

**NATIONAL HOUSING  
FEDERATION LIMITED**

**FINANCIAL STATEMENTS**

**For the Year ended**

**31 March 2014**

Company no 302132

NATIONAL HOUSING FEDERATION LIMITED

For the year ended 31 March 2014

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Company registration  
number:

302132

Registered office:

National Housing Federation Limited  
Lion Court  
25 Procter Street  
London  
WC1V 6NY

Bankers:

The Federation's main bank accounts are held at:

Lloyds TSB  
King's Cross Branch  
344 Gray's Inn Road  
London  
WC119 8B19

Banking services are also provided by:

Bank of Scotland  
2<sup>nd</sup> Floor, St James's Gate  
14-16 Cockspur Street  
London  
SW1Y 5BL

Auditor:

Grant Thornton UK LLP  
Registered Auditor  
Chartered Accountants  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

# NATIONAL HOUSING FEDERATION LIMITED

For the year ended 31 March 2014

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**KEY FIGURES – FIVE YEAR SUMMARY**

	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>	<b>2009/10</b>
	£k	£k	£k	£k	£k
		0	0	0	0
<b>Turnover</b>	14,130	14,382	14,563	14,246	14,195
<b>Change %</b>	-1.8%	-1.2%	2.2%	0.4%	-1.3%
<b>Operating Profit</b>	754	964	1,019	36	1,356
<b>Surplus / (Deficit)</b>	347	525	521	(526)	810
<b>Surplus excluding Exceptional / One off items</b>	347	325	231	20	810
<b>Net Cash at Year end</b>	3,375	4,412	2,324	2,646	3,606

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

Note: Surplus/(Deficit) is Profit/(Loss) after taxation transferred to reserves.



## **CHAIRMAN'S STATEMENT**

Mid-way through my second and final term as the Federation's Chairman, it feels an appropriate point to reflect on how the Federation has developed since the introduction of its new constitution in 2009, and on its current state.

In 2009 we discontinued our National Council arrangements and modernised our Board arrangements. I became the first Chairman from outside the membership and we moved to a more professional Board selection process based on an assessment of required skills, encouraging more 'external' applicants.

Our Board is working well with a good mix of Board members from within the membership and from elsewhere, the latter group bringing valuable additional perspective to our deliberations. I'd like to thank all Board members both current and past for their support during this journey.

Of course ultimately the success of such reform is judged by the performance of the Federation itself, and you will find much evidence as to how effective this is in the Chief Executive's Review, Strategic Report and Report of the Directors. I am pleased to report that the Federation is in a robust and healthy state, having made significant progress on all fronts.

We are in good financial health, having achieved modest surpluses for a number of years. Whilst doing this we have concentrated on making the organisation more efficient and we are currently mid-way through a three year period to 31 March 2016, during which we have capped affiliation fees and already reduced them by 12% in real terms.

These efficiency improvements emanated from our major Business Strategy Review during 2012 /13, which has also resulted in a much more focussed approach to our member engagement activities and improved member services through our core, highly valued policy, lobbying and communication activities.

I would like to conclude by thanking David Orr and all the Federation staff for not only making the Federation so successful but for their support to me as Chairman and to the Board as a whole. We all look forward with confidence to the year ahead and are well placed to meet our longer term challenges.



**Lord Matthew Taylor**

## CHIEF EXECUTIVE'S REVIEW

I am pleased to report that the Federation has had another successful year. It is well placed to meet both the challenges of the year ahead, as we approach the General Election scheduled for May 2015, as well as the development of a really effective longer term narrative for our members.

Matthew Taylor, our Chairman, reflects in his statement on how far the Federation has progressed over the past few years and I am enormously excited at many of the real benefits we are now achieving for members and housing more broadly.

I believe we are seeing a much more genuine understanding across the political spectrum and population generally that there is indeed a housing crisis and that providing significantly more housing on a sustained basis for many years is key to the country's wellbeing in many ways, both economic and social.

We are closely engaged with all the political parties as they firm up their election manifestos and our influence is bolstered by a level of access to and dialogue with key people that is better than at any point in my time as Chief Executive. This results from our continued focus on providing high quality, evidence based policy analysis, supported by really effective communication and campaigning.

A really good example of this was the instrumental role we played in securing a new social rent formula of CPI + 1% for 2015/16 for ten years, which provides a vital level of certainty underpinning our members' long term plans.

During the year we also had a significant impact in relation to on-going benefit and welfare reform, the funding regime for new housing development, the sector's regulatory framework and the potential impact of financial reporting proposals.

I would especially like to highlight our vision 'An ambition to deliver' launched in February 2014. This promotes the aspirations of and potential for Federation members to play a really major role in addressing the housing crisis and double the number of houses they own and manage by 2033.

Finally I would like to add to Matthew's, my thanks to our staff for all their hard work on behalf of the Federation and its members.



**David Orr**



## **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 the work of housing associations and campaigns for better housing and neighbourhoods.

Virtually all housing associations of any significant size, in England, are members of the Federation.

Following our 2012/13 Business Strategy Review, members know that the Federation focuses on what matters most for housing associations through its policy, lobbying and communication work.

Our aim is to shape the external environment to enable housing associations to prosper, whatever their business model; be the body to engage with on housing issues and be regarded by members as a highly effective trade body.

The Federation exists for its members and they have varying expectations 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 annual affiliation fee income.

Aside from affiliation fees, the Federation's other main source of income is from commercial activities, such as running conferences. Commercial activities are provided both for members and non-members, and provide around 30% of gross income. Income from commercial activities is dependent on the quality and pricing of the services, demand and a range of underlying economic factors.

Commercial activities are undertaken if they do not detract from and ideally enhance the Federation's reputation and provide value to members. The Federation aims to maximise the benefit from commercial activities within these criteria, to operate efficiently and provide maximum value for money to members in return for their fees.

