and regulatory risk (including health and safety) and the people issues as they affect operational delivery.

The GHS Board is also the "hub" for the Group's "common board" model of governance for the registered provider subsidiaries in the Group. Its members are also the members of the boards of Martlet Homes Limited, Hyde Southbank Homes Limited and Hillside Housing Trust Limited (being the Group's registered provider subsidiaries). This enables the GHS Board to oversee the operations of these subsidiaries and to meet simultaneously as the relevant Boards where a particular board approval is required.

**The Group Investment Committee**

The Group Investment Committee oversees and approves the Group's property investment strategies covering acquisition, capital expenditure, development, asset management and disposition. In particular it scrutinises and approves the Group's involvement in substantial urban regeneration and renewal projects.

**The Group Treasury Committee**

The Group Treasury Committee provides detailed specialist oversight of the Group's corporate finance and treasury related activities and makes recommendations to or endorses courses of actions/proposals to the Group Board or Subsidiary Board for approval or appointment.

**The Group Remuneration and Appointments Committee (the Remuneration Committee)**

The Group Remuneration and Appointments Committee (the Remuneration Committee) is responsible for setting the remuneration of Group Board members and of the Executive Management Team. In addition the Remuneration Committee oversees the process for Group Board member appraisal and reviews the process for Group Board member appointment.

**The Subsidiary Framework**

The Company's Board of management comprises up to eight executive Directors bringing together professional skills and support from the Group. The Board is responsible for the overall strategy and policy of the Company and meets as necessary to consider and monitor performance. Day to day management is delegated to the Managing Director.

**DIRECTORS' AND STRATEGIC REPORT (CONTINUED)****INTERNAL CONTROLS ASSURANCE**

The Group Board (Board) is ultimately responsible for ensuring the Group establishes and maintains a system of internal control appropriate to the various business environments in which it operates. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key elements in exercising control include:

1. Group Board approved terms of reference and delegated authorities for audit, operation and investment committees;
2. Clearly defined management responsibilities for the identification, evaluation and control of significant risks;
3. Robust strategies and business planning processes, with detailed financial budgets and forecasts;
4. Formal recruitment, retention, training and development policies for all staff;
5. Established authorisation and appraisal procedures for significant new initiatives and commitments;
6. Robust treasury management which is subject to external review each year;
7. Regular reporting to the appropriate committee on key business objectives, targets and outcomes;
8. Group Board approved whistle-blowing and anti-theft and corruption procedures;
9. Group Board approved fraud procedures, covering prevention, detection and reporting together with recoverability of assets;
10. Regular monitoring of loan covenants and requirements for new loan facilities; and
11. Annual review of Regulator of Social Housing 'Economic and Consumer Standards'

The Board confirms that it has a strategy and procedure for Anti-Fraud and Corruption.

The system of internal controls is ongoing, and has been in place for the year to 31 March 2019 and up to the date of approval of the annual report and financial statements.

The Board recognises its responsibility for the system of internal control and for reviewing its effectiveness. The Group produces an annual review of internal controls. This provides assurances around external audit, internal control, internal audit, whistle blowing, risk management and performance monitoring.

The Board reviews annually the effectiveness of the system of internal controls in existence in the Group. This review includes a review of the fraud register. The Board confirms that all necessary actions are taken to remedy any significant failings or weaknesses which may have been identified during the review.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Group Audit Committee to regularly review the effectiveness of the system of internal control. The Board receives Group Audit Committee quarterly reports and meeting minutes. The Group Audit Committee has received the Chief Executive's 'Annual Review of the Effectiveness of the System of Internal Control' for the Group, and the annual report of the internal auditor, and has reported its findings to the Board.

The Board confirms no weaknesses were found in the internal controls for the year ended 31 March 2019 which might otherwise have resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;



**DIRECTORS' AND STRATEGIC REPORT (CONTINUED)**

- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

Chair  
17th July 2019

Companies Registered No. 07250525



## ***Independent auditors' report to the members of Hyde New Build Limited***

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Hyde New Build Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2019; the statement of income and retained earnings; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company'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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Directors' and Strategic Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Directors' and Strategic Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' and Strategic Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' and Strategic Report.

