



HYDE NEW BUILD LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2020

COMPANY REGISTRATION NO. 07250525

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BOARD AND ADVISORS

The Board

Guy Slocombe (appointed Chair 12 September 2019)
Tracy Allison (Interim Chair, appointed 1 April 2019, resigned 16 October 2019)
Simon Vevers
Thomas Shaw (resigned 15 August 2019)
Debbie Small (resigned 7 October 2019)
Peter Denton
Sharon Pearce
Stephen Morris (appointed 4 November 2019)
Rod Holdsworth (appointed 4 December 2019)

Company Secretary

Kerry Tromanhauser (resigned 22 September 2019)
Zoe Ollerearnshaw (appointed 23 September 2019)

Registered Office

30 Park Street
London
SE1 9EQ
Tel: 020 3207 2600
Web: 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 Hamlin

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

STRATEGIC REPORT

The Directors present their report and audited financial statements for the financial year ended 31 March 2020.

Hyde New Build Limited (the "Company") is a trading company with the principal activity to provide composite design and build construction services to members of the Hyde Group (the "Group").

The Company 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 ("the Group") before completion, but on occasion, the Company may opt to develop properties to completion for sale to the public.

Review of the business

The financial results and position of the Company are set out on pages 13 and 14. The results show an operating loss for the year of £6.9m (2019 operating profit of: £4.3m) and loss before taxation of £7.3m (2019: profit of: £3.1m). Compared to the previous year there has been a reduction in turnover and related cost of sales, resulting in a loss for the year. This is due to lower sales activity remaining within the Company, a lower demand for construction services, and the recognition of an impairment write down on New Salts Farm and Stones Farm projects of £8.1m in total. This year the Company disposed of initial tranches of the Peters Village shared ownership and outright sales schemes to its parent company, Hyde Housing Association Limited ("Hyde") and fellow subsidiary Hyde Vale Limited.

The Company generated turnover in the year of £60.9m (2019: £116.4m) from outright sales and construction services 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, Loss and Profit for 2019/20 and 2018/19.

	2019/2020 £'000's	2018/2019 £'000's
Turnover	60,980	116,354
Operating Costs	(67,900)	(112,087)
Operating (Loss) / Profit	(6,920)	4,267
Finance Costs	(355)	(1,170)
Finance Income	3	4
(Loss) / Profit before taxation	(7,272)	3,101
Taxation	-	(99)
(Loss) / Profit for the financial year	(7,272)	3,092

The Company has inventory of £11.1m (2019: £21.9m) and contract assets of £51.7m (2019: £43.2m).

STRATEGIC REPORT (CONTINUED)**Business environment**

The Group continues to be committed to developing new homes and a development target of at least 1,500 homes a year on average over the next five years. As such, the Company anticipates an ongoing demand for their associated construction services, albeit this may reduce from previous years as the Group increases external partnership arrangements and funding as ways of building new homes. The coronavirus pandemic prompted forecasts of economic downturns. However, within the Group planned development schemes continue to progress, with the Company delivering construction services. Whilst COVID-19 caused a temporary pause in development activity, all live schemes are now back on site and progressing to plan.

Business Model and Strategy

The Company 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.

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, uncertainties and mitigations

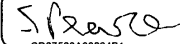
There are a number of potential risks and uncertainties which could have a material impact on the Group and therefore the Company's performance and viability. These risks and uncertainties may cause actual results to differ significantly from expected results or from historical trends. The principal risks inherent in the Company's business model include the following, which are potentially heightened as a result of COVID-19:

- 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
- High house price building or construction costs inflation as a result of an increase in input costs.

These risks are mitigated through regular review and active management by the Group and the Company of the risk map. In particular, at the investment appraisal stage, comprehensive sensitivity analysis is undertaken before approval of any new development, ensuring that the scheme remains viable even in adverse market conditions, or an exit strategy is available. Regular monitoring reports are presented to the Board on the Company's development and sales activity, so that early mitigating action can be taken as required if risks materialise.

On behalf of the Board

DocuSigned by:



Sharon Pearce
Board Member
12 October 2020

Companies Registered No. 07250525

DIRECTORS REPORT

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 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.

