

**NATIONAL HOUSING
FEDERATION (A COMPANY
LIMITED BY GUARANTEE)**

FINANCIAL STATEMENTS

For the Year ended

31 MARCH 2011

Company no 302132

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

For the year ended 31 MARCH 2011

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
WC119 8B19

Banking services are also provided by:

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

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

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

For the year ended 31 MARCH 2011

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NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 March 2011.

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.

The Federation has reviewed and agreed strategic objectives designed to underpin our work for the next five years. These objectives, which will be subject to annual review, are:

A. Operating Environment

Create the conditions:

- for our members and their tenants to flourish
- by engaging with government, media and other parties
- to secure favourable and flexible, financial, legal & governance regimes

B. Members

Help our members:

- to perform effectively in rapidly changing conditions
- through effective communication
- and the provision of excellent support services

C. Federation

Ensure the Federation:

- is well governed and run
- has an excellent reputation and credibility
- is financially robust and operates cost effectively
- is a great place to work

Financial results

In response to changes in the economic and operating environments, both generally and in the housing sector, the Federation announced in January 2011 an organisational restructuring resulting in redundancy and other costs of £460k. Before the impact of these one off costs the result for the year was an operating profit of £496k. Taking account of the one off costs the results for the year show a loss after tax of £526k (2010: profit after tax of £810k) as shown in the consolidated profit and loss account on page 15. The reorganisation costs and resulting loss has been funded from reserves built up in previous years.

Total turnover was up by 0.9% to £16,102k. There was no increase in the affiliation fee tariff, however income from affiliation fees decreased by £37k as a result of mergers and disaffiliations.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

REPORT OF THE DIRECTORS

Operations

Our new governance arrangements were fully in place for this financial year. The board kept a clear focus on corporate risk while engaging with the strategic issues affecting housing associations. Accountability to members improved through better reporting, more focussed engagement with individual members and through the statement made to the AGM by the Chair of the Regional Chairs Group on the performance of the board. We provided a range of high quality and well valued communications to members, including Newsflash, quarterly reports to boards and our Bulletin magazine. We were also able to relaunch our website at the end of the year to critical acclaim.

This renewed commitment to member accountability contributed to a significant increase in member satisfaction as measured by our membership survey. This showed that members believe the Federation is an effective source of advice, understands the commercial realities facing members and represents good value for money.

This has been a year of very considerable change for the Federation and for its members. The lobbying work we carried out on behalf of members was defined by the changes made by the newly elected coalition government and the economic environment. The Comprehensive Spending Review, to which we made a detailed submission with the Chartered Institute of Housing and the National Federation of ALMOs, delivered a very disappointing 63% cut to the capital invested by government in the delivery of new affordable homes. A new investment framework has been developed where housing associations will be able to increase rents on some of their relets to up to 80% of market value. The framework promises more flexibility for our members in how they use their assets and a four year development programme rather than individual scheme approvals. These are welcome changes if they are fully delivered. The Federation has worked closely with the Homes and Communities Agency (HCA) and colleagues in government to ensure that the new system is as useful for our members as possible. Considerable concerns remain that the new framework will make it hard to produce new social rented homes and any new specialist supported housing provision. It will also be difficult for members in low value housing markets, especially those involved in regeneration, to complete large estate based projects.

During the year a raft of legislation which will affect housing associations was introduced. The Localism Bill, the Welfare Reform Bill, the Energy Bill and the Health and Social Care Bill will all have a major influence on the operating environment for members. The Federation has engaged in detailed discussions with ministers, shadow ministers, MPs and peers to ensure members' concerns are fully understood and to shape the legislation so that it enables our members to continue to deliver high value services.

Market difficulties and the continuing economic challenges meant that the housing market generally remained sluggish. We contributed to the FSA review of the mortgage market, arguing in particular that shared ownership should be regarded as just as secure as any other first time buyer mortgages. In a year where output of new homes was the lowest in peacetime since 1923 we consider it essential that mortgage finance should be more generally available and should in particular help to meet the huge demand there is for the existing shared ownership product delivered by housing associations. The mortgage rescue scheme we designed in 2009 remained in place and remained a crucial reason for repossession rates being lower than anticipated.

The newly created regulator, the Tenant Services Authority, was one of the organisations to be closed by the 'bonfire of the quangos'. Regulation will, in future, be carried out by a regulatory committee of the HCA. The Federation has continued to work with officials to ensure that regulation is fit for purpose, adds value to the work of registered providers and is proportionate. The removal of prescriptive guidance has been

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REPORT OF THE DIRECTORS

Operations (continued)

welcomed by individual boards, enabling them to make the decisions that affect their organisations without having to second guess the view of the regulator.

Our successful project work continued. Once again, Home Truths, our analysis of the whole housing market (rather than just house sales) was a key reference document with detailed information presented not just nationally and regionally but for every local authority in the country. The analysis, commissioned from Oxford Economics, provides the basis for much of our detailed negotiation with government and others and provides members with the local analysis they require. Other projects on planning and environmental efficiency both assisted in setting out the Federation's views and influenced government thinking.