### Responsibilities for the financial statements and the audit

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities set out on pages 8 and 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' 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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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**Other required reporting**

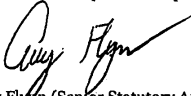
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**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

  
Guy Flynn (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
17 July 2019

## STATEMENT OF INCOME AND RETAINED EARNINGS

## For the Year Ended 31 March 2019

	NOTE	YEAR ENDED 31 MARCH 2019 £'000	YEAR ENDED 31 MARCH 2018 RESTATED £'000
Turnover		116,354	155,419
Cost of sales		(112,087)	(147,515)
Operating profit	2	4,267	7,904
Interest receivable and similar income	3	4	2
Interest payable and similar expenses	4	(1,171)	(1,079)
Profit before taxation	5	3,100	6,827
Tax on profit	5	(8)	(11)
Profit for the financial year		3,092	6,816
Retained earnings brought forward	16	6,816	-
Distribution of reserves	16	(9,908)	-
Retained earnings at 31 March	16	-	6,816

The Company has no recognised gains and losses other than those presented above and therefore no separate statement of total statement of income and retained earnings is presented.

All results relate to continuing activities.

There is no difference between the profit before taxation and the profit for the financial year and their respective historical cost equivalents. The retained earnings for March 2018 are restated following early adoption of FRS102 and the SORP as per the basis of preparation (note 1).

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 March 2019**

	NOTE	AS AT 31 MARCH 2019 £'000	AS AT 31 MARCH 2018 RESTATED £'000
<b>Fixed assets</b>			
Tangible assets	8	635	673
Investments	9	79	22
<b>Current assets</b>			
Inventories	10	65,143	70,826
Debtors: amounts falling due within one year	11	18,623	34,894
Cash and cash equivalents	12	200	1,175
Creditors: amounts falling due within one year	13	(30,810)	(20,634)
<b>Total assets less current liabilities</b>		<b>53,870</b>	<b>86,956</b>
Creditors: amounts falling due after more than one year	14	(53,870)	(80,129)
<b>Net assets</b>		<b>-</b>	<b>6,816</b>
<b>Capital and Reserves</b>			
Called up share capital	15	-	-
Retained earnings	16	-	6,816
<b>Total equity</b>		<b>-</b>	<b>6,816</b>

These financial statements on pages 13 to 23 were authorised to issue by the Board on the 17 July 2019 and were signed on its behalf. The notes on pages 15 to 23 form part of the financial statements.  
The retained earnings for March 2018 are restated following early adoption of FRS102 and the SORP as per the basis of preparation (note 1).

Chair

COMPANY REGISTRATION NO. 07250525

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### General information

The Company is limited by shares and was incorporated in the United Kingdom. The registered office is 30 Park Street, London, SE1 9EQ. Hyde New Build Limited is a subsidiary of Hyde Housing Association Limited which is a Public Benefit Entity.

#### Statement of compliance

The financial statements of Hyde New Build Limited have been prepared on a going concern basis, in compliance with United Kingdom Accounting Standards, including early adoption of Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and Companies Act 2006.

#### Basis of preparation

The financial statements have been prepared under the historical cost convention. The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements of Hyde New Build Limited.

#### Restatements

The figures in the Association for March 2018 have been restated following early adoption of Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102). The specific impact of this is on items included within 'Retained Earnings' and 'Creditors falling due within one year'. The accrual for the distribution of £6.8m was derecognised.

#### Turnover

Turnover is measured at the fair value of the consideration received or receivable as part of the principle design and build activities of the company and represents the amount receivable for goods supplied or services rendered net of value added taxes (VAT). The Company recognises income when the significant risks and rewards have been transferred to the buyer, the Company retains no continuing involvement of or control over the goods, the amount of income can be measured reliably; it is probable that future economic benefits will flow to the entity and when the specific criteria relating to the income have been met; as described below:

- (a) Sales of properties: sales are recognised on completion;
- (b) Construction contracts: within the Company, where one entity is building properties for another, income in relation to these properties are recognised once the total development is completed only if the decision making is with the entity building the properties. If the decision making is with the purchaser, income is recognised on a percentage completion basis. Intra-group income is included in turnover.
- (c) Feed in tariffs for the operation of solar panels, on a receivables basis

#### Interest

Interest is recognised on a receivable or payable basis

#### Cost of sales

Cost of sales is measured as the amount of costs incurred to bring the item to completion for property sales and the percentage completion of costs for construction contracts in progress. Cost incurred for solar panels include maintenance.

