

NATIONAL HOUSING  
FEDERATION (A COMPANY  
LIMITED BY GUARANTEE)

FINANCIAL STATEMENTS

For the Year ended  
31 MARCH 2009

Company no 302132

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)  
FINANCIAL STATEMENTS

For the year ended 31 MARCH 2009

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Company registration number: 302132

Bankers: The Federation's main bank accounts are held at:

Lloyds TSB  
King's Cross Branch  
344 Gray's Inn Road  
London  
WC1H 8B19

Banking services are also provided by:

Bank of Scotland  
Telford House  
3 Mid New Cultins  
Edinburgh  
EH11 4DH

Solicitors: Izod Evans  
11 Southwark Street  
London  
SE1 1RQ

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

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The directors present their report together with the audited financial statements for the year ended 31 March 2009.

#### **Principal activities**

The National Housing Federation is the representative body for independent non profit social landlords in England whose principal role is to provide and manage affordable homes. The Federation supports and promotes the work of housing associations and campaigns for better housing and neighbourhoods.

In pursuit of this our principal aims are:

- To create the conditions for our members to flourish;
- To ensure that housing associations have a strong and positive reputation;
- To lead the housing and neighbourhoods policy agenda nationally and locally;
- To provide excellent highly valued organisational and business support;
- To ensure that the Federation is an exemplary organisation.

We strive to achieve excellence and value for money in all areas of our work and for our members.

#### **Financial results**

This year has seen a profit after tax of £507,066 (2008: £317,251) compared to a budgeted surplus of £100,000. Income was lower than budget by £230k mainly as a result of the downturn in the economy. Costs were lower than budget by £610k with savings on commissioned work, reduction in interest paid due to the falling bank rate, savings on general expenses and reduced depreciation incurred as a result of the downward revaluation of Lion Court last year. The remainder of the variance related to unbudgeted tax and our share of Housemark.

#### **Operations**

During the year the Federation's board conducted a review of internal governance as part of the continuing process of ensuring the Federation is able to deliver its mission and strategic objectives. An independent report was commissioned which informed the consultation carried out with members. As a result, a new governance structure will be introduced in 2009/10.

The review of governance in turn led to a review of member engagement and accountability. These reviews helped us to improve the quality of customer service to members and will lead to further changes in 2009/10.

The operating environment for housing associations and for the Federation became increasingly difficult as the year progressed. The credit crunch and recession led directly to a rise in the cost of capital finance for housing associations and a reduction in its availability. This problem was exacerbated by the significant reduction in sales of both shared ownership and market homes as mortgage finance became increasingly difficult to access. This meant that the development model used by housing associations for the past ten years, which depended on cross subsidy from the proceeds of sales, became unworkable.

In the light of these market difficulties the Federation worked extensively with the Bank of England, ministers and officials in a range of government departments and the new agencies, the Homes and Communities Agency (HCA) and the Tenant Services Authority (TSA) to limit the adverse impact and to ensure that development activity could continue. This activity was successful in ensuring that new flexibility was introduced to the development process and in focussing more on rented homes.

Our work to limit the impact of the recession included exploration of how the damaging consequences of repossession might be reduced. We devised a mortgage rescue scheme which was approved by government with £200m earmarked by the government to assist members to buy properties, or equity shares, from struggling home owners, thereby allowing them to stay in their own homes and avoid the crisis of homelessness.

The two new agencies introduced as a result of the 2008 Housing and Regeneration Act (TSA and HCA) came into being during the year. The Federation worked to establish a strong and constructive relationship with both. The TSA is the new regulator, not just for housing associations but for all providers of social housing. The change to a 'domain based' regulation system provides an opportunity to review the role and function of regulation in our sector and to create a new regulatory settlement. This work started in the year and will continue in the following year.

The HCA is the new mechanism through which government investment in new affordable rented homes and low cost home ownership will be delivered. The agency demonstrated an ability to be flexible in response to market conditions and the Federation worked closely with it in helping members to understand not just the new market environment but the new institutional environment.

Our focus on project working continued. We once more produced our annual assessment of the housing market. This publication, entitled 'Home Truths', is produced as a national report with detailed analysis for each of the nine English regions. Our analysis contains information not only about the 'for sale' market but also detailed information on the continuing need to increase availability of homes for affordable renting. The reports highlight the critical contribution housing associations make to creating successful, sustainable neighbourhoods. The analysis of the market in Home Truths continues to be commissioned from Oxford Economics.

Our project to improve access for housing association residents to high quality financial services continued during the year. We commissioned a report into how we might create a national network of high street shops offering products tailored to, but not limited to, the needs of housing association residents. Our tenants contents insurance scheme continued to grow and we were commissioned by the Department for Work and Pensions to report on ways in which the reach of contents insurance for social housing tenants could be extended. We continued our highly successful campaign to eliminate premiums charged by the major energy companies to supply energy through pre-payment meters to the point that such premiums are charged now by only three companies for gas and none for electricity.

This work is just one component of the huge amount of support work carried out by housing associations in their neighbourhoods and communities. The Federation conducted an audit of this work which reported during the year, describing nearly 7,000 different neighbourhood based projects across the country covering a wide range of activities. This audit has helped us to describe the detail and impact of the work carried out by housing associations much more accurately and has assisted us in our lobbying and representation work.

During the year, the government announced it was conducting a large scale national consultation into the provision of adult social care. The Federation was invited to the launch of the consultation and has been a major partner of the Department of Health in creating mechanisms for housing associations to contribute to the debate. It was particularly welcome that housing was recognised as being one of the three key influences in the quality of adult social care.

Environmental sustainability remained a core concern. Our focus was on the challenge of retrofitting our existing housing stock to ensure that the level of greenhouse gas emission is significantly cut and, of equal importance, to tackle the growth in fuel poverty caused by rising energy costs. Our work with CECODHAS, the European Liaison Committee for Social Housing, was instrumental in the EU reaching a decision to release up to 8bn euros of EU Structural Funds to invest in retrofitting for energy improvement in existing homes, of which £100m is available for England.