We ran three campaigns through the year. Breaking the Mould is a project which is part of a broader movement to enhance the housing options available to people in later life and to effectively 'break the mould' of older people's housing. Save our Villages is designed to ensure that rural housing authorities carry out a regular assessment of housing need and put in place strategies to meet that need. And we continued to campaign to ensure the independence of housing associations.

Last year's report described our plans to set up a project to deliver high quality financial services and affordable credit for housing association residents and others. My Home Finance is fully constituted and the pilot project in the West Midlands is fully operational. We have 10 shops open which have fully demonstrated the need for services of this kind. The project has been a real partnership which has been supported by DWP, Wates Foundation, the Royal Bank of Scotland and, crucially, members who have made a considerable investment in the project. We are grateful to our delivery partners, East Lancs Moneyline, for their work in ensuring the success of the pilot.

Our tenants' contents insurance scheme, My Home Insurance, continued to grow and we established My Home Energy Switch to provide assistance in securing the best value energy supplier for our members' residents and staff. We successfully delivered 2,500 employment opportunities with members and in the Federation itself for 18-25 year olds through our partnership with Groundwork UK under the Future Jobs Fund programme. Our range of partnerships with other key civil society organisations has grown and we have worked closely with members and 'prime contractors' to explore how to make the government sponsored 'Work Programme' as effective as possible.

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 further revision of our Code of Governance and the widespread use by members of our Code of Excellence in Customer Service and Accountability and Code of Excellence in Standards and Conduct. We developed a range of new products and services throughout the year to respond to the changing needs of members.

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

**NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
REPORT OF THE DIRECTORS**

Operations (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, and delivered a highly successful outturn with an increase in occupancy despite the economic downturn.

The Federation has itself been very focussed on cost control. We made a number of decisions during the year which have led to a reduction in our overall staff numbers and resulted in the closure of our office in Birmingham. This streamlining has reduced our overall cost base but has been implemented in such a way that our focus on direct delivery of services to members will be enhanced. Some of the exceptional one off costs associated with the restructure have been funded from reserves built up over the past two very strong financial years as part of our strategy of balancing surpluses and losses over a number of years.

These changes have, of course, been difficult for many of our staff and the Directors particularly wish to express their appreciation of the very high quality work done by our staff in these challenging times.

Risks and uncertainties

As outlined above, 2010/11 has seen the most fundamental changes for many years in the operating environment for Federation members.

The new investment framework, together with legislation announced, and now being enacted, will hopefully provide more flexibility. There are however uncertainties about the eventual impact of the changes and how our members, both as a whole and individually, will react to and deal with them. Will the new investment framework deliver the Government's objectives in terms of new homes? How in practice will it impact our members' ability to raise finance and at what cost? How will the planning environment impact locally? How will welfare reform impact on members' tenants and their ability to afford rents? Will there be increased uncertainty about the flow of rental income to our members?

Choices available to our members regarding their strategies will be wider than previously. This may lead to more varied expectations of what members require from the Federation, and their willingness / ability to pay. Consequently the Federation will need to become ever more responsive to members' requirements, on occasions having to balance different views of what the Federation should be doing and how it does it. More detail of how we intend to address this, is set out in this Report under Future developments.

Internally the Federation has upgraded its focus on risk as part of the ongoing changes to its governance regime. The Terms of Reference for the Federation Audit & Risk Management Committee have been reviewed and revised. A new Risk Management Policy / Framework has been developed, and risk reporting / review processes have been strengthened. More comprehensive business planning processes have also been introduced.

The risks and uncertainties relating to the housing sector also need to be viewed in the context of the wider economic, social and political uncertainties. Government is currently attempting fundamental reform in many areas, against the background of bringing the UK's fiscal deficit under control and intended reductions in public expenditure greater than achieved in living memory. The results of this process are unclear and may lead to further changes at some point for the housing sector, the Federation and its members.

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REPORT OF THE DIRECTORS

Future developments

In support of our objectives, and to meet our mission to support and promote the work of housing associations and campaign for better housing and neighbourhoods, in 2011/12 we will work with members, government, partners and others to

- Assist in shaping welfare reform through seeking amendments to the Welfare Reform Bill
- Influence the new investment framework to ensure that our members can contribute to building the homes we require, offer social, near market and market rents, offer shared ownership and other routes into affordable home ownership, offer high quality supported housing, help to regenerate failing housing markets and ensure that our rural towns and villages remain dynamic through the building of necessary new homes
- Promote services for vulnerable and older people, with a particular focus on ensuring that health and social care services invest in housing and housing related support and on ensuring the continuation of revenue funding support for those who need it most
- Shape the localism and 'Big Society' agenda to ensure that local people have the tools they need to shape the delivery of new services and that the planning system is based on a presumption in favour of sustainable development
- Help members to deliver greener homes through influencing the Energy Bill and ensuring that the Green Deal works for housing associations and their residents
- Protect the independence of housing associations so that they have freedom to deliver the vital services they provide in a way which is cost effective and best meets local needs
- Support the sector in negotiating the detail of new accounting standards
- Continue to deliver high quality commercial services which support the work members do
- Explore the Work Programme and other government sponsored measures that help members create jobs and apprenticeships
- Build further on the changes we have already introduced to our IT systems and website to secure further improvements in e commerce
- Ensure the Federation is fit for both present and future purpose by considering with members ideas on our future size and shape

