NATIONAL HOUSING

FEDERATION LIMITED

FINANCIAL STATEMENTS

For the Year ended

31 March 2019

Company no. 0302132

Company registration number:	0302132
Registered office:	Lion Court 25 Procter Street London WC1V 6NY
Bankers:	Lloyds Kings Cross Branch 344 Grays Inn Road London WC1X 8BX Banking services also provided by: Bank of Scotland 2nd Floor, James's Gate 14-165 Cockspur Street London SW1Y 5BL
Auditor:	Mazars LLP Registered Auditor Chartered Accountants 45 Church Street Birmingham B3 2RT

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KEY FIGURES – GROUP FIVE YEAR SUMMARY

	2018/19	2017/18	2016/17	2015/16	2014/15
	£k	£k	£k	£k	£k
Turnover	13,448	14,852	15,122	16,653	15,464
Underlying turnover	13,448	13,285	13,976	13,893	14,540
Change %	1.2%	-4.9%	n/c	-4.4%	2.9%
(Loss)/Profit after tax (see page 7)	(9,509)	3,011	2,192	751	1,280
Underlying surplus (see page 7)	288	444	456	382	293
Net assets	2,255	11,764	8,753	6,561	5,810
Net assets pre FRS 102					11,675
Net cash at year end	1,629	1,070	3,015	2,712	2,643

The Financial Statements for 2015/16 were prepared for the first time under Financial Reporting Statement 102 (FRS 102) and comparative figures for 2014/15 were restated.

Underlying turnover excludes unrealised property revaluation gains on the let part of our main office, Lion Court in Holborn, which is treated as investment property and included under FRS 102 in turnover.

Surplus is the profit after tax on ordinary activities transferred to reserves. Underlying surplus excludes exceptional / one off items, unrealised property revaluation gains on investment property and pension deficit liability movements. It includes the impact of annual pension recovery payments.

For the first time it is now possible to obtain sufficient information to account for the pension scheme as a defined benefit scheme resulting in the full net benefit liability being included in the balance sheet. The effect of this change is a charge against comprehensive income of £8m and a corresponding reduction in net assets. This together with the reduction in the unrealised property revaluation has reduced net assets from £11.8m to £2.3m. On a day-to-day basis, this has little impact on the Federation's finances as the debt will not be realised in the foreseeable future. The only direct consequence are the agreed pension deficit payments, which are accounted for within normal trading of the business and reflected in the underlying results.

All figures reported under FRS 102 reflect full provision for deferred tax.

Further details are provided in the Financial Review section of the Strategic Report and in the Financial Statements and Notes.

Further information on the Federation's financial performance is provided in our separate Annual Financial Review available on our website www.housing.org.uk which also provides extensive information about the Federation's activities generally.

CHAIR'S STATEMENT

Our 2016-2019 business strategy saw us through many significant changes for the sector. We're now in a very different, and more fluid, environment, and we've designed our new three-year strategy to reflect that and to help give our members the space to thrive and deliver on their social purpose. It is shaped around three strands – quality, trust and delivery. This focus will allow us to support our members' vision to build and maintain the highest standard of homes, provide excellent service to their customers, and create great places to live.

Last year, we contributed to the Hackitt review, supporting its findings and working with the Government to ensure that the safety of residents is paramount. We will continue to work with our members to secure systemic change in building safety, ensuring that their reputation for providing the highest possible quality and standards is protected and galvanised.

There has been a crisis of trust in public-facing institutions and sectors in recent times, including, at times, our own sector. We need trusting relationships with local leaders, and with the most important people of all: the tenants and residents of our homes. We will work with members to position them as trusted local partners in place-based schemes. And our Together with Tenants work will support better, more transparent engagement and accountability with tenants and residents, providing the platform for housing associations and residents to engage more strongly.

Our sector needs to build more homes – genuinely affordable quality homes. Brexit has continued to dominate the political and economic landscape, creating an uncertain market, while the affordability crisis continues to grow, pushing more people into poverty, and homelessness is rising. Yet despite the challenges of the housing market, as well as other barriers like expensive land, our members have continued show themselves as central partners in building and investing in homes. The figures from our latest supply survey showed that housing associations built 12.7% more homes in 2018 than the previous year, and the flexible funding from Homes England's Strategic Partnerships programme has provided additional resource to fund development programmes.

In 2018/19, the Federation made an underlying surplus of £288k compared to £444k in the previous year, continuing to deliver modest financial surpluses in line with our Reserves policy and maintaining a sound financial position. However as a result of the accounting treatment of pensions, net assets under FRS102 have reduced from £11.8m to £2.3m and we will be seeking ways to improve the reserves position over the next few years.

The coming year will present more challenges and opportunities for the sector and our new Chief Executive Kate Henderson, who joined the Federation last year will be an excellent spearhead driving the Federation forward.

Finally, I'd like the thank the Board for their huge commitment to the sector and their consistent support during the year and the staff at the Federation who continue to do fantastic work in helping our members provide great service.

Baroness Diana Warwick

CHIEF EXECUTIVE'S REVIEW

I joined the Federation in October last year, and spent my first six months getting to know our members and the amazing work that they do. In that time I've seen homes and services that transform lives, and met Board members, executive teams, frontline staff, tenants and residents. I have learnt so much about our members' ambition to do even more and know how important it is we listen to and engage with our members so that we are able to help them overcome potential barriers and seize the many opportunities that lie ahead.

Building more social and affordable homes is essential for the country so that we can meet the housing shortfall. At our first National Housing Summit in September, Theresa May announced a long-term funding package for the sector. This was the result of our work to lobby for more grant and ask the Government to commit to more than just a one-off lump sum of money to help the sector build more homes. This, alongside Homes England's Strategic Partnerships, has given the sector the confidence to innovate and deliver more homes.

Supporting the drive to increase delivery, our sector-wide supply conversation has been a significant piece of work in helping us to understand the challenges our members face in building more, and the differing priorities they have during an uncertain economic time.

But it's not all about driving up supply. The sector's commitment to quality and meeting housing need is something I've seen much evidence of, and it's important we continue to build the right homes for the right people in the right places.

And it's important we think how we can do things a bit differently. Our groundbreaking Creating our Future programme brought the sector together to create five ideas that have the potential to transform the housing sector. I was delighted to see it win an award in recognition of the difference it can make, and am looking forward to seeing these ideas grow into new social businesses. One strand of the Futures programme, Building Better, is strongly aligned to our supply work, exploring ways in which we can improve the design of homes, and approach the building process differently, with an eye on the changing market.

As a membership body we strive to provide the best service possible to our members and to put them at the heart of everything we do. The member satisfaction survey we conducted last year, which we'll be sharing soon, yielded positive results, with an overall 78.4% satisfaction rating, and an increase in the net promoter score.

But we always want to work harder to provide a better service for our members. We developed a number of member offers in the past year or so to make our organisation even more member-focused. It's vital that we cater for the specific needs of different types of members – and our offers for smaller housing associations, those who provide rural housing, and board members, are all designed to help achieve that. We'll continue our work to deliver on these offers and shape new and more relevant work for all members in the coming year.

Since arriving at the Federation, the Board and its Chair, Baroness Diana Warwick, have been especially supportive in welcoming me, and developing our business strategy. It's something I'm excited about driving forward in the next three years with the fantastic people I work with and think it will equip us to deal with an economy and sector in flux, and strengthen our mission to provide great quality homes for all.

Kate Henderson

STRATEGIC REPORT

Overview

The Federation is the representative trade body for organisations in England which provide and manage homes and do not trade for profit. The Federation supports and promotes housing associations (who by definition are not for profit organisations) and virtually all housing associations of any significant size, in England, are members of the Federation.

The Federation's vision is for a country where everyone can live in a good quality home they can afford and its mission is to create the environment for our members to thrive and deliver on their social purpose.

The Federation focuses on what matters most for housing associations, enabling them to prosper, whatever their business model. It aims to be the body to engage with on housing issues and be regarded by its members as a highly effective trade body.

The Federation exists for its members and they have varying views as to how best we can help them. Our members' success in meeting their challenges, and the Federation's success in providing the right support, ultimately determines levels of Federation membership and income.

The major part of the Federation's income is from members' annual affiliation fees, in return for which members receive a wide range of representation and support.

Supplementing affiliation fees, the Federation's other main source of income is from commercial services that are paid for on a usage basis. These include our highly valued events, publications and bespoke services for housing associations and their tenants.

Commercial services are provided primarily for members, although some such as events are available to non-members, at a higher price. Income from commercial services is dependent on the quality and pricing of the services, demand and a range of underlying economic factors.