Gift aid payments

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. No distributions of reserves were made in the year, (2019: £3.1m). Distributions of reserves are shown in note 16 - retained earnings.

Post balance sheet events

During July 2020, Hyde provided equity investment to the Company of £7.5m.

Going Concern

The Company had net liabilities of £7.3m at the year end (2019: nil). The Company meets its day-to-day working capital requirements through cash generated from its operations and its loan facilities. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. Subsequent to the year-end, the Company also received equity investment of £7.5m from Hyde. After making enquiries and considering the equity investment received subsequent to the year-end, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

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.

Independent auditors

During the year, PwC LLP was reappointed as auditors for the 2019/20 financial year. A re-tender is in progress for the 2020/21 financial year.

Streamlined energy and carbon reporting

Whilst meeting the financial qualification criteria for the Streamlined energy and carbon reporting (SECR) scheme, the Company is a low energy user, and has consumed less than 40MWh of energy throughout the year ended 31 March 2020. As such, energy and carbon information for these businesses is not disclosed in this report.

DIRECTORS REPORT (CONTINUED)

GROUP GOVERNANCE

The Company falls under the wider corporate governance framework of The Hyde Group. The overall governance of the Group and its subsidiaries is found within the Group's annual report and financial statements, on pages 86 to 96.

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 support this aim and compensate them for their time and effort. Members are drawn from a range of professional and business backgrounds to give 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 authorities. They report back to the Group Board after each meeting, where recommendations are fully considered and approved where appropriate.

Functional committees

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

Of particular significance to the Company is GIC as this oversees and approves the Group's property investment strategies, covering acquisition, capital expenditure, development, asset management and disposal. In particular, it scrutinises and approves the Group's involvement and investment in substantial urban regeneration and renewal projects. It also has its own sub-committee, the Scheme Appraisal Panel (SAP), with delegated responsibilities for smaller schemes.

The Company 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.

STATEMENT OF INTERNAL CONTROLS ASSURANCE

The Group 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 Group Board's internal controls assurance is found within the Annual report and financial statements, page 98.

DIRECTORS REPORT (CONTINUED)**STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH SECTION 172 OF THE COMPANIES ACT 2006**

As detailed above, The Company falls under the wider corporate governance framework of The Hyde Group.

The Board members consider, that over the course of the year ended 31 March 2020, they have complied with Section 172(1) of the Companies Act 2006. The directors of the Company have acted in a way that is considered, in good faith, to promote the success of the Company for the benefit of its members as a whole, and in doing, so have regard to the following matters specified in Section 172 of the Companies act:

- a) The likely consequences of any decision in the long term
- b) The interests of the company's employees
- c) The need to foster the company's business relationships with suppliers, customers and others
- d) The impact of the company's operations on the community and the environment
- e) The desirability of the company maintaining a reputation for high standards of business conduct, and
- f) The need to act fairly as between members of the company

The Board members have received training and support during the year to ensure each member is aware of their legal responsibilities as a Board member.

During the year, a new corporate strategy for the Group has been approved. The Group Board has reviewed the annual financial plan, and the Board has reviewed the budget for delivery of the Company's objectives. Investing decisions taken by the Company are subject to the scrutiny of GIC and SAP as appropriate, considering the long term effects of property investment strategies, covering acquisition, capital expenditure, development, asset management and disposal.

Employees

The Company has no direct employees, but employees of the Group are involved in its activities and are employed by the Group. Employees' contracts of service are with the parent company and the remuneration is included within the parent company's financial statements.

The Groups aim is to create an inclusive workplace where everyone feels valued. This means nurturing an organisational culture based on our values and mutual trust and respect; developing an approach to talent to help us identify those with potential and to promote career pathways; and putting staff wellbeing first, particularly around stress and mental health, and creating opportunities for everyone to have their say.

The most recent staff survey, carried out in March 2020, revealed that staff engagement was at 86%, up from 80% in 2019 and the highest it has been since 2008, when we first started carrying out the survey. The vast majority of staff responding (88%) said they were satisfied with their job (compared with 81% in 2019); 85% would recommend Hyde as a good place to work (2019: 79%) and 86% were proud to work for Hyde (2019: 81%).