In carrying out these activities we will continue to invest in our regional network to ensure our lobbying is informed by and reflects a full understanding of regional and local issues. We will 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 to ensure the voice of affordable housing is clearly heard. We will continue to invest in the further development of the talent in our most important resource – our staff team.

The Federation will also undertake a review of its business strategy to ensure it provides the service that housing associations will need in the future, whilst delivering great value for money.

Reserves

The loss after tax of £526k (2010: profit after tax of £810k) has been transferred to reserves as set out in note 15.

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REPORT OF THE DIRECTORS

Fixed Assets

Movements on fixed assets are disclosed in note 6. The directors have decided to change the previous policy of carrying freehold property on an existing use valuation basis. Under this policy fluctuations in the valuation of Lion Court impacted on depreciation charges and the profit or loss reported by the Federation, and may in the view of the directors impact inappropriately on the affiliation fees levied on members on an annual basis. The board has decided to adopt the policy of carrying freehold property at original cost less depreciation, which will also be the required accounting policy under IFRS if implemented as currently drafted. The effect of this has been to reduce the revaluation reserve from £2,033,000 to zero and to increase the carrying value of Lion Court to £13,326,877. This figure is made up of the original cost of £14,801,894 (being original purchase price of £13,739,182 plus additional plant and machinery) less depreciation of £1,475,017 for the years since the purchase in 2004. The comparative figures for the previous year have been adjusted to reflect the change in accounting policy. Lion Court was valued by Strutt & Parker at 31 March 2011 on a vacant possession basis of £12,980,000 and on an existing use basis of £18,670,000. There is considered to be no permanent diminution in the value of the property.

Directors

The following were Directors of the company at 31 March 2011 and 1 April 2010:

Name	Organisation
Ann Santry (Vice Chair)	Sovereign Housing Group Ltd
David Orr	National Housing Federation
June Barnes	East Thames Group
Keith Exford (resigned 22 September 2010)	The Affinity Sutton Group
Lindsey Williams	Futures Housing Group
Matthew Gardiner	Trafford Housing Trust
Matthew Taylor (Chair)	Independent
Michael Kent	Bromford Housing Group
Paul Tennant	The Orbit Group
Shena Latto (resigned 22 September 2010)	South Shropshire Housing Limited
Sinead Butters	Aspire Housing Association
Victoria Stark	Look Ahead Housing and Care
Terry Stacy (appointed 22 September 2010)	Island Homes
Peter Williams (appointed 22 September 2010)	Thames Valley Housing Association

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

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.

Corporate Governance

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.

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REPORT OF THE DIRECTORS

The Board has adopted the Federation's code of governance, **Excellence in governance 2010** and is satisfied that it complies with the main principles and provisions in the code. It will assess compliance each year.

The Board

The Board comprises twelve members. The fiduciary duties are the same as any other director under company law. 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 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. The Federation's main 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 Chair of the Regional Chairs' Group (RCG) provides an assurance statement to members at the AGM which outlines the group's engagement with the Federation Board and its satisfaction that the Board has fulfilled its role. At the annual board away day, the RCG is invited to attend and work with the Board to start the business planning process.

The Audit and Risk Management Committee continues to provide detailed scrutiny of the Federation's finances. It also has placed more emphasis on the risks the Federation faces as a business and how risk is embedded in the culture of the organisation. The committee closely monitors projects that have a significant cost to ensure the money is being spent wisely and that, where possible, the projects result in efficiencies for us as a business and real benefits for our members.

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. The Board is also committed to providing an accountability statement to members at the AGM.

Responsibilities of the Board

The directors are responsible for preparing 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 financial statements in accordance with United Kingdom Accounting 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements 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

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

REPORT OF THE DIRECTORS

- 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 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.

In so far as the directors are 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 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 and Risk Management Committee
- the Nominations Committee

The Executive Committee

This comprises the Chair, Vice Chair, chair of the Audit and Risk Management committee and the Chief Executive. 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 and Risk Management Committee

The Audit and Risk Management Committee advises the Board on the standard of internal control and systems. It also reviews and co-ordinates the internal audit programme, the risk register and overall risk in the organisation and is the primary point of contact for the external auditors.

Nominations Committee

The Nominations Committee comprises three members of the board and two co-optees from the wider Federation membership including the chair of the Regional Chairs' Group (RCG). It leads the annual board member recruitment programme, shortlisting and interviewing applicants and makes recommendations to the board for agreement and final ratification at the AGM.