Commercial services are undertaken when they provide value to members and enhance the Federation's reputation. The Federation aims within these criteria to maximise the financial contribution from commercial services, helping to keep down affiliation fees and thus provide maximum value for money to members.

Risks & Uncertainties

As a trade body the Federation is impacted by the risks and uncertainties applying to its members and those applying to its own business operations.

The Federation has identified as inherently high risk, the political, economic and regulatory aspects of its wider operating environment and the linked reputational risks relating to the activities of its members. These factors may impact in ways that are inherently unpredictable, particularly in the continued uncertain political environment generated by the Brexit process.

STRATEGIC REPORT

Risks & Uncertainties (continued)

Key risks and uncertainties for our members include:

- Ensuring buildings are safe for all residents is our top priority. The consequences of the Grenfell fire tragedy and the responses to it, from housing associations themselves, government and other parties continue to play out and the Hackitt Review of Building Standards & Fire Safety has produced a number of recommendations, which the government will respond to with new legislation in early 2020.
- The broader intensified focus on housing association transparency and tenant scrutiny remains pertinent to the sector. Members will need to continue to dedicate resources towards engagement with a diverse range of stakeholders.
- The extent to which housing associations can increase the supply of housing in line with Government objectives. Housing associations are independent businesses, with their own individual strategies and plans, but government is likely to be focussed on the extent to which the sector as a whole is maximising its potential to increase delivery. Success is likely to be key to continuing a positive relationship with government on the broader front.
- The impact of new entrants to the social housing sector, including for-profit providers. The Federation welcomes changes that can contribute to the very necessary increase in supply of good quality, affordable housing, but the overall impact of these structural changes remains unclear.
- Leased based providers present concern to the regulator and represent a wider risk to the sector's reputation, due to their lack of asset base and inability to respond to certain potential changes in government policy or the financial operating environment. Many of these providers provide housing for some of the sectors most vulnerable client groups increasing the potential impact should there be failure in this part of the sector.
- Ongoing effects from government's welfare and benefit reform measures. Whilst the impact of voluntary right to buy and direct payment has not been as pronounced as some expected, and the funding of supported housing remains within the benefits system, there are still significant risk to housing associations emanating from government policy. The roll out of Universal Credit will continue to present challenges for both tenants and housing associations.
- The requirement for accurate data for housing associations to comply with their obligations under the Welfare Reform and Work Act and Data Protection Act 2018 increases the need for enhanced information governance and data protection practices, combined with the tougher regulatory regime associated with GDPR and the DPA 2018 and the sector is exposed to increased reputational and regulatory risk.
- New building safety legislation timetabled for 2020 is likely to create the need for extensive enhanced data sets which housing associations do not currently compile or have access to. A new regulator could require members' business practices to change presenting a challenge for some members to implement in a timely manner. As well as the significant resource implications associated with obtaining and managing the data, there could also be increased reliance on the quality of the data, with increased risk impact associated with poor quality data.

STRATEGIC REPORT

Risks & Uncertainties (continued)

- All of the above will influence how housing associations are viewed by stakeholders, including funders and government. The future approach of government is subject to significant political uncertainty associated with pressures from the Brexit process. The nature of government will also be affected by the ongoing devolution process. The Federation continues to extensively engage with devolved authorities.

Key risks for the Federation as regards its own activities are:

- Failure to engage effectively with and provide leadership for members
- Inability to achieve policy outcomes on behalf of members
- Inability to effectively manage the changing relationship with members
- Failure to deliver sufficiently attractive commercial services
- Failure to operate efficiently and provide members with value for money

All of the above depend on the ability of the Federation to recruit, direct and motivate high quality staff, who successfully implement our strategy and business plans, both as regards outward facing and internal support services.

There is ongoing merger activity within the sector. This could reduce the Federation's income from affiliation fees under our current charging structure and will require the Federation to keep under review its service offers to members with differing characteristics.

Financially, the major cost outside the Federation's direct control is its deficit recovery payments to the Social Housing Pension Fund (SHPS). These costs relate to historic pension entitlements. They are subject to regular valuations of the fund and ultimately a wide range of valuation assumptions. The Federation has limited its exposure to cost increases in the long term by moving its pensions provision from a defined benefit to a defined contribution basis. This year for the first time it is now possible to obtain sufficient information to account for the pension scheme as a defined benefit scheme resulting in the full net benefit liability being included in the balance sheet. As a result of this change, net assets under FRS 102 have reduced from £11.8m to £2.3m. This has little impact on the Federation's day-to-day financial management but the movement will require carefully communication.

If any combination of the above risks for our members and the Federation were to negatively materialise on a significant scale, then members may become unable or unwilling to pay their affiliation fees or for commercial services. This could then result in there being insufficient funding for the Federation to operate in its current manner. We closely monitor member sentiment and could respond quickly to any indication of fee non-payment.

The Federation's Risk Management Procedures are detailed in the Report of the Directors. Extensive risk mitigation actions are taken, reviewed and further developed.

STRATEGIC REPORT

Risks & Uncertainties (continued)

The Federation leads the sector in anticipating and analysing different scenarios and how to deal with them. There are operating policies, procedures and protocols in place controlling all public and private Federation pronouncements. Positioning is determined by the Board informed by widespread consultation with members.

Regarding commercial services, strong market intelligence means event programmes are constantly adjusted in line with market demands. Sophisticated and targeted marketing strategies are employed, and our in-house managed sponsorship opportunities continue to prove successful with respect to both quality and income.

Financial Review

The Federation sets affiliation fees with the aim that members pay each year for the level of services they receive and budgets for an underlying break even position. We aim by operating efficiently to in practice make a small underlying surplus (profit after tax), which unless specifically decided otherwise by the Board, is added to reserves.

The Board regularly reviews its financial objectives and Reserves Policy. This states that the Federation should aim to have at least six months operating expenditure covered by reserves and a cash flow profile, which would support continued operations in the event reserves have to be realised, either in the short or longer term. Because of the changes in accounting treatment of the SHPS pension deficit (see above), reserves have reduced to a value, which would cover only three to four months operating expenditure. Given that the accounting change is in respect of a long term liability and the deficit payments in relation to this liability are accounted for within normal cashflows, the Board has concluded that the reserves are adequate but action will be taken to improve this ratio.

Reserves for this purpose comprise net assets shown in the consolidated balance sheet plus the unrecognised unrealised property revaluation gain on property held for the Federation's own use.

The underlying surplus for 2018/19 was £288k compared to £444k for the previous year, which was in line with our financial objectives and Reserves Policy. Under FRS 102 our reported, headline, (loss)/profit after tax was £(9,509)k (2018 £3,011k).

The headline figures include unrealised property revaluation gains on investment property. They do not reflect pension deficit recovery payments which are negative cash flows and are reflected in the full net benefit liability (2018 - the net present value of pension deficit payment) on the balance sheet. Because of this change, the movements in the pension benefit liability itself impact on the headline surpluses. All figures reported under FRS 102 reflect full provision for deferred tax.

STRATEGIC REPORT

Financial Review (continued)

A full analysis of the differences between the underlying and headline surpluses for 2018/19 and 2017/18 is as follows:

	2018/19	2017/18
	£k	£k
Headline (loss)/profit after tax under FRS 102	**(9,509)**	3,011
Unrealised property revaluation loss /(gain) on investment property	**2,321**	(1,567)
Pension deficit recovery payments	**(1,085)**	(1,044)
Initial recognition of multi-employer defined benefit scheme	**4,830**	-
Actuarial losses in respect of pension	**3,199**	-
Pension scheme net finance cost	**288**	-
Deferred tax and other FRS 102 adjustments	**244**	44
Underlying surplus	**288**	444

The changes in reported results under FRS 102 do not affect the underlying financial performance and the surplus for the year will be taken to reserves, in accordance with the Reserves Policy.

Net assets reported under FRS 102 include the full pension net benefit liability (2018 –net present value of pension deficit payments) and unrealised property revaluation gain on investment property. Net assets at the end of 2019 were £2.3m (2018 £11.8m)

Total turnover under FRS 102 was down by 9.4% to £13.4m. Excluding the unrealised property revaluation movement on investment property, underlying turnover was up 1.2% at £13.4m.

Gross income from affiliation fees was 1.8% below the previous year, reflecting the freeze in the price of membership and the impact of mergers amongst members. The price of membership for the upcoming year (2019/20) has been increase by 2% but it is still lower in real terms than it was in 2011/12.

Net income from commercial services fell slightly but contributed £3.01m (2018 £3.12m). This reflects the more difficult financial environment and also the repositioning and refresh of our events programme which will provide a strong foundation for future years. Our Finance Conference & Exhibition in March had yet another record year.