### **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.

Key risks and uncertainties for our members are:

- The end results of the Government's welfare and benefit reform measures, including the introduction of Universal Credit, are still to become fully clear, but are likely to mean that it will be harder for social housing tenants to pay their rents and increase Housing Associations' operating costs.

## STRATEGIC REPORT

### Risks & Uncertainties

- Although the latest round of Government funding for affordable housing totals £3.3 billion over three years, Government funding for new social housing has shifted away from capital grant. Housing associations are becoming relatively more dependent on rental income, debt, property sales, other sources of funding and a wider range of operating models.
- The HCA continues to develop its approach to the regulatory framework, with a focus on Value for Money. It has initiated a discussion and consultation process about funding and the possibility of housing associations paying fees for regulation.
- The final version of the Housing SORP is still to be agreed. Despite significant progress by the Federation pursuing mitigation, the risk that changes in financial reporting requirements might still significantly reduce the ability of housing associations to undertake housing development has not been removed.
- Some members maybe severely impacted by the proposed discontinuation of the previous arrangements for rent convergence, although the Federation continues to argue strongly against these changes.

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

- Failure to engage effectively with members
- Inability to achieve sufficient policy outcomes on behalf of members
- Failure to operate efficiently, both as regards its commercial activities and cost control, and therefore to provide members with value for money

Strategically 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 which are inherently unpredictable, but the Federation 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.

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 about future investment returns, inflation, mortality rates, interest rates etc. 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.

The Federation's Risk Management Procedures are detailed in the Report of the Directors.

## STRATEGIC REPORT

### Financial Review

The Federation sets affiliation fees with the aim that members pay each year for the level of services they receive. We usually make a small surplus (profit after tax), which unless specifically decided otherwise by the Board, is added to reserves.

The surplus for 2013/14 was £347k compared to £525k for the previous year or £325k after excluding the one off recovery of VAT paid in the past, following negotiations with HMRC regarding our partial exemption methodology. At around 2.5% of turnover this year's surplus is in line with our financial objectives. The surplus for the year will be taken to reserves, in accordance with the Reserves Policy.

Total turnover was down by 1.7% to £14.1m. This reflected a small increase in affiliation income, a temporary reduction in commercial income as we implemented our property strategy (below), changes to the way we deliver our local member engagement events and the absence of the previous year's VAT recovery mentioned above.

Administrative expenses were similar to the previous year, despite further costs of restructuring as we implemented the actions resulting from our 2012/13 Business Strategy Review, and an increase of over £300k in pension deficit recovery costs. Over four years overhead costs have reduced by 3%.

Our 2012/13 Business Strategy Review included a full review of the Federation's property costs and the facilities necessary for us to function cost effectively whilst maintaining and improving membership services.

During the year we reduced our operational space footprint, closed our conference centre and three floors of our main office, Lion Court in London were let on a ten year commercial lease. This is estimated overall to increase future financial contribution by approximately £700k pa. It will help us cover the significant ongoing increase in pension deficit recovery costs and provide funding for enhanced campaigning and lobbying activity in advance of next year's General Election.

The relevant portion of freehold property cost was moved to investment property and included at valuation. The whole property was independently valued at £20m and this increased net assets by £3.7m at the end of the year.

The change in accounting treatment of the property may lead to greater future volatility in the Federation's reported financial results.

Over the next two years the Federation will prepare for the adoption of Financial Reporting Statement 102 (FRS 102). This will require us to bring 'on balance sheet' the Federation's liability to fund the recovery of pension funding deficits which have been built up in the past.



## STRATEGIC REPORT

### Financial Review

A further consequence will be that annual pension deficit recovery payments will not be charged to the Profit & Loss Account.

During the year the Federation moved towards fully closing its defined benefit pension schemes (effective 1<sup>st</sup> May 2014) and offering staff an improved defined contribution scheme. Whilst increasing annual contribution costs, this will progressively reduce the risk resulting from the requirement to fund future pension liabilities.

We are aware that there will be a significant combined impact on the Federation's financial reporting in relation to property, pensions and FRS 102. None of these accounting factors materially affect the Federation's underlying financial position, but they will need careful communication and explanation.

During the year, the Board approved project expenditure of £0.9m to replace the Federation's Customer Relationship Management (CRM) system which being over ten years old is coming to the end of its natural life. This expenditure is being funded from existing financial resources and ongoing positive cash flow.

To ensure that members are better informed about its financial performance, 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.

### Business Review

We are well into our revised three year Business Plan which is available on our website at [www.housing.org.uk](http://www.housing.org.uk). It encompasses four key themes:

- Enabling the delivery of great homes - deliver homes that people can afford
- Promoting health & wellbeing - invest in people and communities
- Supporting resilient businesses - in it for the long term
- Running an effective, efficient Federation - providing value for money

In carrying out these activities we continue to work with key partners including the Chartered Institute of Housing, The National Federation of ALMOs, CECODHAS Housing Europe, the three other UK housing federations and others as appropriate.

Wherever possible we will ensure that Federation resources are applied in such ways that add to and don't unnecessarily duplicate the input of our partners.

The Federation has continued to engage in detailed discussions with ministers, shadow ministers, MPs, peers and government officials to shape legislation that reflects members' concerns, and ensures they can continue to provide more & better homes and deliver high value services to their communities.

This lobbying has been supported by ever wider and targeted communication activity together with a number of high profile, successful media campaigns.

## **STRATEGIC REPORT**

### **Business Review**

Key areas of activity have been in relation to the Government's on-going benefit and welfare reforms, the funding regime for new development, the regulatory framework and proposed changes to financial reporting. More details of the issues in these areas are provided under 'Risks & Uncertainties' above.