Federation Staff

The Federation employs approximately 139 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.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
REPORT OF THE DIRECTORS

Internal Audit

The Federation has an internal audit function, currently provided by Mazars who were appointed in June 2010. The contract for internal audit services was initially tendered for three years and will be reviewed annually by the Audit and Risk Management committee.

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

Planning and Reporting

The Federation works to a five year business plan which is reviewed and updated each year and agreed by the Board. Annual budgets are also prepared and approved by the Board. Financial performance against the budget is reviewed monthly by the Chief Executive and the Leadership Team with the forecasted out turn for the year. Financial and operational performance is reviewed by the Audit and Risk Management committee at each of their meetings with a summary report on key issues sent to the Board at each of its meetings, using dedicated financial reports.

Risk Management Procedures

The Chief Executive and Leadership 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 by each budget area with the aim of updating the Risk Register. This is reviewed by the Audit and Risk Management Committee at each of their meetings. The Risk Register and papers are reviewed by the Audit and Risk Management 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.

ON BEHALF OF THE BOARD



Stephen Bull
Company Secretary

13 July 2011

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

We have audited the financial statements of National Housing Federation for the year ended 31 March 2011 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. 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 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

As explained more fully in the Responsibilities of the Board and National Council set out on pages 7 and 8, 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 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 APB's website at 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 the parent company's affairs as at 31 March 2011 and of the group's loss and parent company's loss 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 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 (A COMPANY LIMITED BY GUARANTEE)**

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.

CARUJJE

Carol Rudge
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
London

13 July 2011

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
PRINCIPAL ACCOUNTING POLICIES

Status

The National Housing Federation is a company limited by guarantee. The liability of members, of whom there are 1,085 (2010: 1,153) 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, and in accordance with applicable United Kingdom accounting standards.

The principal accounting policies are set out below and changes from the previous period are explained in note 26 under Prior Year Adjustments.

Basis of Consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 March 2011. 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 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. Rental income is shown net of all outgoings.

Tangible Fixed Assets and Depreciation

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

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

Freehold buildings	44 - 50 years
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. Depreciation is charged monthly from the period of acquisition or commencement of use, up until the period of disposal.

Goodwill

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

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PRINCIPAL ACCOUNTING POLICIES

Stock

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

Investments

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

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 was 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 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)
PRINCIPAL ACCOUNTING POLICIES

Prior Year Adjustment

The prior year comparatives have been adjusted to reflect the revaluation of Lion Court back to historical depreciated cost. The effect of this has been to reduce the revaluation reserve to nil from £2,033k and the net asset value of tangible fixed assets to £15,852k from £13,958k. (See note 26).

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

For the year ended 31 MARCH 2011

	Note	2011 £'000	2010 £'000 (Restated)
Turnover			
Continuing operations: group and share of joint venture's turnover		16,102	15,966
Less: share of joint venture's turnover	2	(2,592)	(2,493)
Group turnover	1	13,510	13,473
Total turnover		13,510	13,473
Other operating income: rental income		736	722
Total turnover		14,246	14,195
Administrative expenses	1	(13,879)	(13,016)
Reorganisation costs	1	(460)	-
Group operating (loss)/profit before share of joint venture		(93)	1,179
Share of operating profit in joint venture	2	129	177
Group operating profit		36	1,356
Interest payable	3	(561)	(563)
Interest receivable and similar income	3	28	14
(Loss)/profit on ordinary activities before taxation		(497)	807
Tax on (loss)/profit on ordinary activities	5	-	43
Share of tax on (loss)/profit on ordinary activities in joint venture	2	(29)	(40)
(Loss)/profit on ordinary activities after taxation transferred to reserves	15	(526)	810

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 2011

	Note	2011 £'000	2010 £'000
Turnover			
Continuing operations	1	13,510	13,474
Other operating income:			
Rental income		2	17
Total turnover		13,512	13,491
Administrative expenses	1	(13,116)	(12,407)
Reorganisation costs	1	(460)	-
Operating (loss)/profit		(64)	1,084
Interest payable		-	-
Interest receivable and similar income		26	13
(Loss)/profit on ordinary activities before taxation		(38)	1,097
Tax on profit on ordinary activities	5	-	-
(Loss)/Profit on ordinary activities after taxation transferred to reserves	15	(38)	1,097

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.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
CONSOLIDATED AND COMPANY BALANCE SHEETS