Four floors of our main office, Lion Court in Holborn, London continued to be let on ten-year commercial leases. The relevant portion (79.8%) of freehold property is treated as investment property and included at valuation in the accounts. The portion of the property used by the Federation for operational purposes (20.02%) is held at original cost less depreciation. At 31 March 2019 the whole property was independently valued at £23.4m (a decrease of £2.9m).

To ensure that members are fully informed about our financial performance, particularly given the continuing differences between headline and underlying figures, we have again produced a Financial Review for the year. This will be available to all members as a hard copy and on our website.

STRATEGIC REPORT

Business Review

Despite the political uncertainty and the focus being largely on Brexit, we have seen significant attention being paid to Housing in the past year. This culminated in the Prime Minister speaking at our highly successful Housing Summit in September and the welcome return of funding for social rented homes.

But as ever, the year has not been without its challenges. The implications of the Grenfell fire tragedy continue to be felt with the first stage of the harrowing public Inquiry coming to a close; the Hackitt Review reporting on their recommendations on building safety and new regulations; and the Housing Green paper raising particular concerns about the lived experience of tenants, and the landlord and tenant relationship. We have also continued to see the growth of media and public scrutiny on these issues.

We responded to these challenges by engaging extensively with the Hackitt Review and the Green Paper teams, inputting to their process and feeding in our members' perspective.

We continued to:

- Support our members in their work to ensure residents' safety in their homes
- Maintain good relationships with our existing stakeholders, including the Social Housing Regulator, and the Ministry for Housing, Communities and Local Government
- Feed into high profile public debates, including the Shelter review and the Labour party review of social housing
- Shape the public and policy debate around housing in the context of the fire at Grenfell Tower
- Engage and propose solutions to very thorny building safety issues

Our own major initiatives in response to this – our "Together with Tenants" programme and the Great Places Commission – have continued to gain momentum this year. On the first we have carried out a far reaching consultation with our members, our partners, the regulator and our tenants to understand the issues we are facing and the solutions we need to put in place. We have received far reaching support for our approach to date.

The interim report from the Great Places Commission was published and further meetings of the Commissioners included a roundtable with the Minister responsible for the Industrial Strategy to start to take the recommendations forward.

We have continued to focus, with our members, on boosting housing supply. This involved us embarking on a big conversation with our members about the barriers and challenges we face as a sector – both externally, where we are dependent upon others doing things differently, but also internally, to investigate solutions to problems we could tackle ourselves. This has provided real insight that will shape one of our key strategies for the next three years around "Driving delivery".

Following extensive discussions and lobbying we have seen the first rounds of new strategic partnerships with Homes England getting off the ground and we were delighted to see the Chancellor's announcement of £3bn being available for a new housing guarantee scheme.

STRATEGIC REPORT

Business Review (continued)

As described under the Risks & Uncertainties section of this Strategic Report, the uncertainty in the wider operating environment will, inevitably, shape our work programme over the coming year and influence the way in which the sector and the Federation is able to respond. We continue to monitor developments very closely and adapt quickly to changing circumstances.

Our 'Creating our Future' initiative has gone from strength to strength. More than 450 people from over 250 housing associations have been involved, from every region. All have built new capabilities around collaborative innovation to take back to their organisations.

At our Summit in September we showcased the "5 ideas to change the world" that had been co-created during the programme:

- Invisible Innovations
- Building Better
- Hacking Homelessness
- The Good Food Bag
- Just One

Each idea is still being taken forward, with backing from industry and pioneer associations committed to getting them to market.

Due to the success of this programme we recently agreed to embark on a new phase of the programme for the coming 2 years.

At 78.4% the level of member satisfaction is excellent. We are grateful to members for their prompt payment of fees that aids our cash flow and helps keep down fee levels.

Commercial Services

During the year we brought in a new and ambitious programme of events focussing on member needs, revitalised content and redesigned, exciting and more up to date formats. This, coupled with our new approach to sponsorship, resulted in an increase in income generation and further development of high quality partners.

Highlights during the past year were yet another record Housing Finance Conference and our inaugural Housing Summit in London in September that proved to be highly successful.

Future Plans

We continued to develop our business strategy for 2019 to 2022 through extensive engagement with our members, key partners and staff. As a result, we have launched our well-grounded plans for the coming period.

STRATEGIC REPORT

Future Plans (continued)

Our key themes for our Business strategy 2019 - 22 are:

- Promoting great quality exemplified by building safety and customer service
- Building trust with tenants, partners, the public, policy makers and regulators
- Driving the delivery which will help end the housing crisis

All of which is supported by the Federation being committed to provide excellent service to our members and stakeholders

Our longer-term plans continue to be underpinned by our vision 'An ambition to deliver – housing associations unbounded'. This highlights the aspirations of and potential for Federation members to play a major role in addressing the housing crisis through to 2035.

Our aim is that our members are independent, private businesses that exist for social good, taking charge of their own destiny and providing the homes the country needs. We will achieve this by keeping housing associations interests central to housing policy development as trusted and respected partners with key decision makers.

In carrying out our activities, we continue to work with key partners including the Chartered Institute of Housing, The National Federation of ALMOs, Housing Europe, the three other UK housing federations and others as appropriate. Wherever possible we ensure that Federation resources are applied in such ways that add to and don't unnecessarily duplicate the input of our partners.

Our objective continues to be that wherever members are based, or wherever they require support, they have access to the full range of Federation staff and resources wherever these are based.

We will continue to review and revitalise our portfolio of events, introducing new ones, or changing established ones, where there is a need. We will also continue to develop new commercial services where they help members and are aligned with their social purpose.

Our financial objectives will continue to be aligned to our Reserves Policy described above in the Financial Review and performance will be monitored as set out in the Planning and Reporting section of the Report of the Directors.

ON BEHALF OF THE BOARD

Jackie Cunningham
Company Secretary

11 July 2019

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 March 2019.

Further information can be found in the Chair's Statement, Chief Executive's Review and Strategic Report.

Principal activities

National Housing Federation Limited is the representative trade body for organisations in England which provide and manage homes and do not trade for profit.

The Federation's mission is to create the environment for our members to thrive and deliver their social purpose.

Corporate Governance

The National Housing Federation Limited is a private company limited by guarantee, with no share capital or dividend. The Federation is governed by its Articles of Association.

The Board adopts the Federation's code of governance, updated and republished in February 2015, and carries out an annual compliance review to satisfy itself that it complies with the main principles and provisions in the code.

Reserves

A (loss)/surplus of £(9,509)k (2018: £3,011k) has been transferred to reserves as described in the Financial Review within the Strategic Report.

Fixed Assets

Movements on fixed assets are disclosed in note 6 to the Financial Statements. Freehold property for the Federation's own use is carried at original cost less depreciation. Investment Property is included at valuation.

REPORT OF THE DIRECTORS

Directors

The following table shows Directors of the company between 1 April 2018 and 11 July 2019. Details are also shown of membership to Board Committees, and position where applicable, as at 11 July 2019. Attendance at Board meetings is shown as meetings attended out of meetings eligible to attend.

Name / Board Meeting Attendance	**Remuneration & Governance Committee**	**Audit & Risk Management Committee**	**Nominations Committee**
Baroness Diana Warwick (Chair) 6/6	Member		Member
Jane Ashcroft CBE (Vice Chair) 5/6	Chair		Chair
Sean Anstee 3/6			
Elizabeth Austerberry 5/6		Member	
Sebert Cox OBE 4/5 (appointed 18 September 2018)		Member	
Suzanne Fitzpatrick 6/6			
Katharine Henderson (Chief Executive) 5/5 (appointed 8 October 2018)	Member		
Mark Henderson 6/6		Member	
Mervyn Jones 1/1 (resigned 18 September 2018)			Member
Isobel Leaviss 5/6			
David Montague CBE 5/6	Member	Chair	
Geeta Nanda OBE 6/6			Member
David Orr CBE (Chief Executive) 1/1 (resigned 28 September 2018)	Member		
Cath Purdy OBE 1/1 (resigned 28 September 2018)		Member	
Bronwen Rapley 5/5 (appointed 18 September 2018)		Member	

Background information on Directors is available on the Federation's web site, www.housing.org.uk

Jack Stephen, who is not a Board member, is a co-opted member of the Audit & Risk Management Committee. Mark Washer and Cath Purdy OBE (who has replaced Sinead Butters MBE), who are also not Board members, are co-opted members of the Nominations Committee.

The Federation is grateful for the support of all Board members and those co-opted on to committees, for the service given to the organisation and the sector.