In our wider lobbying work, we were able to secure significant changes to the Housing and Regeneration Act 2008, the Planning Act 2008 and other government consultations. We influenced the content of the Taylor Report on rural housing and planning and launched an updated charter with the Campaign to Protect Rural England. We substantially increased the public profile of the Federation's work and the work of our members.

The Federation continued to support its members through a wide range of business and commercial services. Our Annual Conference was particularly highly valued by delegates in a conference programme which was acknowledged by members to be of real value. Our publications services were again highly effective and the Federation's Get on Board project continues to identify new Board members for a wide range of housing associations across the country. This supports the Federation's drive to assist in the development of high quality corporate governance in our sector. This work was supported by the publication of a revised and updated version of our Code of Governance and the publication of our new Code of Excellence in Customer Service and Accountability.

Our work with HouseMark, the company jointly owned as a joint venture partnership with the Chartered Institute of Housing has continued to grow and expand during the year. We continued to work with HouseMark in developing Procurement for Housing as a major part of our support for efficiency measures through procurement throughout our sector. The Federation's offices at Lion Court continued to be fully utilised. The separately managed Lion Court Conference Centre retained its position as one of the best used and most highly valued conference centres in central London, although like all other conference venues it was affected by the economic downturn.

#### **Risks and uncertainties**

The operating environment for housing associations generally became much more difficult in the course of 2008/09. Although government support for the work of housing associations has grown, the liquidity crisis and credit crunch emanating from the sub prime crisis in the US has created a particularly difficult housing market for new development. This means that many members have been forced to re-evaluate their development activity and in some cases have had to scale back. The Federation has sought to support this work by engaging in discussions with government and its agencies on how development might best be managed in this difficult operating context. We have particularly sought to look for the opportunities in the market as well as the threats.

The two new agencies established by the Housing and Regeneration Act 2008 both came into being in December. The Homes and Communities Agency is the new investment agency and the Tenant Services Authority is the new regulator. Both will be critical for housing associations and for their future success. The Federation is already working with both of the new agencies to assist in ensuring a smooth transition and ensuring the agencies understand the potential and capacity that housing associations have to contribute to the creation of successful and sustainable neighbourhoods.

The Federation has looked closely at the Assets Resources and Capacity of Housing Associations to ensure that this capacity can be used efficiently but also sustainably. The difficult economic environment

has had an adverse impact on the underlying capacity. Loss of sales income, impairment due to falling land values and problems associated with very low interest rates have all meant that the cash reserves of associations have reduced. This has been exacerbated by major lenders to the sector seeking to reprice existing loan books, which adds a further unexpected cost.

One of the major growth areas in the work of housing associations has been the level of investment in neighbourhood support services. The Federation has conducted an audit of this neighbourhood work to assist in quantifying the work, identifying its value and ensuring that government and its agencies fully understand the breadth and depth of this work. The Neighbourhood Audit reported during the year and demonstrated the breadth and depth of this work.

This difficult operating environment for housing associations and the more general difficulties in the economy pose risks for the federation. We anticipate that there will be a downturn in demand for some of our commercial products and have budgeted accordingly. The environment may also mean that members will look closely at the value for money of their affiliation fees. We remain confident that excellent lobbying, high quality commercial and business services and a keen focus on customer care are the best way to protect the reputation and medium term financial security of the organisation.

#### Future developments

We continue to work towards the achievement of our 5 strategic objectives through concentration on core activities, our major projects and three high profile campaigns. In the forthcoming year we will:

- Implement our new governance structure and deliver enhanced member engagement and accountability to members;
- Promote the benefits of a strong and independent housing association movement, including negotiating a new regulatory settlement which is fit for purpose and understands the key role played by high quality corporate governance;
- Produce our annual examination of the housing market, Home Truths;
- Help our members to negotiate the economic downturn successfully and work with them and government to ensure the continuing delivery of greatly needed new homes;
- Continue to support our members' commitments to customers, neighbourhoods and excellence through iN business for neighbourhoods;
- Produce our national manifesto for housing and neighbourhoods, stating our vision of what housing associations can achieve and by so doing influence the policy debate in the run up to a general election;
- Campaign for the new homes necessary to ensure our rural communities remain dynamic, vibrant places where young families can afford to live and work;
- Work with partners to ensure the housing and care needs of older and vulnerable people are fully understood and then influence the development of appropriate policies and services;
- Continue our social justice campaign finally to eradicate the remaining premium tariffs for the supply of gas through pre-payment meters;
- Further develop our work on providing high quality financial services at affordable prices for those people presently unable to access such products.

In doing all of this we will continue to invest in our regional network to ensure our lobbying is informed by a full understanding of regional and local issues and to ensure that we can support members to engage in relevant regional and local structures not least because of the emphasis of place for many future

funding streams. We will also invest in the further development of the talent in our most important resource – our staff team.

**Reserves**

The profit after tax of £ 458,145 (2008: £317,251) has been transferred to reserves as set out in note 15.

**Fixed Assets**

Movements on fixed assets are disclosed in note 6. The directors have adopted a policy of maintaining freehold property on an existing use basis revaluing freehold property assets every five years, with an interim valuation in year three. A valuation was carried out by Strutt & Parker at 31 March 2008 which valued Lion Court at £16,760,000, resulting in a loss on revaluation of £4,590,000.

Due to the turmoil in the property market currently being experienced resulting in a drop in property values the Board under advice from Strutt & Parker have determined that there has been a reduction in the value of Lion Court of £6,860,000. The effect of this is to reduce the value of Lion Court in these financial statements to £9,900,000.