For the year ended 31 MARCH 2011

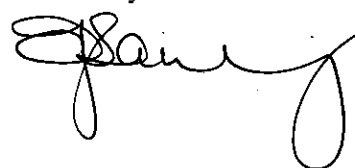
	Note	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000 (Restated)	Company 2010 £'000
Fixed assets					
Goodwill	8	359	-	391	-
Investments	7	10	541	-	531
Tangible fixed assets	6	15,852	707	15,990	615
		<u>16,221</u>	<u>1,248</u>	<u>16,381</u>	<u>1,146</u>
Current assets					
Stocks - publications	9	84	84	86	86
Debtors	10	977	5,492	982	4,694
Cash at bank and in hand		2,646	2,628	3,606	3,596
		<u>3,707</u>	<u>8,204</u>	<u>4,674</u>	<u>8,376</u>
Creditors: amounts falling due within one year	11	<u>(6,317)</u>	<u>(5,785)</u>	<u>(6,326)</u>	<u>(5,817)</u>
Net current (liabilities)/assets		<u>(2,610)</u>	<u>2,419</u>	<u>(1,652)</u>	<u>2,559</u>
Debtors: amounts falling due after more than one year	10	-	3,500	-	3,500
Total assets less current liabilities		<u>13,611</u>	<u>7,167</u>	<u>14,729</u>	<u>7,205</u>
Creditors: amounts falling due after more than one year	12	<u>(8,727)</u>	-	<u>(9,217)</u>	-
Share of gross assets in joint venture	25	1,103	-	1,111	-
Share of gross liabilities in joint venture	25	(605)	-	(715)	-
Share of net assets in joint venture		<u>498</u>	-	<u>396</u>	-
Deferred taxation	14	-	-	-	-
Net assets		<u>5,382</u>	<u>7,167</u>	<u>5,908</u>	<u>7,205</u>
Capital and reserves					
Profit and loss reserve	15	5,382	7,167	5,908	7,205
	16	<u>5,382</u>	<u>7,167</u>	<u>5,908</u>	<u>7,205</u>

The financial statements were approved by the Board of Directors on 13 July 2011 and signed on their behalf on 13 July 2011.

Matthew Taylor - Chair

Company registration no: 302132

Ann Santry - 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 2011

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	17	706	2,711
Returns on investments and servicing of finance			
Interest receivable		28	14
Interest payable		<u>(561)</u>	<u>(563)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(533)</u>	<u>(549)</u>
Taxation			
Corporation tax paid		<u>-</u>	<u>-</u>
Capital expenditure and financial investment			
Payments to acquire fixed assets and investments		<u>(669)</u>	<u>(310)</u>
Net cash outflow from capital expenditure and financial investment		<u>(669)</u>	<u>(310)</u>
Net cash (outflow)/inflow before use of liquid resources		(496)	1,852
(Decrease)/increase in cash	18,19	<u>(496)</u>	<u>1,852</u>

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

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)**Other Primary Statements**

For the year ended 31 MARCH 2011

Consolidated statement of total recognised gains and losses

	Note	2011 £'000	2010 £'000 (Restated)
(Loss)/profit for the financial year	15	(526)	810
Total gains and losses recognised relating to the year		<u>(526)</u>	<u>810</u>
Prior year adjustment to restate tangible fixed assets to cost	26	2,033	-
Total gains and losses recognised since last annual report		<u>1,507</u>	<u>810</u>

Consolidated note of historical cost profits and losses

		2011 £'000	2010 £'000
Reported (loss)/profit on ordinary activities after taxation	15	(526)	810
Historical cost profit on ordinary activities after taxation		<u>(526)</u>	<u>810</u>

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

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

For the year ended 31 MARCH 2011

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:

	2011 £'000	2010 £'000
Affiliation fees	8,321	8,358
Grants	452	169
Insurance commission	-	50
Conferences, training and publications	4,595	4,743
Other income	142	153
Company	13,510	13,473
Other income	-	-
Group	13,510	13,473

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:

	2011 £'000	2010 £'000 (Restated)
Staff costs (note 4) excluding those in reorganisation costs (see note below)	6,658	6,607
Depreciation	233	255
Auditors' remuneration:		
- audit services	30	28
- non-audit services	19	8
Charges on operating leases on premises	132	171
Reorganisation costs (see note below)	460	-
Other operating charges	6,044	5,338
Company	13,576	12,407
Depreciation	314	258
Other operating charges	449	351
Group	14,339	13,016

During the year a restructuring took place which led to a reduction in the overall staff numbers and the closure of the Birmingham office resulting in a one off cost of £460k which has been funded from reserves built up in previous years.

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

For the year ended 31 MARCH 2011

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 2011 £'000	Group share (50%) 2011 £'000	Year ended 31 December 2010 £'000	Group share (50%) 2010 £'000
Housemark turnover	5,184	2,592	4,986	2,493
Housemark operating costs	(4,925)	(2,463)	(4,632)	(2,316)
Operating profit	259	129	354	177
Interest receivable	3	1	2	1
Profit on ordinary activities before tax	262	130	356	178
Tax on profit on ordinary activities	(58)	(29)	(80)	(40)
Net profit	204	101	276	138

3 Interest payable and similar charges

	2011 £'000	2010 £'000
Interest payable		
On bank loans and overdrafts	561	563
Interest receivable		
Bank	28	14

4 Directors and employees

Staff costs during the year were as follows:

	2011 £'000	2010 £'000
Wages and salaries (leadership team)	466	445
Wages and salaries (other staff)	5,048	4,869
Social security costs (leadership team)	52	49
Social security costs (other staff)	441	421
Other pension costs (leadership team)	65	64
Other pension costs (other staff)	586	567
Termination costs	377	192
	7,035	6,607

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

For the year ended 31 MARCH 2011

Directors and employees (continued)

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

	2011 Number	2010 Number
Senior management team	4	4
Other staff	<u>140</u>	<u>135</u>
	<u>144</u>	<u>139</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:

	2011 £'000	2010 £'000
Salary	<u>158</u>	<u>158</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 Chair was paid £15,000 (2010:£7,500) for his services. No remuneration was paid to any other member of the Board other than the Chief Executive (2010: nil).