We have continued our very successful 'Yes to Homes' campaign, which has mobilised opinion shapers and the general public to highlight the negative impact of too few homes and the many advantages of investing in building more of them.

We played an instrumental role in securing a new social rent formula announced in June 2013 of CPI + 1% for 2015/16 for ten years, which provides a vital level of certainty underpinning our members' long term plans. We continue to engage robustly regarding the issues caused by the cessation of the previously established rent convergence arrangements, which is a significant issue for some members.

We launched our vision 'An ambition to deliver – housing associations unbounded' launched in February 2014. This highlights the aspirations of and potential for Federation members to play a really major role in addressing the housing crisis and double the number of houses they own and manage by 2033.

The Federation continues to support its members through a wide range of business and commercial services. Our conferences have as ever been highly valued by delegates, and our Finance Conference in Warwick again had significantly more delegates this year. Allied to the Finance Conference, we expanded the Housing Association National Accountancy Awards ('HANAA's'), with again an increase in attendees.

HouseMark, which the Federation jointly owns with the Chartered Institute of Housing, had a good year, culminating in the launch of its new Five Year Vision, with a focus on business intelligence.

The Federation monitors levels of member satisfaction on a regular basis through a combination of regular and ad hoc feedback and a range of quantitative KPIs which it is progressively developing. These indicate a high level of member satisfaction with the services provided on all criteria.

Taking a broad view the Federation is in a healthy position, having made significant progress over the past few years on all fronts.

We have become more efficient and generated surpluses in line with our objectives whilst at the same time being mid-way through a three year period to 31 March 2016, during which we have capped affiliation fees and already reduced them in real terms by 12% over the past three years.

## STRATEGIC REPORT

### Business Review

These efficiency improvements emanated from our major Business Strategy Review during 2012 /13, which has also resulted in a much more focussed approach to our member engagement activities and improved member services through our core, highly valued policy, lobbying and communication activities.

Following the comprehensive review of our property strategy, as well as securing financial benefits, the Federation significantly improved the working environment for staff. This is underpinning a major cultural change programme to further improve staff performance and member focus, providing a seamless, joined-up delivery of services under the principle "everyone is local, everyone is national"

Our objective is 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. These improvements have been supplemented by new initiatives such as member webinars.

As part of this change programme, the Federation has significantly restructured its organisational reporting lines and introduced a new competency framework, role profiles, flexible pay framework, training & development initiatives and management support resources.

We continue to address our organisational environmental impact and have successfully implemented a number of energy saving steps in our main office.

ON BEHALF OF THE BOARD



Stephen Bull  
Company Secretary

9<sup>th</sup> July 2014



## **REPORT OF THE DIRECTORS**

The directors present their report together with the audited financial statements for the year ended 31 March 2014.

Further information can be found in the Chairman'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 support and promote the work that housing associations do and campaign for better housing and neighborhoods.

### **Corporate Governance**

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 has adopted the Federation's code of governance, Excellence in governance 2010 and, following its annual compliance review, is satisfied that it complies with the main principles and provisions in the code.

### **Reserves**

A Surplus (Profit after Tax) of £347k (2013: £525k) 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.

During the period three floors of our main office, Lion Court in London, which is a freehold property, were let on a ten year commercial lease. More details are provided in the Financial Review within the Strategic Report.

## REPORT OF THE DIRECTORS

### Directors

The following table shows Directors of the company between 1st April 2013 and 9th July 2014. Details are also shown of membership to Board Committees, and position where applicable, as at 9th July 2014

Name / Board Meeting Attendance	Executive Committee	Audit and Risk Management Committee	Nominations Committee
<b>Lord Taylor of Goss Moor</b> (Chair) 9/9	Chair		Member
<b>Mark Washer</b> (Vice Chair) 9/9	Member		Chair
June Barnes (Resigned 1 May 2013)			
<b>Sinead Butters</b> 8/9	Member	Chair	
<b>Mervyn Jones</b> (Appointed 18 Sep 2013) 6/7			
<b>Michael Kent OBE</b> 9/9			
<b>Ashwin Kumar</b> (Appointed 18 Sep 2013) 7/7			
<b>David Montague CBE</b> (Appointed 18 Sep 2013) 7/7		Member	
<b>David Orr</b> 9/9	Member		
<b>Cath Purdy OBE</b> 9/9		Member	
Terry Stacey MBE (Resigned 18 Sep 2013)			
<b>Victoria Stark CBE</b> 8/9			Member
Paul Tennant (Resigned 18 Sep 2013)			
<b>Peter Williams</b> 8/9			
<b>Penny Young</b> 8/9		Member	

- Background information on Directors is available on the Federation's web site, [www.housing.org.uk](http://www.housing.org.uk)
- Attendance at Board meetings is shown as meetings attended out of meetings eligible to attend.

Philip Bowles, who is not a Board member, is a co-opted member of the Audit & Risk Management Committee, as was Rosemary Farrar until 19<sup>th</sup> June 2014.

Ann Santry, who is not a Board member, is a co-opted member of the Nominations Committee.

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

### Board and Officers' Liability Insurance

During the year the Federation maintained 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.

## REPORT OF THE DIRECTORS

### 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 from the Chair and Chief Executive about how we have performed in the year, both in the work it carries 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 placed more emphasis on the risks the Federation faces, and overseen 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). 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

The Board delegates some areas of its work to committees:

- **Executive Committee**

This comprises the Chair, Vice Chair, Chair of the Audit and Risk Management committee and the Chief Executive. It oversees Federation liaison with the Regulator, key stakeholders, partner organisations and other bodies. It is also responsible for ensuring that the work of the Board and its Committees is effectively co-ordinated at member level. The Executive Committee is also the Federation's Remuneration Committee.