In October 2019, the Group was reaccredited with Investors in People (IIP) award at Gold level, securing a higher score than at the previous assessment in 2016. The Group has held Gold status for nine years, demonstrating a consistent high level of leadership and people management practices. The Groups good practice approach in health and wellbeing was recognised with an IIP Health and Wellbeing award.

Customers

Where the Company has developed for outright sale, it engages with customers and monitors their views through satisfaction surveys and research.

Hyde New Homes is a team within the Group responsible for the sales, marketing and after care for our new build products.

The Company provides design and build services to the Group, for mixed tenure sites.

During the year the Group won a number of industry awards this year. In May 2019, the Group won Homebuilder of the Year (1,000+ programme) at the UK Housing Awards. The judges commended our commitment to "building not only new homes, but new communities and delivering measurable social value".

In September 2019, the Group was named Overall Winner at the National Housing Awards for our impact on the housing sector, while Packington Square won the Best Regeneration Project award. And in November 2019, Woodfield Park Road was named Best shared ownership development (rural or suburban) at the Inside Housing Awards.

Partners

The Group has a Stakeholder and investment team which identifies, develops and enhances long-term partnerships with a broad mix of private sector partners, including housebuilders, developers, and institutional investors.

DIRECTORS REPORT (CONTINUED)**Delivering Sustainable Communities**

All decisions taken by the Company are subject to the scrutiny of GIC and SAP as appropriate. In particular, the entity will make decisions around its property investment strategy with reference to the impact development will have on the community and the environment. The Groups developments include a broad mix of open-market and affordable residential tenures, amenities, commercial real estate and community infrastructure. Different tenures deliver a range of intrinsic risk/return profiles, with a variety of weightings between income and capital gains.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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;
- 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 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.

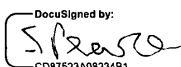
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Directors' confirmations

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

DocuSigned by:

Sharon Pearce
12 October 2020
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Companies Registered No. 07250525

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

Report on the audit of the financial statements

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 2020 and of its loss 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 2020; the Statement of income and retained earnings for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

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.

Conclusions relating to going concern

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

- 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.

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.

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 Strategic Report and Directors' 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.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 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 Strategic Report and Directors' 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 in respect of the financial statements, 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. 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.

Other required reporting

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.



Sonia Copeland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 October 2020

STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended 31 March 2020

	NOTE	YEAR ENDED 31 MARCH 2020 £'000	YEAR ENDED 31 MARCH 2019 £'000
Turnover – Design and build contracts		55,640	79,293
Turnover – Outright sales		4,710	36,784
Turnover – Feed in tariffs		630	277
Turnover		60,980	116,354
Cost of sales		(67,900)	(112,087)
Operating (loss) / profit	2	(6,920)	4,267
Interest receivable and similar income	3	3	4
Interest payable and similar expenses	4	(355)	(1,170)
(Loss) / Profit before taxation		(7,272)	3,101
Tax on (loss) / profit	5	-	(9)
(Loss) / Profit for the financial year		(7,272)	3,092
Retained earnings brought forward	16	-	6,816
Distribution of reserves	16	-	(9,908)
Retained earnings at 31 March	16	-	-

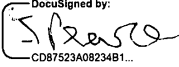
The Company has no recognised gains and losses other than those presented above and therefore no separate statement of total statement of income and retained earnings is presented.

All results relate to continuing activities.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

		AS AT	AS AT
	NOTE	31 MARCH 2020	31 MARCH 2019
		£'000	£'000
Fixed assets			
Tangible assets	8	598	635
Investments	9	99	79
Current assets			
Inventories	10	11,088	21,916
Contract assets	10	51,710	43,227
Debtors: amounts falling due within one year	11	13,925	18,623
Cash and cash equivalents	12	50	200
Creditors: amounts falling due within one year	13	(12,976)	(30,810)
Total assets less current liabilities		64,494	53,870
Creditors: amounts falling due after more than one year	14	(71,766)	(53,870)
Net (liabilities) / assets		(7,272)	-
Capital and Reserves			
Called up share capital	15	-	-
Accumulated deficit	16	(7,272)	-
Total equity		(7,272)	-

These financial statements on pages 13 to 22 were authorised to issue by the Board on the 12 October 2020 and were signed on its behalf. The notes on pages 15 to 22 form part of the financial statements.