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

For the year ended 31 MARCH 2011

5 Tax on (loss)/profit on ordinary activities

(a) Analysis of the tax credit for the year

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

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Current tax:				
United Kingdom corporation tax at 28 % (2010: 28%)	-	-	-	-
Adjustments in respect of prior years	-	-	-	-
Deferred taxation:				
Timing difference, origination and reversal	-	-	(43)	-
	-	-	(43)	-

(b) 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 28% (2010: 28%). The differences are explained below:

(Loss)/profit on ordinary activities before tax	<u>(526)</u>	<u>(38)</u>	<u>810</u>	<u>1,097</u>
(Loss)/profit on ordinary activities before tax multiplied by the standard rate of corporation tax of 28% (2010: 28%)	(147)	(11)	226	307
Effect of:				
Expenses not deductible for tax purposes	75	52	57	67
Capital allowances for the period in excess of depreciation	(32)	(30)	(21)	(12)
Group relief of current year losses				
Increase/(utilisation) of trading losses	165	50	119	20
Profit on mutual trading activities	(61)	(61)	(381)	(382)
Current tax charge for period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

For the year ended 31 MARCH 2011

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 2010 (as previously stated)	12,300	1,143	1,644	927	58	16,072
Prior Year adjustment	2,820	481	-	-	-	3,301
	<u>15,120</u>	<u>1,624</u>	<u>1,644</u>	<u>927</u>	<u>58</u>	<u>19,373</u>
Additions	77	-	533	16	33	659
Disposals	-	-	(277)	(50)	-	(327)
At 31 March 2011	<u>15,197</u>	<u>1,624</u>	<u>1,900</u>	<u>893</u>	<u>91</u>	<u>19,705</u>
Depreciation						
At 1 April 2010 (as previously stated)	200	5	1,210	689	10	1,114
Prior Year adjustment	775	494	-	-	-	1,269
	<u>975</u>	<u>499</u>	<u>1,210</u>	<u>689</u>	<u>10</u>	<u>3,383</u>
Provided in the year	179	81	175	102	10	547
Disposals	-	-	(27)	(50)	-	(77)
At 31 March 2011	<u>1,154</u>	<u>580</u>	<u>1,358</u>	<u>741</u>	<u>20</u>	<u>3,853</u>
Net book amount at 31 March 2011	<u>14,043</u>	<u>1,044</u>	<u>542</u>	<u>152</u>	<u>71</u>	<u>15,852</u>
Net book amount at 31 March 2010	<u>14,145</u>	<u>1,125</u>	<u>434</u>	<u>238</u>	<u>48</u>	<u>15,990</u>

Included in freehold property is an amount of £6,921,351 in respect of freehold land which is not subject to depreciation.

The Board has decided to value the freehold property at cost. The adjustment to reflect this increases the value of Lion Court in the financial statements to £13,326,877 which is the original cost of £14,801,894 less accumulated depreciation since 2004. The cost 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 has been independently valued at 31 March 2011 to by Strutt & Parker who are members of the Royal Institute of Chartered Surveyors. The value based on vacant possession was £12,980,000 and £18,670,000 based on existing use i.e. let to the National Housing Federation on a 25 year lease.

The accounts have been restated in prior years to reflect the change in accounting policy.

The effect of the change in accounting policy was an increase in depreciation of £22k in the year and the change in the value to cost of Lion Court.

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

For the year ended 31 MARCH 2011

Tangible Fixed assets (continued)

Company

	Computer equipment £'000	Office equipment and furniture £'000	Improve- ments to leasehold Premises £'000	Total £'000
Cost				
At 1 April 2010	1,617	574	58	2,249
Additions	530	13	32	575
Disposals	(277)	(49)	-	(326)
At 31 March 2011	<u>1,870</u>	<u>538</u>	<u>90</u>	<u>2,498</u>
Depreciation				
At 1 April 2010	1,187	437	10	1,634
Provided in the year	173	50	10	233
Disposals	(27)	(49)	-	(76)
At 31 March 2011	<u>1,333</u>	<u>438</u>	<u>20</u>	<u>1,791</u>
Net book amount at 31 March 2011	<u>537</u>	<u>100</u>	<u>70</u>	<u>707</u>
Net book amount at 31 March 2010	<u>430</u>	<u>137</u>	<u>48</u>	<u>615</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 (A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2011

Investments (continued)

The Federation invested £10,000 in Third Sector Consortia Management LLP a company delivering and managing public and community services during the year. The company made profits before tax of £395,000 for the year ended 31 March 2011. The Federation's share of the profit was £39,500 and estimated tax due was £11,000. No provision has been made for either the Federation's share of the profits or the tax due in these statements.