- **Audit and Risk Management Committee**

The Audit and Risk Management Committee oversees standards of internal control and risk management. It agrees the internal audit programme, reviews the corporate risk register and is the primary point of Board contact for the external auditors. 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 employs approximately 130 staff. All staff are responsible to and governed by the Board through the Chief Executive.

### Audit

The Federation has an internal audit function provided by Mazars who were appointed in June 2010. Based on their satisfactory performance, they were reappointed in 2012 through to 31<sup>st</sup> March 2016, subject to continuing annual performance reviews.

Internal and external auditors have direct access to the Audit & Risk Management Committee.

## REPORT OF THE DIRECTORS

### Planning and Reporting

The Federation works to a 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 and the Leadership Team.

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 monthly 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 budget 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 at all meetings and now reviewed 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.

### Auditor

Grant Thornton UK 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



Stephen Bull  
Company Secretary

9<sup>th</sup> July 2014



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

We have audited the financial statements of National Housing Federation Limited for the year ended 31 March 2014 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated and company balance sheets, the group cash flow statement, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost profit and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Responsibilities of the Board set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on financial statements**

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 2014 and of the group's profit and 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
NATIONAL HOUSING FEDERATION LIMITED****Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where 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 specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Jennifer Brown  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor  
Chartered Accountants  
London

10 JULY

2014



## **PRINCIPAL ACCOUNTING POLICIES**

### **Status**

National Housing Federation Limited is a company limited by guarantee. The liability of members, of whom there are 989 (2013: 999) 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.

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.

### **Basis of Consolidation**

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 March 2014. 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 FRS9.

### **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.

## PRINCIPAL ACCOUNTING POLICIES

### Tangible Fixed Assets and Depreciation

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

No depreciation is provided on freehold land or investment properties. 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.

### 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 both the defined contribution and defined benefit schemes.

The defined benefit scheme is a multi-employer scheme and the company is unable to separately identify its share of the scheme's assets and liabilities and hence has accounted for the scheme under a defined contribution basis. The expected cost to the Federation of pensions is charged to the income and expenditure account so as to spread the cost of pensions over the service lives of employees.

## **PRINCIPAL ACCOUNTING POLICIES**

### **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.

### **Taxation**

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

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax on defined benefit pension scheme surpluses or deficits is adjusted against these surpluses.

Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

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.

NATIONAL HOUSING FEDERATION LIMITED

As at 31 March 2014

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	Note	2014 £'000	2013 £'000
Turnover			
Continuing operations: group and share of joint venture's turnover		<b>15,896</b>	16,010
Less: share of joint venture's turnover	2	<u>(2,477)</u>	<u>(2,393)</u>
Group turnover	1	<u>13,419</u>	<u>13,617</u>
Other operating income: rental income		<u>711</u>	<u>765</u>
<b>Total turnover</b>		<b>14,130</b>	14,382
Administrative expenses	1	<u>(13,384)</u>	<u>(13,428)</u>
<b>Group operating profit before share of joint venture</b>		<b>746</b>	954
Share of operating profit in joint venture	2	<u>8</u>	<u>10</u>
<b>Group operating profit</b>		<b>754</b>	964
Interest payable	3	<u>(427)</u>	<u>(457)</u>
Interest receivable and similar income	3	<u>24</u>	<u>22</u>
<b>Profit on ordinary activities before taxation</b>		<b>351</b>	529
Tax on profit on ordinary activities	5	-	-
Share of tax on profit on ordinary activities in joint venture	2	<u>(4)</u>	<u>(4)</u>
<b>Profit on ordinary activities after taxation transferred to reserves</b>	15	<u><u>347</u></u>	<u><u>525</u></u>

All transactions arise from continuing operations.

The notes on pages 26 to 43 form part of these financial statements.

NATIONAL HOUSING FEDERATION LIMITED

As at 31 March 2014

**COMPANY PROFIT AND LOSS ACCOUNT**

	Note	2014 £'000	2013 £'000
Turnover			
Continuing operations	1	13,419	13,617
Other operating income:			
Rental income		<u>72</u>	<u>-</u>
<b>Total turnover</b>		<b>13,491</b>	13,617
Administrative expenses	1	(12,642)	(12,519)
<b>Operating profit</b>		<u><b>849</b></u>	<u>1,098</u>
Interest payable		-	-
Interest receivable and similar income		<u>20</u>	<u>19</u>
<b>Profit on ordinary activities before taxation</b>		<b>869</b>	1,117
Tax on profit on ordinary activities	5	<u>-</u>	<u>-</u>
<b>Profit on ordinary activities after taxation transferred to reserves</b>	15	<u><u><b>869</b></u></u>	<u><u>1,117</u></u>

All transactions arise from continuing operations.

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

The notes on pages 26 to 43 form part of these financial statements.



NATIONAL HOUSING FEDERATION LIMITED

As at 31 March 2014

CONSOLIDATED AND COMPANY BALANCE SHEETS

	Note	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
<b>Fixed assets</b>					
Goodwill	8	264	-	296	-
Investments	7	10	541	10	541
Tangible fixed assets	6	18,918	1,222	14,824	297
		<u>19,192</u>	<u>1,763</u>	<u>15,130</u>	<u>838</u>
<b>Current assets</b>					
Stocks - publications	9	44	44	61	61
Debtors	10	1,539	8,071	945	6,944
Cash at bank and in hand		3,375	3,299	4,412	4,305
		<u>4,958</u>	<u>11,414</u>	<u>5,418</u>	<u>11,310</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(7,040)</u>	<u>(6,398)</u>	<u>(7,051)</u>	<u>(6,436)</u>
<b>Net current (liabilities)/assets</b>		<u>(2,082)</u>	<u>5,016</u>	<u>(1,633)</u>	<u>4,874</u>
<b>Debtors: amounts falling due after more than one year</b>	10	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
<b>Total assets less current liabilities</b>		<u>17,110</u>	<u>10,279</u>	<u>13,497</u>	<u>9,212</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(7,169)</u>	<u>(198)</u>	<u>(7,576)</u>	<u>-</u>
Share of gross assets in joint venture	24	1,127	-	1,208	-
Share of gross liabilities in joint venture	24	(610)	-	(701)	-
<b>Share of net assets in joint venture</b>		<u>517</u>	<u>-</u>	<u>507</u>	<u>-</u>
<b>Deferred taxation</b>	14	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>		<u>10,458</u>	<u>10,081</u>	<u>6,428</u>	<u>9,212</u>
<b>Capital and reserves</b>					
Revaluation reserve	15	3,683	-	-	-
Profit and loss reserve	15	6,775	10,081	6,428	9,212
	16	<u>10,458</u>	<u>10,081</u>	<u>6,428</u>	<u>9,212</u>