Sharon Pearce 
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12 October 2020

COMPANY REGISTRATION NO. 07250525

NOTES TO THE FINANCIAL STATEMENTS**1. ACCOUNTING POLICIES****General information**

Hyde New Build Limited ("the Company") is private, limited by shares and was incorporated in England. The registered office is 30 Park Street, London, SE1 9EQ. The Company is a subsidiary of Hyde Housing Association Limited, a public benefit entity and a private registered provider of social housing incorporated in the United Kingdom.

Statement of compliance

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

Going Concern

The Company had net liabilities of £7.3m at the year end (2019: nil). The Company meets its day-to-day working capital requirements through cash generated from its operations and its loan facilities. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. Subsequent to the year-end, the Company also received equity investment of £7.5m from Hyde. After making enquiries and considering the equity investment received subsequent to the year-end, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

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 the Company

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: revenue from construction contracts is recognised as the level of cost incurred to date, alongside an agreed cost plus mark-up.
- (c) Feed in tariffs for the operation of solar panels, on a receivables 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 constructions contracts in progress. Cost incurred for solar panels include maintenance.

Inventories

Inventories include land and work in progress and 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.

Outright sale under construction 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 considered a qualifying asset

Contract assets are held within inventory and comprise of sites developed on behalf of Group companies.

NOTES TO THE FINANCIAL STATEMENTS**1. ACCOUNTING POLICIES (CONTINUED)****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.

Taxation

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

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.

Related party transactions

The Company has taken advantage of exemptions under FRS 102 and has not disclosed related party transactions with other companies that are wholly owned within the Group.

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.

Impairment of inventory and work in progress

At the end of each reporting period, if there is an indication of impairment, an assessment of the recoverable amount is made, comparing carrying costs to net realisable value less selling costs. If an item of inventory is impaired, the carrying value of the item is reduced and an impairment charge is recognised in the Statement of Income and Retained Earnings.

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

- Impairment: Inventory is reviewed for impairment if there is an indication that impairment may have occurred per cash generating unit (CGU). For this purpose, the CGU is the whole site owned by the Company.

Estimations

- Impairment: If inventory is deemed to be impaired they are written down to their net realisable value. Management uses estimates to determine net realisable value, less costs to sell, based on information available.

2. OPERATING (LOSS) / PROFIT

	2020 £'000	2019 £'000
Operating (loss) / profit (all relating to continuing activities) is stated after charging:		
Depreciation	38	38
Impairment of Inventories	8,071	-
Auditors' remuneration (excluding VAT and including expenses):		
As auditors of the financial statements	6	4

Administrative expenses of £223k (2019: £200k) have been incurred from Hyde Housing Association Limited and represent the costs of providing staff, office space and logistical support for the operations of the Company. These expenses include the cost of audit. No other services were provided by the auditors to the Company.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £'000	2019 £'000
From cash deposits	3	4
	3	4

NOTES TO THE FINANCIAL STATEMENTS

4. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £'000	2019 £'000
Other finance costs	2	4
On loans from Group undertakings	3,643	3,891
Less capitalised interest	(3,290)	(2,724)
	355	1,170

Interest is capitalised at 4.45% (2019: 5%).

5. TAX ON (LOSS) / PROFIT

	2020 £'000	2019 £'000
UK corporation tax charge for the year at 19% (2019: 19%).	-	8
Adjustment for prior period	-	-
Tax on profit	-	8

	2020 £'000	2019 £'000
(Loss) / Profit before taxation	(7,272)	3,100
Tax at 19%	(1,381)	589
Effects of		
Fixed asset depreciation	7	38
Tax credits arising on Gift Aid	-	(584)
Trading losses carried forward	1,374	-
(Loss) / Profit chargeable to corporation tax	-	43
Tax at 19% thereon: (2019: 19%)	-	8
Total tax charge in year	-	8

The tax assessed for the year is higher (2019: lower) than the profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019:19%) for the reasons listed above.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The Company has not recognised deferred tax assets of £1,374k (2019: nil) in respect of losses amounting to £7,234k (2019: Nil) that can be carried forward against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS**6. EMPLOYEE INFORMATION AND COSTS**

The Company has no employees (2019: none). Employees' contracts of service are with the parent company and the remuneration if 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 the Company 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 (2019: £nil).