The Federation has a £25 share in a 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 reputable organisations. At 31 March 2011 the Federation held £968,762 on behalf of My Home Finance Limited which is not included in the Federation's cash at bank and in hand.

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%
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 reputable organisations	10%

	2011 £'000	2010 £'000
NHF Property & Services Ltd	-	-
Feedback Services Limited	-	-
Third Sector Consortia Management LLP	10	-
Other	-	-
Group	10	-
National Housing Federation Investments Limited	531	531
Company	541	531

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.

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

For the year ended 31 MARCH 2011

Goodwill (continued)

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 2010 and at 31 March 2011	<u>639</u>
Accumulated amortisation:	
At 1 April 2010	248
Charge for the period	<u>32</u>
At 31 March 2011	<u>280</u>
Net book amount at 31 March 2011	<u>359</u>
At 31 March 2010	<u>391</u>

9 Stocks

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Stock for resale	<u>84</u>	<u>84</u>	<u>86</u>	<u>86</u>

10 Debtors

Amounts due in less than one year:

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Trade debtors	479	439	469	272
Other debtors	39	39	44	44
Prepayments and accrued income	459	459	469	469
Amounts due from group undertakings	-	4,555	-	3,909
	<u>977</u>	<u>5,492</u>	<u>982</u>	<u>4,694</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 2011 the amount outstanding on the loan was £3,500,000 (2010: £3,500,000), to be repaid 20 years from date of issue.

The company has agreed not to recall the intercompany balance of £4,555k for twelve months from the date of signing these accounts unless NHF Property & Services Limited has the available funds to make the payment.

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

For the year ended 31 MARCH 2011

11 Creditors: amounts falling due within one year

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Bank loan (note 13)	488	-	462	-
Trade creditors	329	329	406	406
Corporation tax	-	-	-	-
Other tax and social security	251	251	288	288
Other creditors	151	1,114	122	122
Accruals and deferred income	5,098	4,091	5,048	5,001
	<u>6,317</u>	<u>5,785</u>	<u>6,326</u>	<u>5,817</u>

12 Creditors: amounts falling due after more than one year

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Bank loan (note 13)	<u>8,727</u>	-	<u>9,217</u>	-

13 Creditors: Capital instruments

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

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Amounts repayable:				
In one year or less or on demand	488	-	462	-
In more than one year, but not more than two years	521	-	489	-
In more than two years, but not more than five years	1,754	-	1,656	-
In more than five years	6,453	-	7,073	-
	<u>9,216</u>	-	<u>9,680</u>	-

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

For the year ended 31 MARCH 2011

14 Deferred taxation

Group

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

	2011 £'000	2010 £'000
Provision for deferred tax at 1 April 2010	-	43
Current year deferred tax	-	(43)
Provision for deferred tax at 31 March 2011	-	-

Group and Company

Unprovided deferred taxation asset:
 Depreciation in excess of capital allowances
 Trading losses

	2011 £'000	2010 £'000
Depreciation in excess of capital allowances	(235)	(87)
Trading losses	189	351
	<u>(46)</u>	<u>264</u>

There was no provision for deferred taxation as at 31 March 2011 (2010: £nil) in the company.

15 Reserves

Group

	Profit and			Total
	General reserve	Revaluation Reserve	Committee Reserve	
	2011 £'000	2011 £'000	2011 £'000	2011 £'000
At 1 April 2010 (as previously stated)	5,822	(2,033)	86	3,875
Prior year adjustment	-	2,033	-	2,033
At 1 April 2010	5,822	-	86	5,908
Loss for the year	(440)	-	(86)	(526)
At 31 March 2011	<u>5,382</u>	<u>-</u>	<u>-</u>	<u>5,382</u>

Company

	General reserve	Committee Reserve	Total
	2011 £'000	2011 £'000	2011 £'000
At 1 April 2010	7,119	86	7,205
Loss for the year	48	(86)	(38)
At 31 March 2011	<u>7,167</u>	<u>-</u>	<u>7,167</u>

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

For the year ended 31 MARCH 2011

16 Reconciliation of movements in shareholders' funds

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
(Loss)/profit attributable to members	(526)	(38)	810	1097
Net additions to shareholders' funds	(526)	(38)	810	1,097
Opening shareholders' funds (Originally £3,875k before prior year adjustment of £2,033k)	5,908	7,205	3,065	6,108
Closing shareholders' funds	<u>5,382</u>	<u>7,167</u>	<u>3,875</u>	<u>7,205</u>