REPORT OF THE DIRECTORS

Board and Officers' Liability Insurance

During the year the Federation continued to maintain insurance cover to provide indemnity to the members of the Board and officers of the company in respect of losses arising from any claim or claims made against them jointly or severally by reason of any wrongful act committed or alleged to have been committed by them in connection with the performance of their duties as the Board or officers of the company.

The Board

Unless there are temporary vacancies, the Board comprises twelve members. The fiduciary duties are the same as any other director under company law. New Board members are elected by the membership of the Federation at the Annual General Meeting (AGM) following an open recruitment led by the Nominations Committee who then seek agreement by the Board. The Board may co-opt Board members between AGMs.

The Board deals with the policy, strategy and business effectiveness of the organisation.

The Board is committed to integrity and accountability in the management of the Federation's affairs and ensures that members receive regular communication about the Federation's activities.

The Federation's main formal mechanism for accountability by the Board to its members is the AGM. The AGM gives members the opportunity to hear about how we have performed in the year, both in the work carried out on behalf of members and financially. It also gives an opportunity for members to raise any resolutions as well as voting on those on the agenda.

The Audit and Risk Management Committee continues to provide detailed scrutiny of the Federation's finances. It has focussed on the risks the Federation faces, and continues to oversee further strengthening of the Federation's risk management procedures

The committee closely monitors projects that have a significant cost to ensure the money is being spent wisely in accordance with a robust business case.

The Board has a register for declarations of interest. There is a similar register for the Federation's officers as part of the organisation's employee code of conduct.

REPORT OF THE DIRECTORS

Responsibilities of the Board

The directors are responsible for preparing the Strategic Report, Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including FRS 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'.

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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. They 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 confirm that:

- So far as each Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- 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 auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

REPORT OF THE DIRECTORS

Responsibilities of the Board (continued)

The Board delegates some areas of its work to committees:

- **Remuneration & Governance Committee**

  This comprises the Chair, Vice Chair, Chair of the Audit and Risk Management Committee and the Chief Executive. It fulfils the role of the Executive Committee specified in the Federation's Articles. It deals with the performance appraisal and remuneration of the Chief Executive and Leadership Team, Board appraisal and any key or urgent governance issues relating to the Federation itself. The Chair and Chief Executive do not attend for any matters relating to their own performance or remuneration.

- **Audit and Risk Management Committee**

  The Audit and Risk Management Committee oversees standards of internal control and risk management. It agrees the internal audit arrangements, reviews the corporate risk register and is the primary point of Board contact for the external auditors. It reviews the Federation's financial plans, budgets and results. The Committee reports to all Board meetings and formally on an annual basis.

- **Nominations Committee**

  The Nominations Committee leads board member recruitment, shortlisting and interviewing applicants, making recommendations to the board for agreement and final ratification at the AGM.

Federation Staff

The Federation employed an average of 113 staff during the year to 31 March 2019. All staff are responsible to and governed by the Board through the Chief Executive. Key management personnel comprises the Chief Executive and other Leadership Team members.

Audit

The Audit and Risk Management committee continue to keep under review the arrangements for internal audit.

Internal and external auditors have direct access to the Audit & Risk Management Committee and have met with the committee without Federation staff present.

REPORT OF THE DIRECTORS

Planning and Reporting

The Federation works to a three-year business plan which is reviewed and updated each year and agreed by the Board. Annual budgets are also prepared and approved by the Board. Financial performance against budget and forecast out-turn for the year is reported in comprehensive monthly management accounts. Operational and financial performance is reviewed continuously during the year by the Chief Executive, the Leadership Team and senior management.

Financial performance is reviewed by the Audit and Risk Management committee at each meeting. The Board receives reports on performance against the business plan and key financial figures at each of its meetings.

Risk Management Procedures

The Federation has continued to strengthen its risk management procedures.

The Chief Executive and Leadership Team assess the risk of decisions they make at their regular meetings. Papers produced for committees and the Board consider the risks involved and actions taken to reduce such risks. Regular reviews of controls and systems are carried out by each operational area.

Our Corporate Risk Register distinguishes between strategic and operational risks, and captures risk from all parts of the organisation. It is updated and reviewed regularly at departmental, directorate and Leadership Team levels, reviewed by the Audit and Risk Management Committee and by the Board itself on a regular basis.

Key risks are carefully reviewed when setting business strategy for the succeeding year. The Risk Register is directly linked to our strategic objectives and business plans, and contains detail on mitigating actions taken and planned.

Further information on the risks faced by the Federation are described in the Risks and Uncertainties section of the Strategic Report.

Auditor

Mazars LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notification under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD

Jackie Cunningham
Company Secretary

11 July 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL HOUSING FEDERATION LIMITED

Opinion

We have audited the financial statements of National Housing Federation Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Group and the parent company Statements of Comprehensive Income and Retained Earnings, the Group and the parent company Balance Sheets, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's and the parent company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on impact of Brexit is disclosed on pages 4 and 5.

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Group's and parent Company's trade, customers suppliers and the wider economy.

We consider the impact of Brexit on the Group and the parent Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Group's and parent Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the Group and parent Company and this is particularly the case in relation to Brexit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL HOUSING FEDERATION LIMITED (continued)

Conclusions relating to going concern

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

- the 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 group's or the parent 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL HOUSING FEDERATION LIMITED (continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on pages 15 and16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL HOUSING FEDERATION LIMITED (continued)

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Vincent Marke (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham,
B3 2RT
Date: 18 July 2019

PRINCIPAL ACCOUNTING POLICIES

Status

National Housing Federation Limited is a company limited by guarantee incorporated in England and Wales. The liability of members, of whom there are 822 (2018: 890) is limited to £1 per member. The Federation's group comprises two wholly owned subsidiaries, National Housing Federation Investments Limited and NHF Property & Services Limited.

Basis of Preparation

The financial statements have been prepared under the historical cost convention modified by the revaluation of investment properties, and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102) and with the Companies Act 2006.

The functional currency of the Financial Statements is Pounds Sterling.

The principal accounting policies are set out below.

The directors have assessed the company's future activities and commitments against the working capital in place and access to funds. The directors view the level of net current assets as sufficient to ensure future operations and the company has the ability to reduce operational expenditure if necessary. Accordingly, the directors are satisfied that it is appropriate to apply the going concern principle.

Significant Judgements and estimates

Preparation of the financial statements requires management to make judgements and estimates. These are evaluated continually and based on historical performance and any other relevant factors. The only judgements or estimates in these accounts which are considered significant are:

- Valuation of Investment Properties - the company has re-valued its investment property to fair value based on advice from independent experts as detailed in note 6.
- The company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Variations in these assumptions could significantly impact the liability (see note 21).

PRINCIPAL ACCOUNTING POLICIES

Basis of Consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 March 2019. Acquisition of subsidiaries are dealt with by the acquisition method of accounting.

The financial statements present information about the group as a whole. The group owns 49% of the issued share capital of HouseMark Limited, which is shown separately from the group's information as a joint venture as required by section 15 of FRS 102.

Income

Turnover includes:
- affiliation fees received from members;
- the total amount receivable by the company for goods supplied and services provided, excluding VAT.

All income is accounted for on a receivable basis.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provisions for impairment.

Depreciation is provided at rates which are calculated to write off the cost of tangible fixed assets by equal annual instalments over the following estimated useful lives.

Freehold buildings	10-50 years
Improvements to leasehold	Term of lease
IT hardware and software	3-4 years
Office equipment and furniture	5-7 years
Plant and machinery	14 - 20 years

No depreciation is provided on freehold land. Depreciation is charged monthly from the period of acquisition or commencement of use, up until the period of disposal.

Investment Properties

No depreciation is provided for in respect of investment properties. Such properties are held for their investment potential and not for consumption within the business. This is a departure from the Companies Act 2006 which requires all properties to be depreciated and the directors consider that to depreciate them would not enable the financial statements to give a true and fair view.

Goodwill

Amortisation of purchased goodwill is provided at a rate which will write off the entire value of the asset over 20 years.

PRINCIPAL ACCOUNTING POLICIES

Stock

Stock is stated at the lower of cost and net realisable value. Cost includes materials and production overheads. Net realisable value is based on selling price less relevant marketing, selling and distribution costs.

Investments

Investments are held as fixed assets and are stated at cost less provision for any impairment.

Pensions

National Housing Federation Limited provides pensions for its employees through participation in the Social Housing Pension Scheme (SHPS). The Scheme has defined benefit and defined contribution elements.

The company contributed during the year to the defined contribution scheme.

The SHPS defined benefit scheme is a multi-employer scheme which provides benefits to other companies. The scheme is currently in deficit and the company has agreed a deficit funding arrangement. From April 2018 it is possible to obtain sufficient information to account as a defined benefit scheme and the net defined liability is included in the balance sheet. In previous periods, the scheme assets and liabilities could not be separately identified for each employer. This was therefore accounted for as a defined contribution scheme and a liability recognised in the Statement of Financial Position for the net present value of the deficit contributions payable by the employer.