**Directors**

The following were Directors of the company at 31 March 2009 and 1 April 2008:

<b>Name</b>	<b>Organisation</b>
Ann Santry	Sovereign Housing Group Ltd
Carol Matthews (Resigned 16 October 2008)	Guinness Northern Counties Ltd
Deborah Shackleton (Vice-Chair)	The Riverside Group Ltd
Janet Davies	Women's Pioneer Housing
John Cross (Chair)	Bedfordshire Pilgrims HA
June Barnes (Appointed 16 October 2008)	East Thames Group
Keith Exford	The Affinity Sutton Group
Lindsey Williams	Futures Housing Group
Matthew Gardiner	Trafford Housing Trust
Maurice Condie	Byker Bridge Housing Association
Michael Kent (Appointed 16 October 2008)	Bromford Housing Group
Nick Abbey (Resigned 16 October 2008)	Sanctuary Housing Association
Paul Tennant	The Orbit Group
Shena Latto	South Shropshire Housing Limited

The Federation is grateful for the service which all of the members have given to the sector through their role as Directors.

As a trade association, the members of the Board are drawn from housing associations, which are themselves members of, and trade under normal terms with, the Federation.



#### **Board and National Council Members' and Officers' Liability Insurance**

During the year the Federation maintained insurance cover to provide indemnity to the members of National Council 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 National Council or officers of the company.

#### **Corporate Governance**

##### **About the National Housing Federation**

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

##### **The Board**

The Board comprises twelve members, all elected from the National Council. The fiduciary duties are the same as any other director under company law. National Council members are elected by the membership of the Federation. The Board deals with the policy, strategy and business effectiveness of the organisation.

##### **The Board's Commitment to Accountability**

The Board is committed to integrity and accountability in the management of the Federation's affairs. In the spirit of good governance, a statement of responsibilities has been drawn up, as well as 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.

##### **Composition of National Council**

The Council comprises fifty-seven representatives of member organisations, in the following categories:

- twelve housing association Board Members
- ten sizeband representatives (two from each of the five categories: small, medium, medium-large, large and very large)

The following sizeband definitions are used:

Very Large Housing Association = over 10,000 units

Large Housing Association = 5,000 - 9,999 units

Medium Large Housing Association = 2,500 - 4,999 units

Medium Housing Association = 500 - 2,499 units

Small Housing Association = under 500 units

- twelve specialist representatives (two each from black and minority ethnic housing associations, supported housing/housing for older people and low cost home ownership, one from housing co-ops and five from stock transfer organisations)
- twenty three regional members (one each in the East Midlands, and Yorkshire & Humberside, two each in the East, the North East and the South West, three in the South East and West Midlands, four in the North West and five in London).

#### National Council Members' Terms of Office

The term of office is three years - from Annual General Meeting to Annual General Meeting. There is a maximum continuous service rule of six years. Once a Council member has served for that time as an elected member, he or she cannot stand again until a further year has passed.

The only exceptions to this rule are for the posts of Chair and Deputy Chair. Because the Board is elected from the Council, similar terms apply to Board membership.

#### National Council Meetings

Council meets a minimum of three times each year, as does the Board (separately). Additional meetings are convened if necessary. Three nationally elected members and three Regional Members must be present for a Council meeting to be quorate.

#### Responsibilities of the Board and National Council

Council's key function is to ensure there is strategic debate about major issues affecting the sector. The Board is responsible for developing corporate strategy and the budget within that overall framework. The Board itself conducts an annual strategic review of objectives as well as performance reviews during the course of the year.

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

Under that law the directors have to prepare financial statements in accordance with United Kingdom Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the 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 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 proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

At its July 2009 meeting, following an informal consultation with the membership, National Council agreed to disband itself. This will be agreed at the 2009 AGM, along with other proposals for improved governance arrangements

#### Responsibilities of the Board and the National Council

In so far as each director is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken 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.

#### Committees of the Board

The Board delegates some areas of its work to:

- the Executive Committee
- the Audit Committee

#### The Executive Committee

This comprises the Chair and Deputy Chair and three board members – determined by the board from time to time. It conducts Federation liaison with the TSA and HCA, 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 Committee

The Audit Committee advises the Board on the standard of internal control and systems. It also reviews and co-ordinates the internal audit programme and is the primary point of contact for the external auditors.

#### Regional Structure

Regional Members of National Council often serve on their own Regional Committee, and will report back on Council meetings. Regional National Council members form the bridge between the Federation regionally and centrally.

#### Federation Staff

The Federation employs approximately 133 staff; 26 are based in our regional offices, with the remainder at Lion Court. All staff are responsible to and governed by the Board through the Chief Executive.

#### Internal Audit

The Federation has an internal audit function, currently provided by Deloitte & Touche LLP who were appointed in November 2003. The contract for internal audit services was initially tendered for three years and is reviewed annually by the Audit Committee

Internal (and external) auditors have direct access to the Audit Committee.

#### A System of Financial Planning and Reporting

The Federation works to a three year business plan which is reviewed and updated each year and agreed by the Board. A rolling five year financial plan underpins and supports the three year business plan. Annual budgets are also prepared and approved by the Board. Financial performance against the budget is reviewed monthly by the Chief Executive and the Senior Management Team. Financial and operational performance is reviewed by the Board at each of its meetings, using dedicated financial reports.

The Federation has prepared a number of scenarios for the next two years focusing on the two income streams, affiliation fees and commercial income. Risk of members disaffiliating and decreases in conference and training income have been built in and areas of cost savings identified if worst case scenarios materialise. These scenarios will be regularly updated to allow the Senior Management Team and the Board to take the necessary corrective action where necessary.

#### Risk Management Procedures

The Chief Executive and Senior Management Team assess the risk of any decisions they make at their monthly meetings updating the Risk Register where necessary. All papers produced for committees and the Board consider the risks involved and actions taken to reduce such risks. A regular review of controls and systems are carried out with the aim of updating the Risk Register. A Business Continuity Plan has recently been updated with regular testing to be implemented during 2009/10. The Risk Register and papers are reviewed by the Audit Committee and Board in setting business strategy for the succeeding year and incorporated into the Business Plan and corporate strategy documents.