The financial statements were approved by the Board of Directors on 9<sup>th</sup> July 2014 and signed on their behalf on 9<sup>th</sup> July 2014

Matthew Taylor - Chair

Mark Washer - Vice Chair

Company registration no: 302132

The notes on pages 26 to 43 form part of these financial statements.

NATIONAL HOUSING FEDERATION LIMITED

For the year ended 31 March 2014

**CONSOLIDATED CASH FLOW STATEMENT**

	Note	2014 £'000	2013 £'000
<b>Net cash inflow from operating activities</b>	17	1,040	3,266
<b>Returns on investments and servicing of finance</b>			
Interest receivable		24	22
Interest payable		(429)	(457)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(405)	(435)
<b>Taxation</b>			
Corporation tax paid		-	-
<b>Capital expenditure and financial investment</b>			
Payments to acquire fixed assets and investments	6	(1,098)	(189)
Proceeds from sale of fixed assets		4	-
<b>Net cash outflow from capital expenditure and financial investment</b>		(1,094)	(189)
<b>Net cash inflow before financing</b>		(459)	2,642
Financing		(578)	(554)
<b>(Decrease)/Increase in cash</b>	18	(1,037)	2,088

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

(Decrease)/Increase in cash in the year	(1,037)	2,088
Cash outflow from decrease/(increase) in debt	578	554
Movement in net debt in the period	(459)	2,642
Net debt at 1 April 2013	(3,742)	(6,384)
<b>Net debt at 31 March 2014</b>	(4,201)	(3,742)

**OTHER PRIMARY STATEMENTS**

**Consolidated statement of total recognised gains and losses**

	<b>Note</b>	<b>2014</b> <b>£'000</b>	2013 £'000
Profit for the financial year	15	<b>347</b>	525
Unrealised surplus on revaluation of property	15	<b>3,683</b>	-
Total gains and losses recognised since last annual report		<u><b>4,030</b></u>	<u>525</u>

**Consolidated note of historical cost profits and losses**

		<b>2014</b> <b>£'000</b>	2013 £'000
Reported profit on ordinary activities after taxation	15	<b>347</b>	525
Historical cost profit on ordinary activities after taxation		<u><b>347</b></u>	<u>525</u>



NATIONAL HOUSING FEDERATION LIMITED

For the year ended 31 March 2014

**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:

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Affiliation fees	<b>8,779</b>	8,579
Grants	<b>340</b>	457
Conferences, training and publications	<b>3,688</b>	4,040
Other income	<b>612</b>	541
<b>Company and Group</b>	<b><u>13,419</u></b>	<u>13,617</u>

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:

	<b>2014</b>	restated 2013
	<b>£'000</b>	£'000
Staff costs (note 4)	<b>6,886</b>	6,542
Depreciation	<b>163</b>	194
Auditors' remuneration:		
- audit services	<b>33</b>	33
- non-audit services	<b>5</b>	2
Charges on operating leases	<b>98</b>	95
Other operating charges	<b>5,457</b>	5,653
<b>Company</b>	<b><u>12,642</u></b>	<u>12,519</u>
Depreciation	<b>259</b>	411
Other operating charges	<b>483</b>	498
<b>Group</b>	<b><u>13,384</u></b>	<u>13,428</u>

Pension costs in 2013 included an allocation of pension deficit costs. These costs are no longer allocated to staff so the numbers are restated showing pension deficit separately for consistency. (see note 4)

**NOTES TO THE FINANCIAL STATEMENTS**

**2 Share of joint venture's results**

Further information on the Federation's joint venture, HouseMark 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 2013. These have been used in compiling the Federation's group financial statements. Summary income and expenditure information for HouseMark is:

	Year ended 31 December 2013 £'000	Group share (50%) 2013 £'000	Year ended 31 December 2012 £'000	Group share (50%) 2012 £'000
HouseMark turnover	4,953	2,477	4,786	2,393
HouseMark operating costs	(4,937)	(2,469)	(4,766)	(2,383)
Operating profit	16	8	20	10
Interest receivable	9	4	6	3
Profit on ordinary activities before tax	25	12	26	13
Tax on profit on ordinary activities	(8)	(4)	(9)	(4)
Net profit	17	8	17	9

**3 Interest payable and similar charges**

	2014 £'000	2013 £'000
<b>Interest payable</b>		
On bank loans and overdrafts	427	457
<b>Interest receivable</b>		
Bank	24	22

**NOTES TO THE FINANCIAL STATEMENTS**

**4 Directors and employees**

Staff costs during the year were as follows:

	<b>2014</b>	restated 2013
	<b>£'000</b>	£'000
Wages and salaries (leadership team)	<b>537</b>	527
Wages and salaries (other staff)	<b>4,641</b>	4,787
Social security costs (leadership team)	<b>63</b>	62
Social security costs (other staff)	<b>469</b>	457
Other pension costs (leadership team)	<b>39</b>	33
Other pension costs (other staff)	<b>226</b>	187
Termination costs	<b>208</b>	94
Pension Deficit Payment	<b>703</b>	395
	<b><u>6,886</u></b>	<u>6,542</u>

Pension costs in 2013 included an allocation of pension deficit costs. These costs are no longer allocated to staff so the numbers are restated showing pension deficit separately for consistency.