Because this information is not available for prior periods and, in accordance with the draft guidance included in "FRED71 Draft amendments to FRS102 Multi-employer defined benefit plans", now incorporated into FRS102, the difference between the deficit funding liability previously recognised and the net defined benefit deficit is recognised in this period in other comprehensive income.

The Growth plan defined benefit scheme is also a multi-employer scheme which provides benefits to other companies. The scheme is currently in deficit and the company has agreed a deficit funding arrangement. The company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement. The unwinding of the discount rate is recognised as a finance cost.

Payments made to the defined contribution scheme are recognised as an expense and charged to the comprehensive income and retained earnings account as incurred.

Operating Leases

Rental costs under operating leases are charged to the income and expenditure account in equal annual amounts over the periods of the leases.

The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight line basis.

PRINCIPAL ACCOUNTING POLICIES

Taxation

Provision is made for taxation on rents received, interest and on the trading surplus arising from non-mutual trading.

Deferred tax is provided in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. The deferred tax balance has not been discounted.

VAT recovery is accrued on the basis of a partial exemption formula agreed with HM Customs and Excise on 23 August 2004 which was effective from 28 January 2004. Amounts are included in the income and expenditure account and in the balance sheet gross of VAT where the VAT is reclaimable under this formula. The company is in a VAT grouping with its subsidiary company, NHF Property & Services Limited.

Financial Instruments

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The Company has not issued and is not in receipt of any compound financial instruments.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS

	Note	**2019 £'000**	2018 £'000
Turnover			
Continuing operations	1	**12,730**	12,614
Other operating income:			
rental income		**718**	671
revaluation gain		**-**	1,567
Total turnover		**13,448**	14,852
Administrative expenses	1	**(11,895)**	(11,703)
(Deficit) on revaluation of investment property		**(2,321)**	-
Group operating (loss)/profit before share of joint venture		**(768)**	3,149
Share of operating (loss)/profit in joint venture	2	**(21)**	97
Group operating (loss)/profit		**(789)**	3,246
Interest payable	3	**(455)**	(186)
Interest receivable and similar income	3	**2**	8
(Loss)/profit on ordinary activities before taxation		**(1,242)**	3,068
Tax on profit on ordinary activities	5	**(244)**	(44)
Share of tax on profit on ordinary activities in joint venture	2	**6**	(13)
(Loss)/profit for the year		**(1,480)**	3,011
Other Comprehensive Income			
Initial recognition of multi-employer defined benefit scheme	21	**(4,830)**	-
Actuarial losses in respect of pension	21	**(3,199)**	-
Total Comprehensive Income for The Year		**(9,509)**	3,011
Retained profits at 1 April		**11,764**	8,753
Retained profits at 31 March		**2,255**	11,764

All transactions arise from continuing operations.

There were no recognised gains or losses other than the (loss)/profit for the financial year.

The principal accounting policies on pages 22 to 25 and the notes on pages 30 to 51 form part of these financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS

	Note	2019 £'000	2018 £'000
Turnover			
Continuing operations	1	**12,730**	12,614
Other operating income:			
Rental income		**718**	671
Total turnover		**13,448**	13,285
Administrative expenses	1	**(12,531)**	(12,292)
Profit on ordinary activities before taxation		**917**	993
Interest payable	3	**(288)**	-
Interest receivable and similar income		**1**	6
Profit on ordinary activities before taxation		**630**	999
Tax on profit on ordinary activities	5	**(639)**	(150)
(Loss)/Profit for the year		**(9)**	849
Other Comprehensive Income			
Initial recognition of multi-employer defined benefit scheme	21	**(4,830)**	-
Actuarial losses in respect of pension	21	**(3,199)**	-
Total Comprehensive Income for The Year		**(8,038)**	849
Retained profits at 1 April		**4,157**	3,308
Retained profits at 31 March		**(3,881)**	4,157

All transactions arise from continuing operations.

There were no recognised gains or losses other than the profit for the financial year.

The principal accounting policies on pages 22 to 25 and the notes on pages 30 to 51 form part of these financial statements.

CONSOLIDATED AND COMPANY BALANCE SHEETS

	Note	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Fixed assets					
Goodwill	8	**104**	**-**	136	-
Investments	7	**-**	**531**	-	531
Tangible fixed assets	6	**22,374**	**1,024**	24,740	1,009
		22,478	**1,555**	24,876	1,540
Current assets					
Stocks – publications	9	**10**	**10**	19	19
Debtors	10	**2,191**	**9,016**	2,285	8,942
Cash at bank and in hand		**1,629**	**1,583**	1,070	1,024
		3,830	**10,609**	3,374	9,985
Creditors: amounts falling due within one year	11	**(6,800)**	**(6,036)**	(7,069)	(6,325)
Net current (liabilities) / assets		**(2,970)**	**4,573**	(3,695)	3,660
Debtors: amounts falling due after more than one year	10	**771**	**4,568**	1,015	5,207
Total assets less current liabilities		**20,279**	**10,696**	22,196	10,407
Creditors: amounts falling due after more than one year	12	**(3,733)**	**(335)**	(10,275)	(6,128)
SHPS defined benefit liability	21	**(14,140)**	**(14,140)**	-	-
Provisions for liabilities	14	**(102)**	**(102)**	(122)	(122)
Share of net assets in joint venture	24	**(49)**	**-**	(35)	-
Net assets		**2,255**	**(3,881)**	11,764	4,157
Capital and reserves					
Profit and loss reserve		**2,255**	**(3,881)**	11,764	4,157
		2,255	**(3,881)**	11,764	4,157

The financial statements were approved by the Board of Directors on 11 July 2019 and signed on their behalf on 11 July 2019.

Baroness Diana Warwick
Chair

David Montague CBE
Director

Company registration no: 302132

The principal accounting policies on pages 22 to 25 and the notes on pages 30 to 51 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2019 £'000	2018 £'000
Cash from operations	17	**1,685**	(143)
Interest received		**1**	8
Interest paid		**(168)**	(189)
Net cash generated from operating activities		**1,518**	(324)
Cash flows from investing activities			
Payments to acquire fixed assets and investments	6	**(230)**	(912)
Proceeds from sale of fixed assets		**1**	-
Net cash from investing activities		**(229)**	(912)
Repayment of borrowings		**(730)**	(709)
(Decrease)/Increase in cash and cash equivalents	18	**559**	(1,945)
Cash and cash equivalents at the beginning of the year		**1,070**	3,015
Cash and cash equivalents at the end of year		**1,629**	1,070

The principal accounting policies on pages 22 to 25 and the notes on pages 30 to 51 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation is attributable as follows:

	2019 £'000	2018 £'000
Affiliation fees	**8,118**	8,269
Grants	**9**	7
Conferences, publications and business development	**3,773**	3,562
Other income	**830**	776
Company and Group	**12,730**	12,614

All income in the current and preceding year is derived from United Kingdom operations.

The surplus on ordinary activities before taxation is stated after administrative expenses of:

	Group 2019 £'000	**Company 2019 £'000**	Group 2018 £'000	Company 2018 £'000
Staff costs (note 4)	**6,430**	**6,430**	6,226	6,226
Depreciation	**272**	**214**	391	302
Auditors' remuneration:				
- audit services	**31**	**31**	26	26
- non-audit services	**6**	**6**	5	5
Charges on operating leases	**75**	**1,112**	89	1,126
Change in pension deficit NPV	**-**	**-**	-	-
Other operating charges	**5,081**	**4,738**	4,966	4,607
Company and Group	**11,895**	**12,531**	11,703	12,292

NOTES TO THE FINANCIAL STATEMENTS

2. Share of joint venture's results

Further information on the Federation's joint venture, HouseMark Limited is disclosed at notes 7 and 24.