#### 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 notice under section 488(1) of the Companies Act 2006

BY ORDER OF THE BOARD



S Bull  
Secretary

9th July 2009

**REPORT OF THE AUDITOR TO THE MEMBERS OF  
NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)**

We have audited the group and parent company financial statements (the "financial statements") of National Housing Federation for the year ended 31 March 2009 which comprise the principal accounting policies, the group and company profit and loss accounts, the group and company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses, the group note on historical gains and losses and notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether they are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

REPORT OF THE AUDITORS TO THE MEMBERS OF  
NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2009 and of the group and parent company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*Grant Thornton UK LLP*

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

LONDON

*13 July* 2009

#### **Status**

The National Housing Federation is a company limited by guarantee. The liability of members, of whom there are 1,198 (2008: 1,224) 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, except for the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

The principal accounting policies are set out below and apart from the change in method of the valuation of the property, Lion Court, remain unchanged from the previous period.

#### **Basis of Consolidation**

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 March 2009. 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. The group also owns shares in The Housing Finance Corporation.

#### **Income**

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT.

All income is accounted for on a receivable basis. Rental income is shown net of all outgoings.

#### **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 property	46 years
Office equipment and furniture	7 years
Plant and machinery	17 years
Computer equipment	4 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.

Freehold property assets are revalued by a professional valuer every five years, with an interim valuation in year three and additional valuations in interim years where it is likely that there has been a material change in value. The latest valuation was at 31 March 2009 when Lion Court was valued at £9,900,000 on an existing use basis.

Where there is permanent impairment in the value of a property, a charge is made to the profit and loss account unless it represents a reversal of prior upward valuations in which case the charge is made to the revaluation reserve to the extent of reversing the current balance on the revaluation reserve. Where an impairment is considered by the directors to be temporary the full adjustment is made to the revaluation reserve.

#### **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.

#### **Regional Councils**

The activities of these are included in the income and expenditure account and balance sheet under the relevant account headings.

#### **Pensions**

The company contributes to a multi-employer defined benefit scheme, but 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.

#### **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.

#### **Reserves**

The General Reserve is a long-term safeguard against unexpected shortfalls in the commercial areas.

The Committee Reserve is a reserve set up on the closure of regional bank accounts representing amounts owing to Practitioner groups.

Reserves are designated by the Board when special projects are identified and reserves are specifically allocated.

#### **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



**Taxation (continued)**

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 (A COMPANY LIMITED BY GUARANTEE)  
CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 MARCH 2009

	Note	2009 £'000	2008 £'000
Turnover			
Continuing operations: group and share of joint venture's turnover		15,735	15,371
Less: share of joint venture's turnover	2	<u>(2,220)</u>	<u>(2,071)</u>
Group turnover	1	<u>13,515</u>	<u>13,300</u>
Total turnover		13,515	13,300
Other operating income: rental income		<u>860</u>	<u>813</u>
		14,375	14,113
Administrative expenses	1	<u>(13,383)</u>	<u>(13,151)</u>
<b>Group operating profit before share of joint venture</b>		<b>992</b>	<b>962</b>
Share of operating profit in joint venture	2	<u>84</u>	<u>74</u>
<b>Group operating profit</b>		<b>1,076</b>	<b>1,036</b>
Interest payable	3	<u>(698)</u>	<u>(788)</u>
Interest receivable and similar income	3	<u>102</u>	<u>73</u>
<b>Profit on ordinary activities before taxation</b>		<b>480</b>	<b>321</b>
Tax on profit on ordinary activities	5	<u>49</u>	<u>14</u>
Share of tax on profit on ordinary activities in joint venture	2	<u>(22)</u>	<u>(17)</u>
<b>Profit on ordinary activities after taxation transferred to reserves</b>	15	<u><u>507</u></u>	<u><u>318</u></u>

All transactions arise from continuing operations.

The accompanying accounting policies and notes form an integral part of these financial statements.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)  
COMPANY PROFIT AND LOSS ACCOUNT

For the year ended 31 MARCH 2009

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	Note	2009 £'000	2008 £'000
Turnover			
Continuing operations	1	13,515	13,300
Other operating income:			
Rental income		<u>29</u>	<u>4</u>
Total turnover		<b>13,544</b>	13,304
Administrative expenses	1	<u>(12,991)</u>	<u>(12,819)</u>
<b>Operating profit</b>		<b><u>553</u></b>	<b><u>485</u></b>
Interest payable		-	(17)
Interest receivable and similar income		<u>90</u>	<u>66</u>
<b>Profit on ordinary activities before taxation</b>		<b>643</b>	534
Tax on profit on ordinary activities	5	<u>-</u>	<u>-</u>
<b>Profit on ordinary activities after taxation transferred to reserves</b>	15	<b><u>643</u></b>	<b><u>534</u></b>

All transactions arise from continuing operations.

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

The accompanying accounting policies and notes form an integral part of these financial statements.