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

	<b>2014</b>	2013
	<b>Number</b>	Number
Leadership team	<b>4</b>	4
Other staff	<b>123</b>	130
	<b><u>127</u></b>	<u>134</u>

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

The amounts set out above include remuneration (excluding pension contributions) in respect of the highest paid officer, the Chief Executive, who is a board director as follows:

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Salary	<b><u>165</u></b>	<u>161</u>

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 £20k (2013:£20k). 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

Factors affecting current tax credit

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom of 23% (2013:24%). The differences are explained below:

Profit on ordinary activities before tax	<u>347</u>	<u>869</u>	<u>525</u>	<u>1,117</u>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax of 23% (2013:24%)	80	200	126	268
Effect of:				
Expenses not deductible for tax purposes	100	2	96	6
Capital allowances for the period in excess of depreciation	(25)	(22)	19	32
Group relief of current year losses	-	-	-	(4)
Increase/(utilisation) of trading losses	25	-	26	(35)
Profit on mutual trading activities	(180)	(180)	(267)	(267)
Current tax charge for period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NATIONAL HOUSING FEDERATION LIMITED

For the year ended 31 March 2014

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	Improve- ments to leasehold premises £'000	Total £'000
Cost:							
At 1 April 2013	-	15,219	1,661	1,256	902	58	19,096
Transfer	10,080	(9,079)	(1,001)	-	-	-	-
Revaluation	2,240	-	-	-	-	-	2,240
Additions	-	648	-	386	60	4	1,098
Disposals	-	(480)	(36)	(78)	(408)	-	(1,002)
At 31 March 2014	<b>12,320</b>	<b>6,308</b>	<b>624</b>	<b>1,564</b>	<b>554</b>	<b>62</b>	<b>21,432</b>
Depreciation:							
At 1 April 2013	-	1,640	730	1,033	836	33	4,272
Transfer	1,443	(951)	(492)	-	-	-	-
Revaluation	(1,443)	-	-	-	-	-	(1,443)
Provided in the year	-	177	76	136	25	8	422
Disposals	-	(264)	(5)	(74)	(394)	-	(737)
At 31 March 2014	-	<b>602</b>	<b>309</b>	<b>1,095</b>	<b>467</b>	<b>41</b>	<b>2,514</b>
Net book amount at 31 March 2014	<b>12,320</b>	<b>5,706</b>	<b>315</b>	<b>469</b>	<b>87</b>	<b>21</b>	<b>18,918</b>
Net book amount at 31 March 2013	-	13,579	931	223	66	25	14,284

On 27<sup>th</sup> February 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.

The whole property was independently valued at 20th December 2013 at £20m by GL Hearn who are regulated by the Royal Institution of Chartered Surveyors. The basis of valuation was market value of the freehold interest in the property subject to any tenancies. 61.6% of the building is let and is therefore included at valuation of 61.6% of the whole valuation i.e. £12.32m. The directors have assessed that this remains an appropriate value for the property at 31st March 14.

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



## NOTES TO THE FINANCIAL STATEMENTS

## 6 Tangible fixed assets

## Company

	Computer equipment £'000	Office equipment and furniture £'000	Improvements to leasehold premises £'000	Total £'000
Cost				
At 1 April 2013	1,222	526	58	1,806
Additions	387	60	652	1,099
Disposals	(45)	(32)	-	(77)
At 31 March 2014	<u>1,564</u>	<u>554</u>	<u>710</u>	<u>2,828</u>
Depreciation				
At 1 April 2013	1,004	472	33	1,509
Provided in the year	135	16	12	163
Disposals	(44)	(22)	-	(66)
At 31 March 2014	<u>1,095</u>	<u>466</u>	<u>45</u>	<u>1,606</u>
Net book amount at 31 March 2014	<u>469</u>	<u>88</u>	<u>665</u>	<u>1,222</u>
Net book amount at 31 March 2013	<u>218</u>	<u>54</u>	<u>25</u>	<u>297</u>

## 7 Investments

The Federation owns one £1 ordinary share in The Housing Finance Corporation Limited (an Industrial and Provident Society), 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 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 Federation is a member in the Co-operative and Mutual Business Services Limited with an investment of one share of £1. The company was set up to carry out the registration of Co-operatives and Mutuals within the Financial Services Authority but has not traded.

**NOTES TO THE FINANCIAL STATEMENTS**

**7 Investments**

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 company made a loss before tax of £150k for the year ended 31 March 2014. 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.

The Federation has a £25 share in My Home Finance Limited a company limited by guarantee. The company provides finance to members of the public who are unable to obtain credit from mainstream banks.

Investments summary:

National Housing Federation Investments Limited	Investment company	100%
NHF Property & Services Ltd	Property Owning and Conference Facility/Meeting Room providers	100%
HouseMark Limited	Provider of benchmarking services to Housing Sector	49%
Third Sector Consortia Management LLP	Company delivering and managing public and community services.	10%
My Home Finance Limited	Provider of finance to those unable to obtain credit from mainstream banks.	10%

	<b>2014</b>	2013
	<b>£'000</b>	£'000
NHF Property & Services Ltd	-	-
Third Sector Consortia Management LLP	<b>10</b>	10
Other	-	-
<b>Group</b>	<b>10</b>	10
National Housing Federation Investments Limited	<b>531</b>	531
<b>Company</b>	<b>541</b>	541

**NOTES TO THE FINANCIAL STATEMENTS**

**8 Goodwill**

A fair value review of the gross assets and liabilities of HouseMark Limited was carried out with the result that none of the carrying values of the assets or liabilities were altered for the goodwill calculation. No 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. Management has considered HouseMark's performance against its business plan since the acquisition date and is content that no impairment has occurred.