8. TANGIBLE ASSETS

	Solar Panel Installations £'000
Cost	
As at 1 April 2019	885
As at 31 March 2020	885
Accumulated depreciation	
As at 1 April 2019	(249)
Charge in the year	(38)
As at 31 March 2020	(287)
Net book value as at 31 March 2020	598
Net book value as at 31 March 2019	635

9. INVESTMENTS

	2020 £'000	2019 £'000
Investments	99	79

At 31 March 2020, investments relate to The Kent Home Building Partnership, One Preston Park Limited, Bisham Road LLP 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.

NOTES TO THE FINANCIAL STATEMENTS**10. INVENTORIES AND CONTRACT ASSETS**

	2020 £'000	2019 £'000
Land	10,809	18,117
Outright sale under construction	279	3,799
Contract assets	51,710	43,227
Total inventories	62,798	65,143

Inventory includes impairment charges of £8.1m (2019: £Nil) and capitalised interest costs during the year of £3.3m (2019: £2.7m).

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Amounts owed by Group undertakings	12,337	18,550
Other debtors	1,588	73
	13,925	18,623

Other debtors include VAT and sales ledger debtors. Amounts owed by Group undertakings represent intercompany balances which are unsecured, interest free and are settled throughout the year.

12. CASH AND CASH EQUIVALENTS

	2020 £'000	2019 £'000
Cash at bank	50	200

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade creditors	2,879	1,670
Amounts owed to Group undertakings	2,739	6,903
Other creditors and accruals	7,358	19,240
Other taxes	-	2,997
	12,976	30,810

Amounts owed to Group undertakings represent intercompany balances which are unsecured, interest free and are settled throughout the year.

NOTES TO THE FINANCIAL STATEMENTS**14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2020 £'000	2019 £'000
Loans		
Loans from Group undertakings	71,766	53,870

Loans from Group undertakings falling due after more than one year represents four facilities provided by Martlet Homes Limited, Hyde Housing Association Limited, Hyde Southbank Homes Limited and Hillside Housing Trust Limited. The Company is charged interest at a fixed rate of 5.0% (2019: 5.0%) for a £80m revolving facility from Martlet Homes Limited which matures in May 2022 and at 5.0% (2019: 5.5%) for a £50m revolving facility from Hyde Housing Association Limited which matures in June 2022. The facilities from Hyde Southbank Homes Limited and Hillside Housing Trust Limited are both £30m revolving facilities with interest charged at LIBOR + 2.25% (2019: LIBOR + 2.25%) margin and these facilities mature in September 2021. The facilities are secured by floating charges over all or substantially all of the Company's properties, assets and undertakings.

15. CALLED UP SHARE CAPITAL

	2020 No.	2019 No.
At start and end of the year	2	2

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.

16. RETAINED EARNINGS

	2020 £'000	2019 £'000
As at 1 April		6,816
(Loss) / Profit for the financial year	(7,272)	3,092
Distribution of reserves	-	(9,908)
As at 31 March	(7,272)	-

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.

17. CAPITAL COMMITMENTS

	2020 £'000	2019 £'000
Capital expenditure contracted for but not provided for in the financial statements	-	294
Capital expenditure authorised by the Board but not contracted for	-	-
	-	294

NOTES TO THE FINANCIAL STATEMENTS

18. OPERATING LEASES

There were no operating leases held during the year (2019: none).

19. CONTINGENT LIABILITIES

There were no material contingent liabilities at the statement of financial position date (2019: none).

20. 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.

21. POST BALANCE SHEET EVENTS

During July 2020, Hyde provided equity investment to the Company of £7.5m.