	Note	Group 2009 £'000	Company 2009 £'000	Group 2008 £'000	Company 2008 £'000
<b>Fixed assets</b>					
Goodwill	8	423	-	455	-
Investments	7	-	531	-	531
Tangible fixed assets	6	12,458	614	18,992	487
		<u>12,881</u>	<u>1,145</u>	<u>19,447</u>	<u>1,018</u>
<b>Current assets</b>					
Stocks - publications	9	76	76	67	67
Debtors	10	1,035	4,136	1,289	3,809
Cash at bank and in hand		2,200	2,166	450	386
		<u>3,311</u>	<u>6,378</u>	<u>1,806</u>	<u>4,262</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(5,392)</u>	<u>(4,915)</u>	<u>(3,755)</u>	<u>(3,315)</u>
<b>Net current (liabilities)/assets</b>		<u>(2,081)</u>	<u>1,463</u>	<u>(1,949)</u>	<u>947</u>
<b>Debtors: amounts falling due after more than one year</b>	10	-	3,500	-	3,500
<b>Total assets less current liabilities</b>		<u>10,800</u>	<u>6,108</u>	<u>17,498</u>	<u>5,465</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(9,701)</u>	-	<u>(10,128)</u>	-
Share of gross assets in joint venture	25	839	-	773	-
Share of gross liabilities in joint venture	25	(582)	-	(591)	-
<b>Share of net assets in joint venture</b>		<u>257</u>	-	<u>182</u>	-
<b>Deferred taxation</b>	14	<u>(43)</u>	-	<u>(92)</u>	-
<b>Net assets</b>		<u>1,313</u>	<u>6,108</u>	<u>7,460</u>	<u>5,465</u>
<b>Capital and reserves</b>					
Profit and loss reserve	15	5,151	6,108	4,889	5,465
Revaluation Reserve	15	(3,838)	-	2,571	-
	16	<u>1,313</u>	<u>6,108</u>	<u>7,460</u>	<u>5,465</u>

The financial statements were approved by the Board of Directors on 25 June 2009 and signed on their behalf on 9<sup>th</sup> July 2009.

  
John Cross - Chair

  
Deborah Shackleton - Vice Chair

The accompanying accounting policies and notes form an integral part of these financial statements.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)  
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 MARCH 2009

	Note	2009 £'000	2008 £'000
<b>Net cash inflow from operating activities</b>	17	3,377	1,877
<b>Returns on investments and servicing of finance</b>			
Interest receivable		102	73
Interest payable		(698)	(788)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(596)</u>	<u>(715)</u>
<b>Taxation</b>			
Corporation tax paid		<u>-</u>	<u>-</u>
<b>Capital expenditure and financial investment</b>			
Payments to acquire fixed assets and investments		(651)	(273)
Proceeds from insurance claim		<u>-</u>	<u>2</u>
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(651)</u>	<u>(271)</u>
<b>Net cash inflow before use of liquid resources</b>		<b>2,130</b>	891
<b>Increase in cash</b>	18,19	<u><b>2,130</b></u>	<u>891</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

For the year ended 31 MARCH 2009

Consolidated statement of total recognised gains and losses

	Note	2009 £'000	2008 £'000
Profit for the financial year	15	507	318
Unrealised loss on revaluation of properties	15	(6,612)	(4,277)
Difference between a historical depreciation charge and the actual depreciation of the period calculated on the revalued amount	15	(42)	(107)
Total gains and losses recognised since last annual report		<u>(6,147)</u>	<u>(4,066)</u>

Consolidated note of historical cost profits and losses

		2009 £'000	2008 £'000
Reported profit on ordinary activities after taxation	15	507	318
Difference between a historical depreciation charge and the actual depreciation of the period calculated on the revalued amount		42	107
Historical cost profit on ordinary activities after taxation		<u>549</u>	<u>425</u>

For the year ended 31 MARCH 2009

1 Turnover and profit on ordinary activities before taxation

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

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Affiliation fees	7,806	7,077
Grants	156	346
Insurance commission	50	50
Conferences, training and publications	4,723	4,863
Other income	780	964
<b>Company</b>	<b>13,515</b>	13,300
Other income	-	-
<b>Group</b>	<b>13,515</b>	13,300

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>2009</b>	2008
	<b>£'000</b>	£'000
Staff costs (note 4)	6,159	5,610
Depreciation	258	481
Auditors' remuneration:		
- audit services	28	25
- non-audit services	7	12
Charges on operating leases on premises	129	122
Other operating charges	6,410	6,569
<b>Company</b>	<b>12,991</b>	12,819
Depreciation	309	400
Other operating charges	83	(68)
<b>Group</b>	<b>13,383</b>	13,151

For the year ended 31 MARCH 2009

2 Share of joint venture's results

Further information on the Federation's joint venture is disclosed at notes 7 and 25. Summary income and expenditure information for Housemark is:

	Year ended 31 December 2009 £'000	Group share (50%) 2009 £'000	Year ended 31 December 2008 £'000	Group share (50%) 2008 £'000
Housemark turnover	4,441	2,220	4,142	2,071
Housemark operating costs	(4,273)	(2,136)	(3,994)	(1,997)
Operating profit	168	84	148	74
Interest receivable	24	12	16	8
Profit on ordinary activities before tax	192	96	164	82
Tax on profit on ordinary activities	(43)	(22)	(34)	(17)
Net profit	149	74	130	65

3 Interest payable and similar charges

	2009 £'000	2008 £'000
<b>Interest payable</b>		
On bank loans and overdrafts	698	788
<b>Interest receivable</b>		
Bank	102	73

4 Directors and employees

Staff costs during the year were as follows:

	2009 £'000	2008 £'000
Wages and salaries (senior management team)	436	403
Wages and salaries (other staff)	4,636	4,147
Social security costs (senior management team)	48	45
Social security costs (other staff)	406	363
Other pension costs (senior management team)	63	59
Other pension costs (other staff)	533	495
Termination costs	37	98
	6,159	5,610



For the year ended 31 MARCH 2009

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**Directors and employees (continued)**

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

	<b>2009</b>	2008
	<b>Number</b>	Number
Senior management team	<b>4</b>	4
Other staff	<b>134</b>	128
	<b><u>138</u></b>	<u>132</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 as follows:

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Salary	<b><u>155</u></b>	<u>143</u>

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

No remuneration was paid to any member of the National Council or the Board (2008: nil).