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.

	<b>£'000</b>
Cost	
At 1 April 2013 and at 31 March 2014	<u><b>639</b></u>
Accumulated amortisation:	
At 1 April 2013	343
Charge for the period	<u>32</u>
At 31 March 2014	<u><b>375</b></u>
Net book amount at 31 March 2014	<u><u><b>264</b></u></u>
Net book amount at 31 March 2013	<u><u>296</u></u>

**9 Stocks**

	<b>Group 2014 £'000</b>	<b>Company 2014 £'000</b>	<b>Group 2013 £'000</b>	<b>Company 2013 £'000</b>
Stock for resale	<u><u>44</u></u>	<u><u>44</u></u>	<u><u>61</u></u>	<u><u>61</u></u>



## NOTES TO THE FINANCIAL STATEMENTS

## 10 Debtors

## Amounts due in less than one year:

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Trade debtors	546	473	436	344
Other debtors	277	277	54	54
Prepayments and accrued income	716	716	455	455
Amounts due from group undertakings	-	6,605	-	6,091
	<u>1,539</u>	<u>8,071</u>	<u>945</u>	<u>6,944</u>

## Amounts due after more than one year:

Amounts due from group undertakings	-	3,500	-	3,500
-------------------------------------	---	-------	---	-------

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 2013 the amount outstanding on the loan was £3.5m (2013: £3.5m), to be repaid 20 years from date of issue.

The company has agreed not to recall the intercompany balance of £6,605k 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 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Bank loan (note 13)	605	-	578	-
Trade creditors	264	264	346	346
Other tax and social security	111	111	208	208
Other creditors	89	89	123	123
Accruals and deferred income	5,971	5,934	5,796	5,759
	<u>7,040</u>	<u>6,398</u>	<u>7,051</u>	<u>6,436</u>

## NOTES TO THE FINANCIAL STATEMENTS

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

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Other creditors	198	198	-	-
Bank loan (note 13)	6,971	-	-	-
	<u>7,169</u>	<u>198</u>	<u>8,154</u>	<u>-</u>

Other creditors comprises a three month rent deposit held in respect of the lease of floors 1-3 Lion Court and is repayable in more than five years.

## 13 Creditors: Capital instruments

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

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Amounts repayable:				
In one year or less or on demand	605	-	578	-
In more than one year, but not more than two years	633	-	605	-
In more than two years, but not more than five years	2,095	-	1,994	-
In more than five years	4,243	-	4,977	-
	<u>7,576</u>	<u>-</u>	<u>8,154</u>	<u>-</u>

## 14 Deferred taxation

## Group and Company

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Unprovided deferred taxation asset:				
Fixed asset timing differences	101	(67)	91	(99)
Losses and other deductions	(462)	(110)	(507)	(126)
	<u>(361)</u>	<u>(177)</u>	<u>(416)</u>	<u>(225)</u>

There was no provision for deferred taxation as at 31 March 2014 (2013: £nil).

NATIONAL HOUSING FEDERATION LIMITED

For the year ended 31 March 2014

NOTES TO THE FINANCIAL STATEMENTS

15 Reserves

Group

	Revaluation Reserve £'000	General Reserve £'000	Total Reserves £'000
At 1 April 2013	-	6,428	6,428
Profit for the year	-	347	347
Revaluation	3,683	-	3,683
At 31 March 2014	<u>3,683</u>	<u>6,775</u>	<u>10,458</u>

Company

	General reserve £'000
At 1 April 2013	9,212
Profit for the year	869
At 31 March 2014	<u>10,081</u>

16 Reconciliation of movements in shareholders' funds

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Profit attributable to members	347	869	525	1,117
Other recognised gains or losses for the year	3,683	-	-	-
Net additions to shareholders' funds	<u>4,030</u>	<u>869</u>	525	1,117
Opening shareholders' funds	<u>6,428</u>	<u>9,212</u>	5,903	8,095
Closing shareholders' funds	<u>10,458</u>	<u>10,081</u>	<u>6,428</u>	<u>9,212</u>

17 Net cash inflow from operating activities

	2014 £'000	2013 £'000
Operating surplus	745	954
Depreciation	422	605
Loss on disposal of tangible fixed assets	261	132
Amortisation charges	32	32
Share of profit in joint venture	(4)	(2)
Decrease /(Increase) in stock	17	(6)
(Increase) /Decrease in debtors	(594)	719
Increase in creditors	161	832
Net cash inflow from operating activities	<u>1,040</u>	<u>3,266</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**18 Analysis of changes in net debt**

	At 1 April 2013 £'000	Cash flow £'000	At 31 March 2014 £'000
Cash in hand	4,412	(1,037)	3,375
Liquid resources	(8,154)	578	(7,576)
	<u>(3,742)</u>	<u>(459)</u>	<u>(4,201)</u>

**19 Capital commitments**

The company had capital commitments at 31 March 2014 of £300k (2013 – nil) in respect of a contract for the implementation of a replacement CRM system

	2014 £'000	2013 £'000
Contracts tendered for and awarded	<u>300</u>	<u>-</u>

**20 Contingent assets / liabilities**

There were no contingent assets or liabilities at 31 March 2014 or 31 March 2013.

**21 Retirement benefit schemes**

National Housing Federation Limited provides pensions for its employees through participation in the Social Housing Pension Scheme (SHPS). The Scheme had defined benefit and defined contribution elements. The defined benefit element is funded and is contracted out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 three benefit structures have been available, namely:

- Final salary with a 1/60<sup>th</sup> accrual rate.
- Final salary with a 1/70<sup>th</sup> accrual rate.
- Career average revalued earnings (CARE) with a 1/60<sup>th</sup> accrual rate.