HouseMark Limited's accounting reference date is 31 December. The most recent audited accounts available are for the period ending 31 December 2018. These have been used in compiling the Federation's group financial statements.
Summary income and expenditure information for HouseMark is:

	Year ended 31 December 2018 £'000	**Group share (50%) 2018 £'000**	Year ended 31 December 2017 £'000	Group share (50%) 2017 £'000
HouseMark turnover	**5,443**	**2,722**	**5,308**	2,654
HouseMark operating costs	**(5,486)**	**(2,743)**	**(5,113)**	(2,557)
Operating profit	**(43)**	**(21)**	**195**	97
Interest receivable	**3**	**1**	**3**	2
Profit on ordinary activities before tax	**(40)**	**(20)**	**198**	99
Tax on profit on ordinary activities	**12**	**6**	**(25)**	(13)
Net profit	**(28)**	**(14)**	**173**	86

3. Interest payable and similar charges

	Group 2019 £'000	**Company 2019 £'000**	Group 2018 £'000	Company 2018 £'000
Interest payable				
On bank loans and overdrafts	**167**	**-**	186	-
Other operating charges	**288**	**288**	-	-
	455	**288**	186	-
Interest receivable				
Bank	**2**	**1**	8	6

NOTES TO THE FINANCIAL STATEMENTS

4. Directors and employees

Staff costs during the year were as follows:

	2019 £'000	2018 £'000
Wages and salaries (leadership team)	**610**	642
Wages and salaries (other staff)	**4,796**	4,660
Social security costs (leadership team)	**77**	82
Social security costs (other staff)	**533**	519
Other pension costs (leadership team)	**47**	52
Other pension costs (other staff)	**277**	255
Termination costs	**90**	16
	6,430	6,226

Key management personnel comprises the Chief Executive and other Leadership Team members.

The average number of employees of the company during the year was:

	2019 Number	2018 Number
Leadership team	**5**	5
Other staff	**108**	107
	113	112

All employees were employed in the Federation's principal activity.

Remuneration in respect of two directors included above were as follows:

	2019 £'000	2018 £'000
Emoluments	**169**	191
Pension contributions to money purchase pension schemes	**13**	15
	182	206

The amounts set out above include remuneration (excluding pension contributions) in respect of the highest paid director as follows:

	2019 £'000	2018 £'000
Emoluments	**96**	191
Pension contributions to money purchase pension schemes	**7**	15
	103	206

The Chief Executive and the leadership team are ordinary members of the Social Housing Pension Scheme and participate in the scheme on the same basis as all other staff.

The fee paid for the services of the Chair was £21k (2018: £21k). No remuneration was paid to any other member of the Board other than the Chief Executive.

NOTES TO THE FINANCIAL STATEMENTS

5. Tax on profit on ordinary activities

Analysis of the tax charge / (credit) for the year

The tax charge / (credit) is based on the profit / (loss) for the year and represents:

	Group 2019 £'000	**Company 2019 £'000**	Group 2018 £'000	Company 2018 £'000
UK Corporation tax	**-**	**-**	-	-
Deferred tax	**244**	**639**	44	150
Current tax charge for period	**244**	**639**	44	150

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom of 19%. The differences are explained below:

	Group 2019 £'000	**Company 2019 £'000**	Group 2018 £'000	Company 2018 £'000
Profit/ (loss) on ordinary activities before tax	**(1,242)**	**630**	3,068	999
Profit/ (loss) on ordinary activities before tax multiplied by the standard rate of corporation tax of 19%.	**(236)**	**120**	583	190
Effect of:				
Expenses not deductible for tax purposes	**2,234**	**1,775**	2,158	1,864
Income not taxable for tax purposes	**(2,025)**	**(2,025)**	(2,144)	(2,139)
Fixed asset timing differences	**14**	**14**	8	8
Chargeable (loss)/gain	**(453)**	**-**	(739)	-
Adjustments to brought forward values	**1,051**	**1,051**	-	-
Amounts (charged)/credited directly to STGL or otherwise transferred	**(320)**	**(320)**	-	-
Group relief	**-**	**101**	-	93
Difference in deferred tax	**(21)**	**(77)**	178	134
Current tax charge for period	**244**	**639**	44	150

NOTES TO THE FINANCIAL STATEMENTS

6. Tangible fixed assets

Group

	Investment property £'000	Freehold property £'000	Plant and machinery £'000	*Computer equipment £'000	Office equipment and furniture £'000	Improvements to leasehold premises £'000	Total £'000
Cost:							
At 1 April 2018	20,995	3,883	615	1,222	286	52	27,053
Revaluation	(2,321)	-	-	-	-	-	(2,321)
Additions	-	-	-	230	-	-	230
Disposals	-	-	-	(122)	(180)	-	(302)
At 31 March 2019	**18,674**	**3,883**	**615**	**1,330**	**106**	**52**	**24,660**
Depreciation:							
At 1 April 2018	-	648	418	995	226	26	2,313
Provided in the year	-	104	28	121	16	3	272
Disposals	-	-	-	(119)	(180)	-	(299)
At 31 March 2019	-	**752**	**446**	**997**	**62**	**29**	**2,286**
Net book amount at 31 March 2019	**18,674**	**3,131**	**169**	**333**	**44**	**23**	**22,374**
Net book amount at 31 March 2018	20,995	3,235	197	227	60	26	24,740

On 27 February 2014 three floors of the freehold property Lion Court were let on a ten-year commercial lease and the relevant portion of property cost was moved to investment property and included at valuation. A further floor was let in January 2019 on a ten-year commercial lease.

The whole property was independently valued at 31 March 2019 at £23.41m by BNP Paribas Real Estate, acting as an independent valuer as defined by Professional Standard 2 of the RICS Valuation Global Standards 2017. The basis of valuation was market value of the freehold interest in the property (as defined in the RICS Valuation Professional Standards), subject to any external tenancies. 79.8% of the building is let and is therefore included at a valuation of £18.7m i.e. 79.8% of the whole valuation.

Included in freehold property is an amount of £2.66m in respect of freehold land which is not subject to depreciation.

* Computer equipment includes various software and development cost which under FRS102 should be split out and shown separately as intangible assets. These are historical costs incurred as part of wider projects which also included other costs including hardware such as servers and it is not possible to appropriately split out such costs. There is no impact on the income and expenditure as the amortisation policy for these costs would be the same as the depreciation policy.

NOTES TO THE FINANCIAL STATEMENTS

6. Tangible fixed assets (continued)

Company

	*Computer equipment £'000	Office equipment and furniture £'000	Improvements to leasehold premises £'000	Total £'000
Cost				
At 1 April 2018	1,221	286	953	2,460
Additions	230	-	-	230
Disposals	(121)	(180)	-	(301)
At 31 March 2019	**1,330**	**106**	**953**	**2,389**
Depreciation				
At 1 April 2018	996	225	230	1,451
Provided in the year	121	17	76	214
Disposals	(120)	(180)	-	(300)
At 31 March 2019	**997**	**62**	**306**	**1,365**
Net book amount at 31 March 2019	**333**	**44**	**647**	**1,024**
Net book amount at 31 March 2018	225	61	723	1,009

* Computer equipment includes various software and development cost which under FRS102 should be split out and shown separately as intangible assets. These are historical costs incurred as part of wider projects which also included other costs including hardware such as servers and it is not possible to appropriately split out such costs. There is no impact on the income and expenditure as the amortisation policy for these costs would be the same as the depreciation policy.

7. Investments

The Federation owns 100% of National Housing Federation Investments Limited, which itself owns a 49% ordinary shareholding in HouseMark Limited. The total value of the investment is £531k in the company's balance sheet.

The Federation owns 100% of NHF Property & Services Limited which owns Lion Court, the Federation's head office.

The registered office of both subsidiaries is Lion Court, Procter Street, London, WC1V 6NY

NOTES TO THE FINANCIAL STATEMENTS

7. Investments (continued)

The Federation owns one £1 ordinary share in The Housing Finance Corporation Limited (registered under the Co-operative and Communities Benefit Societies Act 2014), representing one-seventh of the nominal value of the issued share capital. The Housing Finance Corporation Limited assists housing associations and related charities in raising funds for capital projects and is incorporated in Great Britain.

The Federation holds a £10k investment in Third Sector Consortia Management LLP a company delivering and managing public and community services during the year. The value of this investment has previously been reduced to £1. The Federation's liability is limited to its investment. No provision has been made in these statements in respect of any tax refund due in respect of losses available to be carried back.

Investments summary:

National Housing Federation Investments Limited	Investment company	100%
NHF Property & Services Limited	Property owning and office space provider	100%
Third Sector Consortia Management LLP	Company delivering and managing public and community services	17%
The Housing Finance Corporation Limited	Assists in the raising of funds for capital projects	14%

	2019 £'000	2018 £'000
NHF Property & Services Ltd	-	-
Third Sector Consortia Management LLP	-	-
Other	-	-
Group		
National Housing Federation Investments Limited	**531**	531
Company	**531**	531

In addition to the investments above the group and company have a 49% shareholding with 50% voting rights in HouseMark Limited, which is treated as a joint venture (note 24). Housemark Limited, which is jointly owned with the Chartered Institute of Housing, provides benchmarking and consultancy services to the housing sector.