#### Stock

Stocks and work in progress are stated at the lower of cost and net realisable value. Land includes undeveloped land and land under development, but excludes land being developed under licence agreements and land option payments.

Work in progress comprises site acquisition and development costs including direct materials, labour costs, site overheads, associated professional charges and other attributable overheads. Interest payable is capitalised during the period of construction where a project is financed by the borrowings of the Company. Stocks comprise of completed properties held for resale and sites held for development on behalf of the Companies customers.

#### Treasury Management

The Company's funding, liquidity and exposure to interest rate risks are managed by the Group's Treasury team. Treasury operations are conducted on a Group basis within a framework of policies and guidelines authorised by the Group Board. To manage interest rate risk the Group manages its proportion of fixed to variable rate borrowings within approved limits and where appropriate utilises interest rate swap agreements.

**NOTES TO THE FINANCIAL STATEMENTS****Taxation**

The Company is registered to pay Corporation tax on net profits after Gift Aid payments made to the parent Company.

**1. ACCOUNTING POLICIES (CONTINUED)****VAT**

The Company's VAT affairs are dealt with under a registration in the name of Hyde New Build Limited. Expenditure is shown exclusive of VAT.

**Cash flow statement**

The Company has taken advantage of the exemptions under FRS 102 and has not prepared a cash flow statement.

**Financial assets**

The Company recognises a financial asset when it gains a contractual right to the asset. The exception is where the financial asset is consideration from customers for services provided. In these cases we recognise the financial asset when the revenue recognition criteria are met. The Company removes a financial asset from its Statement of financial position when it no longer has a contractual right to the asset, or when the asset is transferred to another party. The Company's financial assets are classified as loans and receivables and on initial recognition are measured at fair value. Subsequent to initial recognition the Company's loans and receivables are measured at amortised cost.

**Impairment of financial assets**

The Company recognises a financial asset when it gains a contractual right to the asset. The exception is where the financial asset is consideration from customers for services provided. In these cases we recognise the financial asset when the revenue recognition criteria are met. The Company removes a financial asset from its Statement of financial position when it no longer has a contractual right to the asset, or when the asset is transferred to another party. The Company's financial assets are classified as loans and receivables and on initial recognition are measured at fair value. Subsequent to initial recognition the Company's loans and receivables are measured at amortised cost.

**Financial liabilities**

The Company recognises a financial liability when it becomes a party to the contractual provisions of the financial instrument. The exception is any liability related to the purchase of goods or services in the normal course of the Company's business. In these cases the financial liability is recognised when, and to the extent that, the goods or services are provided. The Company removes a financial liability from its Statement of Financial Position, when it is extinguished, i.e. when the obligation in the contract is paid, is cancelled or expires. The Company's financial liabilities are its trade payables, accruals and inter-company loans. On recognition we recognise them at fair value and subsequently at amortised cost.

**Critical accounting judgements and estimation uncertainty**

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are detailed below:

**Judgements**

- It is probable gift aid distributions will be paid within 9 months of the year end where applicable.

**Estimations**

- If fixed assets are deemed to be impaired they are written down to their recoverable amount. Any such write down is charged to the Statement of Comprehensive Income. Impairment is assessed by comparing carrying value to the higher of value in use (in respect of assets held for their service potential), (VIU-SP) and fair value less costs to sell. If the carrying value is greater than the higher of value in use and fair value less costs to sell, an impairment provision is made. Value in use requires management estimates of timing of cash flows, discount rate and life of the asset. Management use estimates to determine fair value less costs to sell based on information available regarding sales of similar properties and depreciated replacement cost.
- Other fixed assets are depreciated over their useful economic lives which are determined by the length of time the asset is expected to be in use.
- Other investments held are measured at fair value.
- No impairment has been charged for properties developed as outright sale as the recoverable amount is expected to be higher than the cost of development.
- Provision for bad and doubtful debts: provisions for bad and doubtful debts are calculated based on average collection rate by amount overdue. Groupings of amounts overdue require managements consideration.



**NOTES TO THE FINANCIAL STATEMENTS**

- Provisions: provisions are made for lease dilapidations, onerous leases and legal claims where an obligation is likely. These provisions require managements best estimate of the costs that will be incurred based on legislative and contractual requirements including constructive obligations. In addition, the timing of cash flows and discount rates used to establish net present value of the obligations require management's consideration.