For the year ended 31 MARCH 2009

5 Tax on profit on ordinary activities

(a) Analysis of the tax charge for the year

The tax charge is based on the profit for the year and represents:

	Group 2009 £'000	Company 2009 £'000	Group 2008 £'000	Company 2008 £'000
Current tax:				
United Kingdom corporation tax at 28 % (2008: 30%)	22	-	17	-
Adjustments in respect of prior years	-	-	-	-
	<u>22</u>	<u>-</u>	<u>17</u>	<u>-</u>
Deferred taxation:				
Timing difference, origination and reversal	(15)	-	(14)	-
Adjustment in respect of prior years	(34)	-	-	-
	<u>(27)</u>	<u>-</u>	<u>3</u>	<u>-</u>

(b) Factors affecting current tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom of 28 % (2008: 30%). The differences are explained below:

Profit on ordinary activities before tax	<u>480</u>	<u>643</u>	<u>321</u>	<u>534</u>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax of 28% (2008: 30%)	134	180	96	160
Effect of:				
Expenses not deductible for tax purposes	(224)	(219)	(321)	(312)
Non qualifying depreciation	49	-	65	-
Capital allowances for the period in excess of depreciation	(41)	(13)	(10)	49
Difference in tax rates	51	51	(9)	10
Group relief of current year losses	-	-	-	-
Increase/(utilisation) of trading losses	31	1	179	93
Current tax charge for period	<u>-</u>	<u>-</u>	<u>17</u>	<u>-</u>

For the year ended 31 MARCH 2009

6 Tangible fixed assets

Group

	Freehold property £'000	Plant and machinery £'000	Computer equipment £'000	Office equipment and furniture £'000	Improve- ments to leasehold premises £'000	Total £'000
Cost/value						
At 1 April 2008	16,775	1,656	2,206	810	60	21,507
Loss on revaluation	(6,191)	(669)	-	-	-	(6,860)
Additions	272	-	294	85	-	651
Disposals	-	-	(649)	(2)	(20)	(671)
At 31 March 2009	<b>10,856</b>	<b>987</b>	<b>1,851</b>	<b>893</b>	<b>40</b>	<b>14,627</b>
Depreciation						
At 1 April 2008	99	3	1,892	498	23	2,515
Provided in the year	201	97	213	95	3	609
Eliminated on revaluation	(152)	(96)	-	-	-	(248)
Disposals	-	-	(683)	(1)	(25)	(707)
At 31 March 2009	<b>148</b>	<b>4</b>	<b>1,422</b>	<b>592</b>	<b>3</b>	<b>2,169</b>
Net book amount at 31 March 2009	<b>10,708</b>	<b>983</b>	<b>429</b>	<b>301</b>	<b>37</b>	<b>12,458</b>
Net book amount at 31 March 2008	16,676	1,653	314	312	37	18,992

Included in freehold property is an amount of £ 4,810,600 (2008: £8,144,005) in respect of freehold land which is not subject to depreciation.

The Board under advice from Strutt & Parker have determined that there has been a reduction in the value of Lion Court reflected in the financial statements of £ 6,860,000 at 31 March 2009. This adjustment reduces the value of Lion Court in the financial statements to £9,900,000. The revaluation includes assets classified as freehold property plus plant and machinery deemed to form part of the core fabric of the building.

The company's freehold property Lion Court was previously independently revalued at 31 March 2008 to £16,760,000 by Strutt & Parker who are members of the Royal Institute of Chartered Surveyors. The basis of valuation used was existing use value.

If the property had not been revalued, it would have been included on the historical cost basis at a net book value of £13,738,361 (2008: £13,944,103).

For the year ended 31 MARCH 2009

**Tangible Fixed assets (continued)**  
**Company**

Company	Computer equipment £'000	Office equipment and furniture £'000	Improve- ments to leasehold Premises £'000	Total £'000
<b>Cost</b>				
At 1 April 2008	2,182	489	60	2,731
Additions	386	57	40	483
Disposals	(743)	(2)	(60)	(805)
At 31 March 2009	<u>1,825</u>	<u>544</u>	<u>40</u>	<u>2,409</u>
<b>Depreciation</b>				
At 1 April 2008	1,876	346	22	2,244
Provided in the year	209	46	3	258
Disposals	(684)	(1)	(22)	(707)
At 31 March 2009	<u>1,401</u>	<u>391</u>	<u>3</u>	<u>1,795</u>
Net book amount at 31 March 2009	<u>424</u>	<u>153</u>	<u>37</u>	<u>614</u>
Net book amount at 31 March 2008	<u>306</u>	<u>143</u>	<u>38</u>	<u>487</u>

**7 Investments**

The Federation owns one £1 ordinary share in The Housing Finance Corporation Limited, representing one-seventh of the nominal value of the issued share capital of the Industrial and Provident Society. This Industrial and Provident Society 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 £531,166 in the company's balance sheet.

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

The Federation became a member in the Co-operative and Mutual Business Services Limited with an investment of one share of £1. The company carries out the registration of Co-operatives and Mutuals within the Financial Services Authority.

The Federation sold its status survey business to Feedback Services Limited on 11 July 2008 in return for a £10 shareholding in the company

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%
Feedback Services Limited	Provider of status surveys to Housing Sector	10%

For the year ended 31 MARCH 2009

Investments (continued)

	2009	2008
	£'000	£'000
National Housing Federation Investments Limited	<u>531</u>	<u>531</u>

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. However, 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.

	£'000
Cost	
At 1 April 2008 and at 31 March 2009	<u>639</u>
Accumulated amortisation:	
At 1 April 2008	184
Charge for the period	32
At 31 March 2009	<u>216</u>
Net book amount at 31 March 2009	<u>423</u>
At 31 March 2008	<u>455</u>

9 Stocks

	Group 2009 £'000	Company 2009 £'000	Group 2008 £'000	Company 2008 £'000
Stock for resale	<u>76</u>	<u>76</u>	<u>67</u>	<u>67</u>

For the year ended 31 MARCH 2009

10 Debtors

**Amounts due in less than one year:**

	<b>Group 2009 £'000</b>	<b>Company 2009 £'000</b>	<b>Group 2008 £'000</b>	<b>Company 2008 £'000</b>
Trade debtors	440	315	662	530
Other debtors	52	52	60	56
Prepayments and accrued income	543	543	567	567
Amounts due from group undertakings	-	3,226	-	2,656
	<u>1,035</u>	<u>4,136</u>	<u>1,289</u>	<u>3,809</u>

**Amounts due after more than one year:**

Amounts due from group undertakings	-	<u>3,500</u>	-	<u>3,500</u>
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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 2009 the amount outstanding on the loan was £3,500,000 (2008: £3,500,000), to be repaid 20 years from date of issue.