NOTES TO THE FINANCIAL STATEMENTS

8. Goodwill

A fair value review of the gross assets and liabilities of HouseMark Limited was carried out; these have been restated under FRS 102 which has resulted in HouseMark Limited accounts showing net liabilities. However, management has considered HouseMark's performance against its business plan since the acquisition date together with the licence fee received each year and is content that no impairment has occurred therefore none of the carrying values of the assets or liabilities were altered for the goodwill calculation. No other circumstances have arisen which would indicate that the carrying amount of the goodwill (in the group's balance sheet) or the investment (in the balance sheet of National Housing Federation Investments Limited) are impaired.

As set out in the accounting policies, purchased goodwill is amortised over a period of twenty years. Management is of the opinion that such a period realistically reflects the expected useful economic life of the goodwill, given the nature of HouseMark's business, the environment in which it operates and the scope and plans for future developments. Amortisation costs are charged to the income and expenditure account monthly. The following reconciliation of movements in goodwill is disclosed.

	£'000
Cost	
At 1 April 2018 and at 31 March 2019	**639**
Accumulated amortisation:	
At 1 April 2018	503
Charge for the period	32
At 31 March 2019	**535**
Net book amount at 31 March 2019	**104**
Net book amount at 31 March 2018	136

9. Stocks

	Group 2019 £'000	**Company 2019 £'000**	Group 2018 £'000	Company 2018 £'000
Stock for resale	**10**	**10**	19	19

NOTES TO THE FINANCIAL STATEMENTS

10. Debtors

Amounts due in less than one year:

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Trade debtors	**586**	**586**	795	795
Other debtors	**275**	**275**	220	222
Prepayments and accrued income	**1,330**	**1,330**	1,270	1,270
Amounts due from group undertakings	**-**	**6,825**	-	6,655
	2,191	**9,016**	2,285	8,942

Amounts due in more than one year:

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Deferred tax (note 15)	**771**	**1,068**	1,015	1,707
Amounts due from group undertakings	**-**	**3,500**	-	3,500
	771	**4,568**	1,015	5,207

A non-interest bearing deferred loan was made to the company's subsidiary undertaking, NHF Property & Services Limited in January 2004 to assist in the financing of the purchase of Lion Court, a property owned by NHF Property & Services Limited. At 31 March 2019 the amount outstanding on the loan was £3.5m (2018: £3.5m), to be repaid 20 years from date of issue.

The company has agreed not to recall the intercompany balance of £6,825k for twelve months from the date of signing these accounts unless NHF Property & Services Limited has the available funds to make the payment.

11. Creditors: amounts falling due within one year

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Bank loan (note 13)	**751**	**-**	731	-
SHPS deficit funding liability (note 21)	**16**	**16**	1,080	1,080
Trade creditors	**205**	**205**	523	523
Other tax and social security	**114**	**114**	55	55
Other creditors	**266**	**163**	248	127
Accruals and deferred income	**5,448**	**5,538**	4,432	4,540
	6,800	**6,036**	7,069	6,325

NOTES TO THE FINANCIAL STATEMENTS

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

	Group 2019 £'000	**Company 2019 £'000**	Group 2018 £'000	Company 2018 £'000
Other creditors	**257**	**256**	205	205
Bank loan (note 13)	**3,397**	**-**	4,147	-
SHPS deficit funding liability (note 21)	**79**	**79**	5,923	5,923
	3,733	**335**	10,275	6,128

Other creditors comprises rent deposits held in respect of the lease of floors 1-4 Lion Court and are repayable in more than five years.

13. Creditors: Capital borrowings

Creditors include bank loans (see note 22) which are due for repayment as follows:

	Group 2019 £'000	**Company 2019 £'000**	Group 2018 £'000	Company 2018 £'000
Amounts repayable:				
In one year or less or on demand	**751**	**-**	731	-
In more than one year, but not more than two years	**758**	**-**	750	-
In more than two years, but not more than five years	**2,306**	**-**	2,289	-
In more than five years	**333**	**-**	1,108	-
	4,148	**-**	4,878	-

14. Provisions for liabilities

Group and company

	Leave pay £'000
At 1 April 2018	122
Additions	102
Utilised	(122)
At 31 March 2019	102

The leave pay provision represents holiday and flexi time balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured at the salary cost payable for the period of absence.

NOTES TO THE FINANCIAL STATEMENTS

15. Deferred taxation

Group and Company

Deferred taxation debtor (note 10) consists of the tax effect of timing differences in respect of:

	Group 2019 £'000	**Company 2019 £'000**	Group 2018 £'000	Company 2018 £'000
Property revaluation	**(153)**	**-**	(547)	-
Short term timing differences	**489**	**489**	1,171	1,171
Fixed asset timing differences	**(73)**	**71**	(35)	110
Losses and other deductions	**508**	**508**	426	426
	771	**1,068**	1,015	1,707

Deferred taxation credit/(charge) in the year consists of the tax effect of timing differences in respect of:

	Group 2019 £'000	**Company 2019 £'000**	Group 2018 £'000	Company 2018 £'000
Property revaluation	**(395)**	**-**	(107)	-
Short term timing differences	**682**	**682**	196	196
Fixed asset timing differences	**39**	**39**	16	15
Losses and other deductions	**(82)**	**(82)**	(61)	(61)
	244	**639**	44	150

Balance at 1 April 2017	**1,059**	**1,857**
Charge for the year	**(44)**	**(150)**
Balance at 1April 2018	**1,015**	**1,707**
Charge for the year	**(244)**	**(639)**
Balance at 31 March 2019 (note 10)	**771**	**1,068**

16. Reserves

Statement of Comprehensive Income and Retained Earnings includes all current and prior period retained profits and losses.

NOTES TO THE FINANCIAL STATEMENTS

17. Cash from operations

	2019 £'000	2018 £'000
Operating (deficit) / surplus	**(768)**	3,149
Depreciation	**272**	391
Loss on disposal of tangible fixed assets / investments	**2**	68
Amortisation charges	**32**	32
Revaluation loss /(gain)	**2,321**	(1,567)
Decrease in stock	**8**	10
(Decrease)/Increase in debtors	**95**	(322)
(Decrease)/Increase in creditors	**(277)**	(1,904)
Net cash (outflow)/inflow from operating activities	**1,685**	(143)

18. Analysis of changes in net debt

	At 1 April 2018 £'000	Cash flow £'000	At 31 March 2019 £'000
Cash in hand	1,070	559	**1,629**
Liquid resources	(4,878)	730	**(4,148)**
	(3,808)	1,289	**(2,519)**

19. Capital commitments

The company had no capital commitments at 31 March 2019 or 31 March 2018.

20. Contingent assets / liabilities

The Group incorporates relevant figures from the audited financial statements of the joint venture, Housemark, drawn up to 31 December 2018. Should there be any significant transactions or events relating to Housemark between 31 December 2018 and 31 March 2019, an adjustment is made to reflect this in the Group accounts. There has been a significant change to the way in which the defined benefit pension scheme, SHPS, is accounted for, which must be adopted for 31 March 2019 year ends but not for 31 December 2018 year ends. Housemark therefore uses a different approach from that of the Group. Whilst it would normally be necessary to adjust the financial statements of the Group for any increase liability resulting from the revised accounting approach, no change has been recognised because the amount of the obligation cannot be measured with sufficient reliability.

21. Retirement benefit schemes

National Housing Federation Limited participates in the Social Housing Pension Scheme (SHPS) and the Growth plan.

SHPS

The company participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non- associated employers. The Scheme is a defined benefit scheme in the UK.

NOTES TO THE FINANCIAL STATEMENTS

21. Retirement benefit schemes (continued)

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the Scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the Scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit at the accounting period start and end dates.

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2019 (£000s)	31 March 2018 (£000s)
Fair value of plan assets	39,888	38,622
Present value of defined benefit obligation	54,028	50,342
Surplus (deficit) in plan	(14,140)	(11,720)

NOTES TO THE FINANCIAL STATEMENTS

21. Retirement benefit schemes (continued)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period Ending 31 March 2019 (£000s)
Defined benefit obligation at start of period	50,342
Expenses	27
Interest expense	1,277
Actuarial losses (gains) due to scheme experience	132
Actuarial losses (gains) due to changes in demographic assumptions	151
Actuarial losses (gains) due to changes in financial assumptions	3,728
Benefits paid and expenses	(1,629)
Defined benefit obligation at end of period	54,028

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period Ending 31 March 2019 (£000s)
Fair value of plan assets at start of period	38,622
Interest income	989
Experience on plan assets (excluding amounts included in interest income) – gain (loss)	812
Contributions by the employer	1,094
Benefits paid and expenses	(1,629)
Fair value of plan assets at end of period	39,888

The actual return on plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £1,801m.