## NOTES TO THE FINANCIAL STATEMENTS

### 21 Retirement benefit schemes

From April 2010 a further two benefit structures available, namely:

Final salary with a 1/80<sup>th</sup> accrual rate.

Career average revalued earnings (CARE) with a 1/80<sup>th</sup> accrual rate

A defined contribution option was made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open defined benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

National Housing Federation Limited has operated the final salary with a 1/60<sup>th</sup> accrual rate and a career average revalued earnings with a 1/60<sup>th</sup> accrual rate benefit structure for active members as at 31 March 2007 and the career average revalued earnings with a 1/60<sup>th</sup> accrual rate benefit structure for new entrants from 1 April 2007. From 1st May 2014 the National Housing Federation closed both defined benefit schemes operating just the defined contribution scheme.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period National Housing Federation Limited paid contributions at rates from 3% to 8.6%. Member contributions varied between 3% and 13.3% depending on scheme.

As at the balance sheet date there were 86 (2013-87) active members of the Scheme employed by National Housing Federation Limited. The annual pensionable payroll in respect of these members was £3.87m (2013-£4.00m). National Housing Federation Limited ceased to offer membership of the Scheme to its employees from 1<sup>st</sup> May 2014.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers.

## NOTES TO THE FINANCIAL STATEMENTS

### 21 Retirement benefit schemes

The scheme is a multi-employer scheme where the assets are co-mingled for investment purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2.062m. The valuation revealed a shortfall of assets compared with the value of liabilities of £1.035m, equivalent to a past service funding level of 67.0%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2.72m. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1.15m, equivalent to a past service funding level of 70%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% pa
<b>Valuation Discount Rates</b>	
Pre-retirement	7.0
Non Pensioner Post retirement	4.2
Pensioner Post retirement	4.2
Pensionable earnings growth	2.5 for 3 years, then 4.4
Price inflation	2.9
<b>Pension Increases</b>	
Pre 88 GMP	0.0
Post 88 GMP	2.0
Excess over GMP	2.4

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate

The valuation was carried out using the following demographic assumptions:

Mortality pre-retirement – 41% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI\_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

Mortality post retirement – 97% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI\_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.



**NOTES TO THE FINANCIAL STATEMENTS**

**21 Retirement benefit schemes**

The long-term joint contribution rates that will apply from April 2013 required from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60 <sup>th</sup> accrual rate	19.4
Final salary with a 1/70 <sup>th</sup> accrual rate	16.9
Career average revalued earnings (CARE) with a 1/60 <sup>th</sup> accrual rate	18.1
Final salary with a 1/80 <sup>th</sup> accrual rate	14.8
Career average revalued earnings (CARE) 1/80 <sup>th</sup> accrual rate	14.0
Career average revalued earnings (CARE) 1/120 <sup>th</sup> accrual rate	9.7

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 October 2020 to 30 September 2023	A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(\*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

## 21 Retirement benefit schemes

The next formal valuation of the Scheme will begin later this year and will give an update on the financial position as at 30 September 2014. The results of the valuation will be available in Spring 2015.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan).

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers.

**NOTES TO THE FINANCIAL STATEMENTS**

**21 Retirement benefit schemes**

The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The total pension cost for the Federation for the year including pension deficit contributions was £968k (2013: £615k).

**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 2014 the amount outstanding was £7.58m (2013: £8.15m).

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<sup>th</sup> 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<sup>th</sup> June 2014. 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 a temporary overdraft facility with its bankers Lloyds TSB Bank Plc amounting to £1m, which expired at the end of June 2014. The overdraft was not used during the year and was £nil at 31<sup>st</sup> March 2014 (2013: £nil).

At 31 March 2014 there were commitments to make the following payments during the next year in respect of operating leases on premises:

	<b>Group and Company 2014 £'000</b>	<b>Group and Company 2013 £'000</b>
<b>Land and buildings</b>		
Leases which expire over five years	<b>45</b>	45
<b>Other</b>		
Leases which expire within one year	<b>37</b>	-
Leases which expire within two to five years	<b>10</b>	46
Leases which expire over five years	<b>5</b>	-



**NOTES TO THE FINANCIAL STATEMENTS**

**23 Transactions with directors and other related parties**

During the year National Housing Federation Limited paid £nil (2013: £nil) to HouseMark for services and received licence income from HouseMark amounting to £322k (2013: £322k).

National Housing Federation Limited paid rent of £1.093m (2013: £1.037m) to NHF Property & Services Limited. It also paid £49k (2013: £74k) for catering services. NHF Property & Services Limited paid fees in respect of rents, rates and service charges to National Housing Federation Limited for the 1st and 2<sup>nd</sup> floors of Lion Court amounting to £1.04m (2013: £1.18m).

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 2014 were £8.78m (2013: £8.58m).

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.
- (b) HouseMark Limited's accounting reference date is 31 December. The most recent audited accounts available are for the period ending 31 December 2013. These have been used in compiling the Federation's group financial statements. They contained the following information:

	2013 £	2012 £
<b>Profit and loss account</b>		
Turnover	4,953,154	4,786,257
Profit after tax	17,428	17,493
<b>Balance sheet</b>		
Fixed assets	131,098	193,998
Current Assets	2,123,108	2,222,911
Creditors: amounts falling due within one year	(1,220,883)	(1,401,014)
Provisions for liabilities	-	-
<b>Net liabilities</b>	<u>1,033,323</u>	<u>1,015,895</u>
Called-up share capital	100	100
Profit and loss account	<u>1,033,223</u>	<u>1,015,795</u>
	<u>1,033,323</u>	<u>1,015,895</u>

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