The company has agreed not to recall the intercompany balance of £3,226k 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

	<b>Group 2009 £'000</b>	<b>Company 2009 £'000</b>	<b>Group 2008 £'000</b>	<b>Company 2008 £'000</b>
Bank loan (note 13)	425	-	378	-
Trade creditors	524	524	528	528
Corporation tax	-	-	-	-
Other tax and social security	239	239	211	215
Other creditors	83	83	139	139
Accruals and deferred income	4,121	4,069	2,499	2,433
	<u>5,392</u>	<u>4,915</u>	<u>3,755</u>	<u>3,315</u>

12 Creditors: amounts falling due after more than one year

	<b>Group 2009 £'000</b>	<b>Company 2009 £'000</b>	<b>Group 2008 £'000</b>	<b>Company 2008 £'000</b>
Bank loan (note 13)	<u>9,701</u>	<u>-</u>	<u>10,128</u>	<u>-</u>

For the year ended 31 MARCH 2009

13 Creditors: Capital instruments

Creditors include bank loans which are due for repayment as follows:

	<b>Group 2009 £'000</b>	<b>Company 2009 £'000</b>	<b>Group 2008 £'000</b>	<b>Company 2008 £'000</b>
Amounts repayable:				
In one year or less or on demand	425	-	378	-
In more than one year, but not more than two years	452	-	404	-
In more than two years, but not more than five years	1,539	-	1,393	-
In more than five years	7,710	-	8,331	-
	<u>10,126</u>	<u>-</u>	<u>10,506</u>	<u>-</u>

14 Deferred taxation

**Group**

Deferred taxation provided for in the financial statements is set out below.

	<b>2009 £'000</b>	<b>2008 £'000</b>
Provision for deferred tax at 1 April 2008	92	106
Current year deferred tax	(15)	-
Prior year deferred tax	(34)	(14)
Provision for deferred tax at 31 March 2009	<u>43</u>	<u>92</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	<b>2009 £'000</b>	<b>2008 £'000</b>
Excess of taxation allowances over depreciation of fixed assets	160	178
Trading losses	(117)	(86)
	<u>43</u>	<u>92</u>

**Group and Company**

	<b>2009 £'000</b>	<b>2008 £'000</b>
Unprovided deferred taxation asset:		
Depreciation in excess of capital allowances	71	84
Trading losses	95	94
	<u>166</u>	<u>178</u>

There was no provision for deferred taxation as at 31 March 2009 (2008: £nil) in the company.

For the year ended 31 MARCH 2009

15 Reserves

Group

	Profit and loss account			Total 2009 £'000
	General Reserve	Committee Reserve	Revaluation Reserve	
	2009	2009	2009	
	£'000	£'000	£'000	
At 1 April 2008	4,789	100	2,571	7,460
Transfer between Reserves	(19)	19	-	-
Transfer of profit and loss account of the year	507	-	-	507
Loss on revaluation	(287)	-	(6,367)	(6,654)
Transfer of realised profits	42	-	(42)	-
At 31 March 2009	<u>5,032</u>	<u>119</u>	<u>(3,838)</u>	<u>1,313</u>

Company

	Profit and loss account		Total 2009 £'000
	General Reserve	Committee Reserve	
	2009	2009	
	£'000	£'000	
At 1 April 2008	5,365	100	5,465
Transfer between reserves	(19)	19	-
Profit for the year	643	-	643
At 31 March 2009	<u>5,989</u>	<u>119</u>	<u>6,108</u>

16 Reconciliation of movements in shareholders' funds

	Group 2009 £'000	Company 2009 £'000	Group 2008 £'000	Company 2008 £'000
Profit attributable to members	507	643	318	534
Other recognised gains and losses for the year	(6,654)	-	(4,384)	-
Net additions to shareholders' funds	<u>(6,147)</u>	<u>643</u>	<u>(4,066)</u>	<u>534</u>
Opening shareholders' funds	7,460	5,465	11,526	4,931
Closing shareholders' funds	<u>1,313</u>	<u>6,108</u>	<u>7,460</u>	<u>5,465</u>



For the year ended 31 MARCH 2009

17 Net cash outflow from operating activities

	2009 £'000	2008 £'000
Operating surplus	1,076	1,036
Depreciation	567	773
Profit/(loss) on disposal of tangible fixed assets	(37)	-
Amortisation charges	32	32
Share of profit in joint venture	(96)	(82)
(Increase)/Decrease in stock	(9)	7
Decrease/(increase) in debtors	254	(231)
Increase in creditors	1,590	342
Net cash inflow from operating activities	<u>3,377</u>	<u>1,877</u>

18 Reconciliation of net cash flow to movement in net debt

	2009 £'000	2008 £'000
(Decrease)/increase in cash in the year	1,750	544
Cash outflow from loan financing	380	347
Movement in net debt in the year	<u>2,130</u>	<u>891</u>
Net debt at 1 April 2008	<u>(10,056)</u>	<u>(10,946)</u>
Net debt at 31 March 2009	<u>(7,926)</u>	<u>(10,055)</u>

19 Analysis of changes in net debt

	At 1 Apr 2008 £ '000	Cash flow £ '000	At 31 Mar 2009 £ '000
Cash in hand	450	1,750	2,200
Overdraft	-		
Liquid resources	<u>(10,556)</u>	<u>380</u>	<u>(10,126)</u>
	<u>(10,056)</u>	<u>2,130</u>	<u>(7,926)</u>

20 Capital commitments

The company had no capital commitments at 31 March 2009.