**Impairment of stock and work in progress**

Impairment reviews are carried out in accordance with FRS 102. The Company's work in progress and land held for future development is reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, assets are written down to their recoverable amount. Any such write down is charged to operating profit.

**Depreciation fixed assets**

Fixed assets are depreciated on the following basis:

- |                               |                                   |
|-------------------------------|-----------------------------------|
| • Solar panel components      | 25 years on a straight line basis |
| • Solar panel power inverters | 12 years on a straight line basis |

## NOTES TO THE FINANCIAL STATEMENTS

## 2. OPERATING PROFIT

	2019 £'000	2018 £'000
Operating profit (all relating to continuing activities) is stated after charging:		
Depreciation	38	38
Auditors' remuneration (excluding VAT and including expenses):		
As auditors of the financial statements	4	2

Administrative expenses have been incurred from Hyde Housing Association Limited and represent the costs of providing staff, office space and logistical support for the operations of Hyde New Build Limited. These expenses include the cost of audit. No other services were provided by the auditors to Hyde New Build Limited.

## 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £'000	2018 £'000
From cash deposits	4	2
	4	2

## 4. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £'000	2018 £'000
Other finance costs	4	2
On loans from other Group undertakings	3,891	2,934
Less capitalised interest	(2,724)	(1,857)
	1,171	1,079

Interest is capitalised at 5% (2018: 5%).

## NOTES TO THE FINANCIAL STATEMENTS

## 5. TAX ON PROFIT

	2019	2018
	£'000	£'000
Profit before taxation	3,100	6,827
Effects of		
Fixed asset depreciation	38	38
Tax credits arising on Gift Aid	(3,095)	(6,816)
Profit chargeable to corporation tax	43	49
Tax at 19% thereon: (2018: 19%)	8	9
Prior year tax due	-	2
Total tax charge in year	8	11

The tax assessed for the year is lower (2018: lower) than the profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2018:19%) for the reasons listed above.

## 6. EMPLOYEE INFORMATION AND COSTS

The Company has no employees (2018: none). Employees' contracts of service are with the parent company and the remuneration is included within the parent company's financial statements. The management charge payable to the parent company includes the costs of these employees but it is impossible to ascertain separately the element of the management charge that relates to staff costs.

## 7. DIRECTORS' EMOLUMENTS

The Directors of Hyde New Build Limited that are employed by Hyde Housing Association Limited are remunerated by that organisation. No Director received remuneration in respect of their services to the Company during the year (2018: £nil).

## NOTES TO THE FINANCIAL STATEMENTS

## 8. TANGIBLE ASSETS

	Solar Panel Installations £'000
<b>Cost</b>	
As at 1 April 2018	885
As at 31 March 2019	885
<b>Accumulated depreciation</b>	
As at 1 April 2018	(212)
Charge in the year	(38)
As at 31 March 2019	(250)
<b>Net book value as at 31 March 2019</b>	<b>635</b>
<b>Net book value as at 31 March 2018</b>	<b>673</b>

Hyde New Build Limited operates a component accounting policy in relation to the capitalisation and depreciation of its assets where Hyde New Build Limited has the responsibility for maintaining and replacing a component are split between their solar panel components which each having their own periodic replacement. Depreciation is charged so as to write down their cost to their residual value on a straight line basis over their expected useful economic lives on a straight line basis.

## 9. INVESTMENTS

	2019 £'000	2018 £'000
<b>Investments</b>	<b>79</b>	<b>11</b>

At 31 March 2019, Investments relate to The Kent Home Building Partnership and the London Home Building Partnership. The directors believe that the carrying value of the investments is supported by their underlying net assets. All Investments are held at cost.

## 10. INVENTORIES

	2019 £'000	2018 £'000
<b>Work in progress</b>	<b>65,143</b>	<b>70,825</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Amounts owed by group undertakings	18,550	25,619
Other debtors	73	8,249
Other taxes	-	1,026
	<b>18,623</b>	<b>34,894</b>

## 12. CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Cash at bank	200	1,175

## 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 RESTATED £'000
Trade creditors	1,670	377
Amounts owed to Group undertakings	6,903	9,579
Other creditors and accruals	19,240	17,493
Other taxes	2,997	-
	<b>30,810</b>	<b>27,449</b>