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME

	Period Ending 31 March 2019 (£000s)
Expenses	27
Net interest expense	288
Defined benefit costs recognised in statement of comprehensive income	315

NOTES TO THE FINANCIAL STATEMENTS

21. Retirement benefit schemes (continued)

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period Ending 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) – gain (loss)	812
Experience gains and losses arising on the plan liabilities – gain (loss)	(132)
Effect of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(151)
Effect of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(3,728)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(3,199)
Total amount recognised in other comprehensive income - gain (loss)	(3,199)

ASSETS

	31 March 2019 (£000s)	**31 March 2018 (£000s)**
Global equity	6,712	7,628
Absolute return	3,451	4,718
Distressed options	725	373
Credit relative value	730	-
Alternative risk premia	2,300	1,465
Fund of hedge funds	180	1,272
Emerging markets debt	1,376	1,558
Risk sharing	1,205	357
Insurance-linked securities	1,144	1,015
Property	898	1,778
Infrastructure	2,092	990
Private debt	535	344
Corporate bond fund	1,861	1,586
Long lease property	587	-
Secured income	1,428	1,432
Liability driven investment	14,587	14,070
Net current assets	77	36
Total assets	39,888	38,622

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or assets used by the employer.

NOTES TO THE FINANCIAL STATEMENTS

21. Retirement benefit schemes (continued)

KEY ASSUMPTIONS

	31 March 2019 % per annum	31 March 2018 % per annum
Discount rate	2.31	2.58
Inflation (RPI)	3.29	3.18
Inflation (CPI)	2.29	2.18
Salary growth	3.29	3.18
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

Growth Plan

National Housing Federation Limited participates in the Social Housing Pension Scheme Growth plan a multi-employer scheme which provide benefits to some 950 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the schemes as defined benefit schemes. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

NOTES TO THE FINANCIAL STATEMENTS

21. Retirement benefit schemes (continued)

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 31 January 2025:	£11,243,000 per annum (payable monthly and increasing by 3% each on 1st April)

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note the scheme's previous valuation was carried out with an effective date of 30 September 2014. This vauation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2017 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUES OF PROVISION

	31 March 2019 (£000s)	31 March 2018 (£000s)	31 March 2017 (£000s)
Present value of provision	95	113	127

NOTES TO THE FINANCIAL STATEMENTS

21. Retirement benefit schemes (continued)

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2019 (£000s)	**Period Ending** 31 March 2018 (£000s)
Provision at start of period	113	127
Unwinding of the discount factor (interest expense)	2	2
Deficit contribution paid	(15)	(14)
Remeasurements - impact of any change in assumptions	1	(2)
Remeasurements - amendments to the contribution schedule	(6)	-
Provision at end of period	95	113

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2019 (£000s)	**Period Ending** 31 March 2018 (£000s)
Interest expense	2	2
Remeasurements – impact of any change in assumptions	1	(2)
Remeasurements – amendments to the contribution schedule	(6)	-
Contributions paid in respect of future service*	-	-
Costs recognised in income and expenditure account	-	-

NOTES TO THE FINANCIAL STATEMENTS

21. Retirement benefit schemes (continued)

ASSUMPTIONS

	31 March 2019 % per annum	31 March 2018 % per annum	31 March 2017 % per annum
Rate of discount	1.39	1.71	1.32

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the company and the scheme at each year end:

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	**31 March 2019 (£000s)**	**31 March 2018 (£000s)**	**31 March 2017 (£000s)**
Year 1	16	15	14
Year 2	16	15	15
Year 3	17	15	15
Year 4	17	16	15
Year 5	18	16	16
Year 6	15	17	16
Year 7	-	17	17
Year 8	-	9	17
Year 9	-	-	9

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance liability.

The total pension cost for the Federation for the year including pension deficit contributions was £1,404k (2018: £1,352k).

NOTES TO THE FINANCIAL STATEMENTS

22. Financial commitments

On 29 January 2004, the group purchased Lion Court in Holborn for the sum of £13.74m The purchase was financed by a 25-year loan from the Bank of Scotland of £11.74m at an interest rate of 1.5% plus base. At 31 March 2018 the amount outstanding was £4.88m (2018: £5.59m).

The loan is secured by mortgage charge over the building known as Lion Court.

On 11 June 2004, the company elected to fix the interest rate on £4m of the loan for 5 years at 7.315%, this then reverted to a base rate loan and on 29 July 2011 the outstanding amount of £2.04m was changed to a LIBOR loan repayable at 1.5% over LIBOR. On 11 June 2004 the interest rate on a further £4m of the loan was fixed for 10 years at 7.295% which reverted back to a base rate loan on 11 June 2015. On 22 February 2010, the company elected a further interest fix at 5.595% for 10 years, £3.32m to run from 11 March 2010 and £0.79m to run from 29 April 2010.

National Housing Federation Limited had an overdraft facility with its bankers Lloyds Bank Plc amounting to £1m, which expired in March 2019. The overdraft was £nil at 31 March 2019 (2018: £nil).

The group and company's future operating lease payments are as follows:

Amounts repayable:

	Group 2019 £'000	**Company 2019 £'000**	Group 2018 £'000	Company 2018 £'000
In one year or less on demand	**68**	**1,105**	69	1,106
In more than one year, but not more than two years	**82**	**1,119**	32	1,119
In more than two years, but not more than five years	**203**	**3,142**	75	3,186
In more than five years	**253**	**253**	73	937
	606	**5,619**	249	6,348

NOTES TO THE FINANCIAL STATEMENTS

23. Transactions with directors and other related parties

During the year National Housing Federation Limited paid £nil (2018: £nil) to HouseMark for services and received licence income from HouseMark amounting to £270k (2018: £320k).

National Housing Federation Limited paid rent of £1.709m (2018: £1.709m) to NHF Property & Services Limited. NHF Property & Services Limited paid fees in respect of rents, rates and service charges to National Housing Federation Limited for the 1st, 2nd, 3rd and 4th floors of Lion Court amounting to £981k (2018: £801k).

In the normal course of business housing associations to which some directors are connected, pay affiliation fees, acquire publications and attend conferences of National Housing Federation Limited. All of these transactions are at arm's length other than attendance at conferences where the Director's attendance is required by virtue of being a Director. Affiliation fees received from members during the year ended 31 March 2019 were £8.12m (2018: £8.27m).

There are no other related party transactions.

24. Group and joint venture disclosures

The group and company have a 49% shareholding in HouseMark Limited. HouseMark's only other shareholder is the Chartered Institute of Housing. National Housing Federation Limited has 50% of voting rights and therefore 50% of the results of HouseMark Limited are treated as a joint venture.

a) There are no intercompany loans or other balances due between National Housing Federation Limited and HouseMark Limited.
2) HouseMark Limited's accounting reference date is 31 December. The most recent audited accounts available are for the period ending 31 December 2018. These have been used in compiling the Federation's group financial statements.

NOTES TO THE FINANCIAL STATEMENTS

24. Group and joint venture disclosures (continued)

	2018	2017
	£	£
Profit and loss account		
Turnover	**5,442,788**	5,308,068
(Loss)/Profit after tax	**(27,857)**	172,968
Balance sheet		
Fixed assets	**587,195**	449,346
Current assets	**1,677,277**	1,701,884
Creditors: amounts falling due within one year	**(1,190,662)**	(1,122,775)
Provision for liabilities	**(1,171,263)**	(1,098,051)
Net liabilities	**(97,453)**	(69,596)
Called-up share capital	**100**	100
Profit and loss account	**(97,553)**	(69,696)
	(97,453)	(69,596)

HouseMark Limited's registered address is 8 Riley Court, Millburn Hill Road, University of Warwick Science Park, Coventry CV4 7HP.

25. Financial risk management

The company has exposure to three main areas of risk:

Reputational risk
The company has identified as inherently high risk, the political, economic and regulatory aspects of its wider operating environment and the linked reputational risks relating to the activities of its members. These factors may impact in ways which are inherently unpredictable, but the company leads the sector in anticipating a range of scenarios and planning to deal with them. It does not involve itself directly in issues relating to an individual member, although offering advice and support where appropriate.

Customer credit exposure
The company has leased three floors of its freehold property to a serviced office provider for ten years with no break clause. In January 2019, another floor was let commercially for ten years with a tenant break after 5 years. There is a risk that either tenant may default on the rent however, this is mitigated by holding rent deposits totalling £257k.

Interest rate risk
The company financed the purchase of its freehold property by way of a term loan from the Bank of Scotland and is therefore subject to interest rate changes. This is mitigated by fixing the interest on a portion of the loan as disclosed in note 22.