	2009 £'000	2008 £'000
Contracts tendered for and awarded	<u>-</u>	<u>242</u>

For the year ended 31 MARCH 2009

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## 21 Contingent assets/liabilities

There were no contingent liabilities at 31 March 2009 or 31 March 2008.

## 22 Retirement benefit schemes

The National Housing Federation participates in the Social Housing Pension Scheme (SHPS). The Scheme 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, to 31 March 2007. From April 2007 there are three benefit structures available, namely:

Final salary with a 1/60th accrual rate.

Final salary with a 1/70th accrual rate.

Career average revalued earnings with a 1/60th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The National Housing Federation has elected to operate the final salary with a 1/60th accrual rate and a career average revalued earnings with a 1/60th accrual rate benefit structure for active members as at 31 March 2007 and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1 April 2007.

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.

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 The National Housing Federation paid contributions at the rate from 6.5% to 14.5%. Member contributions varied between 6.2% and 12.3% depending on their age.

As at the balance sheet date there were 102 active members of the Scheme employed by The National Housing Federation. The pensionable payroll in respect of these members was £596,200. The National Housing Federation continues to offer membership of the Scheme to its employees.

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. This is because the scheme is a multi employer scheme where the scheme assets are co-mingled for investment purposes, and

For the year ended 31 MARCH 2009

**Retirement benefit schemes (continued)**

benefits are paid from total scheme assets. Accordingly, due to the nature of the Plan, 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 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 70%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% pa
Valuation Discount Rates	
Pre retirement	7.8
Non Pensioner Post retirement	6.2
Pensioner Post retirement	5.6
Pensionable earnings growth	4.7
Price inflation	3.2
Pension Increases	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess over GMP	3.0

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 – PA92 Year of Birth, long cohort projection, minimum improvement 1%pa  
 Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1%pa

The long-term joint contribution rates that will apply from April 2010 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	17.8
Final salary with a 1/70 <sup>th</sup> accrual rate	15.4
Career average revalued earnings with a 1/60 <sup>th</sup> accrual rate	14.9

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 £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

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#### Retirement benefit schemes (continued)

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 Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% 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.

Employers joining the Scheme after 1 October 2002 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 applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. 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). The Regulator has reviewed the recovery plan for the SHPS Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004. A copy of the recovery plan in respect of the September 2008 valuation will be forwarded to the Regulator in due course.

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 buyout 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. 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.

For the year ended 31 MARCH 2009

**Retirement benefit schemes (continued)**

The total pension cost for the Federation for the year was £ 596,200 (2008: £553,385).

**23 Financial commitments**

On 29 January 2004, the group purchased Lion Court in Holborn for the sum of £13,739,182. The purchase was financed by a 25 year loan from the Bank of Scotland of £11,739,182 at an interest rate of 1.5% plus base. At 31 March 2009 the amount outstanding was £ 10,126,826 (2008: £10,505,425).

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

On 11 June 2004, the group fixed the interest rate on £8,000,000 of the loan with the Bank of Scotland. The interest rate on £4,000,000 of the loan was fixed for 5 years at 7.315% and the interest on the other £4,000,000 was fixed for 10 years at 7.295%.

The National Housing Federation has a temporary overdraft facility with its bankers Lloyds TSB Bank Plc amounting to £1,000,000, which expires at the end of November 2009. At the 31 March 2009, the overdraft with the bank was £nil (2008: £nil).

At 31 March 2009 there were commitments to make the following payments during the next year in respect of operating leases on premises:

	<b>Group and Company 2009 £'000</b>	Group and Company 2008 £'000
<b>Land and buildings</b>		
Leases which expire within one year	11	10
Leases which expire over five years	50	29
<b>Other</b>		
Leases which expire within one year	6	-
Leases which expire within two to five years	48	35
Leases which expire over five years	-	9

**24 Transactions with directors /and other related parties**

During the year the National Housing Federation paid £135 (2008: £nil) to Housemark for services and received licence income from Housemark amounting to £220,144 (2008: £195,050).

National Housing Federation paid rent of £ 1,037,237 (2008: £1,037,237) to NHF Property & Services Limited. It also paid £65,215 (2008: £66,092) for catering services. NHF Property & Services Limited paid fees in respect of rents, rates and service charges to the National Housing Federation for the 1st and 2nd floors of Lion Court amounting to £771,962 (2008: £757,620).

In the normal course of business the Housing Associations to which the directors are connected, pay affiliation fees, acquire publications and attend training courses of the National Housing Federation. All of these transactions are at arms length. Affiliation fees received from members during the year ended 31 March 2009 were £ 7,806,182 (2008: £7,076,948).

There are no other related party transactions.

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25 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. The National Housing Federation has 50% of voting rights and therefore 50% of the results of Housemark Limited are treated as a joint venture.

- (a) There are no inter company loans or other balances due between the National Housing Federation 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 2008. These have been used in compiling the Federation's group financial statements. They contained the following information:

	2009 £	2008 £
<b>Profit and loss account</b>		
Turnover	4,440,778	4,141,985
Profit after tax	148,904	129,814
<b>Balance sheet</b>		
Gross assets	1,677,658	1,546,780
Gross liabilities	(1,163,460)	(1,181,486)
<b>Net liabilities</b>	<u>514,198</u>	<u>365,294</u>
Called-up share capital	100	100
Profit and loss account	514,098	365,194
	<u>514,198</u>	<u>365,294</u>

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

26 Liability Limitation Agreement with the auditor

The directors propose that the company enter into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the year ended 31 March 2009. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 guidance on Auditor Liability Agreements, and will be proposed for approval at the forthcoming Board meeting on 25 June 2009.