## 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Loans		
Amounts owed to Group undertakings	53,870	80,129

The amount owed to Group undertakings falling due after more than one year represents three facilities provided by Martlet Homes Limited, Hyde Southbank Homes Limited and Hillside Housing Trust Limited. Hyde New Build Limited is charged interest at a fixed rate of 5.0% for a £50m revolving facility from Martlet Homes Limited which matures in May 2020. Hyde New Build Limited is charged interest at a fixed rate of 5.5% (2018: 5.5%) for a £50m revolving facility from Hyde Housing Association Limited which matures in June 2020. The facilities from Hyde Southbank Homes Limited and Hillside Housing Trust Limited are both £30m revolving facilities with interest charged at LIBOR + 2.25% margin. These facilities mature in September 2020. The facilities are secured by floating charges over all or substantially all of Hyde New Build Limited's properties, assets and undertakings.

## NOTES TO THE FINANCIAL STATEMENTS

## 15. CALLED UP SHARE CAPITAL

	2019 No.	2018 No.
At start and end of the year	2	2
<i>Two £1 shares are owned by Hyde Housing Association Limited. The shares carry no dividend rights and are cancelled on cessation of membership of the Association. Each member has the right to vote at members meetings. All shares are fully paid up and are worth £1 each.</i>		

## 16. RETAINED EARNINGS

	2019 £'000	2018 RESTATED £'000
As at 1 April	6,816	-
Profit for the financial year	3,092	6,816
Distribution of reserves	(9,908)	-
As at 31 March	-	6,816

Following the publication of Institute of Chartered Accountants in England and Wales (ICAEW) Technical Alert 16/14 BL, gift-aid payments are treated as distributions of reserves. Distributions of reserves are shown in the Statement of Comprehensive Income.

The distribution of reserves for March 2018 is restated following early adoption of FRS102 and the SORP as per the basis of preparation (note 1).

## 17. CAPITAL COMMITMENTS

	2019 £'000	2018 £'000
Capital expenditure contracted for but not provided for in the financial statements	294	11,322
Capital expenditure authorised by the Board but not contracted for	-	781
	294	12,103

The commitments relate to the build of housing properties from the period 1 April 2019 to 31 March 2024. There are no performance related conditions attached to the commitments. These commitments will be funded by property sales.

## 18. OPERATING LEASES

There were no operating leases held during the year (2018: none).

## 19. CONTINGENT LIABILITIES

There were no material contingent liabilities at the statement of financial position date (2018: none).

**NOTES TO THE FINANCIAL STATEMENTS****20. RELATED PARTY TRANSACTIONS**

Hyde New Build Limited has transactions between itself and Hyde Housing Association Limited within the Hyde Group structure. During the year Hyde Housing Association Limited paid Hyde New Build Limited £65.1m (2018: £90.5m) for construction services and had accrued cost as at March 2019 of £1.4m (2018: £17.0m). Hyde New Build Limited has transactions between itself and Hyde Vale Limited within the Hyde Group structure. During the year Hyde Vale Limited paid Hyde New Build Limited £17.7m (2018: £29.3m) for construction services and had accrued cost as at March 2019 of £865k (2018: £3.6m). Hyde New Build Limited has transactions between itself and Martlet Homes Limited within the Hyde Group structure. During the year Martlet Homes Limited paid Hyde New Build Limited £4.2m (2018: £12.7m) for construction services and had accrued cost as at March 2019 of nil (2018: £1.4m).

Intercompany lending between Martlet Homes Limited and Hyde New Build Limited totalled £49.8m (2018: £39.8m) with loan interest of £2.5m (2018: £1.5m). Intercompany lending between Hyde Housing Association Limited and Hyde New Build Limited totalled £nil (2018: £nil) with loan interest of £0.6m (2018: £0.1m). Intercompany lending between Hyde Southbank Homes Limited and Hyde New Build Limited totalled £1.6m (2018: £23.1m) with loan interest and costs of £0.3m (2018: £0.7m). Intercompany lending between Hillside Housing Trust Limited and Hyde New Build Limited totalled £2.4m (2018: £17.2m) with loan interest of £0.4m (2018: £0.5m). All transactions are on an arms-length basis.

**21. CONTROLLING PARTY**

The ultimate parent Company and controlling party, Hyde Housing Association Limited (Hyde), is a housing association incorporated under the Co-operative and Community Benefit Societies Act 2014 which is registered in England and Wales. The composition of the Board of Directors of the Company is determined by Hyde. A copy of Hyde's financial statements can be obtained from 30 Park Street, London, SE1 9EQ.