17 Net cash outflow from operating activities

	2011 £'000	2010 £'000
Operating surplus	36	1,357
Depreciation	547	512
Profit/(loss) on disposal of tangible fixed assets	249	48
Amortisation charges	32	32
Share of profit in joint venture	(130)	(178)
(Increase)/decrease in stock	2	(10)
Decrease/(increase) in debtors	5	54
(Decrease)/increase in creditors	(35)	896
Net cash inflow from operating activities	<u>706</u>	<u>2,711</u>

18 Reconciliation of net cash flow to movement in net debt

	2011 £'000	2010 £'000
(Decrease)/increase in cash in the year	(960)	1,406
Cash outflow from loan financing	464	446
Movement in net debt in the year	(496)	1,852
Net debt at 1 April 2010	(6,074)	(7,926)
Net debt at 31 March 2011	<u>(6,570)</u>	<u>(6,074)</u>

19 Analysis of changes in net debt

	At 1 Apr 2010 £'000	Cash flow £'000	At 31 Mar 2011 £'000
Cash in hand	3,606	(960)	2,646
Liquid resources	(9,680)	464	(9,216)
	<u>(6,074)</u>	<u>(496)</u>	<u>(6,570)</u>

As stated in note 7, at 31 March 2011 the Federation held £968,762 on behalf of My Home Finance Limited which is not included in the Federation's cash at bank and in hand

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

For the year ended 31 MARCH 2011

20 Capital commitments

The company had capital commitments at 31 March 2011 of £26,000 (2010 – £313,000)

	2011	2010
	£'000	£'000
Contracts tendered for and awarded	<u>26</u>	<u>313</u>

21 Contingent assets/liabilities

There were no contingent liabilities at 31 March 2011 or 31 March 2010.

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.

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

Final salary with a 1/80th accrual rate.
Career average revalued earnings with a 1/80th 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 benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The National Housing Federation has operated 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. This does not affect any benefit structure changes from April 2010.

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.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
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For the year ended 31 MARCH 2011

Retirement benefit schemes (continued)

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 12.3% to 14.5%. Member contributions varied between 10.1% and 10.8% depending on their age.

As at the balance sheet date there were 120 active members of the Scheme employed by The National Housing Federation. The pensionable payroll in respect of these members was £4,648,580. 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 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 69.7%.

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.

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For the year ended 31 MARCH 2011

Retirement benefit schemes (continued)

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 th accrual rate	17.8
Final salary with a 1/70 th accrual rate	15.4
Career average revalued earnings with a 1/60 th accrual rate	14.9
Final salary with a 1/80 th accrual rate	13.5
Career average revalued earnings (CARE) 1/80 th accrual rate	11.9

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.

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 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 is currently in the process of reviewing the recovery plan for the SHPS Scheme in respect of the September 2008 actuarial valuation. A response from the regulator is expected in due course.

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

For the year ended 31 MARCH 2011

Retirement benefit schemes (continued)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80.0%.

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.

The total pension cost for the Federation for the year was £651,159 (2010: £631,180).

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 2011 the amount outstanding was £9,215,714 (2010: £9,679,115).

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 interest fix for 5 years at 7.315% expired on 10 June 2009 and the £3,443,366 remaining on the loan allowed to float. On 22 February 2010, the company elected to fix interest at 5.595% for 10 years on £3,318,244 to run from 11 March 2010 and £791,700 to run from 29 April 2010.

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 June 2012. At the 31 March 2011, the overdraft with the bank was £nil (2010: £nil).

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

For the year ended 31 MARCH 2011

Financial commitments (continued)

At 31 March 2011 there were commitments to make the following payments during the next year in respect of operating leases on premises:

	Group and Company 2011 £'000	Group and Company 2010 £'000
Land and buildings		
Leases which expire within one year	45	-
Leases which expire over five years	45	117
Other		
Leases which expire within one year	9	4
Leases which expire within two to five years	49	45
Leases which expire over five years	-	-

24 Transactions with directors and other related parties

During the year the National Housing Federation paid £229 (2010: £nil) to Housemark for services and received licence income from Housemark amounting to £254,644 (2010: £227,500).

National Housing Federation paid rent of £1,037,237 (2010: £1,037,237) to NHF Property & Services Limited. It also paid £64,054 (2010: £56,650) 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 £1,106,039 (2010: £1,034,042).

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 2011 were £8,320,955 (2010: £8,358,380).

There are no other related party transactions.

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 2010. These have been used in compiling the Federation's group financial statements. They contained the following information:

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

For the year ended 31 MARCH 2011

Group and joint ventures disclosures (continued)

	2011	2010
	£	£
Profit and loss account		
Turnover	5,183,582	4,985,515
Profit after tax	204,094	276,735
Balance sheet		
Gross assets	2,205,550	2,220,605
Gross liabilities	<u>(1,210,523)</u>	<u>(1,429,672)</u>
Net liabilities	<u>995,027</u>	<u>790,933</u>
Called-up share capital	100	100
Profit and loss account	<u>994,927</u>	<u>790,833</u>
	<u>995,027</u>	<u>790,933</u>

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

26 Prior year adjustments

The prior year comparatives have been adjusted to reflect the revaluation of Lion Court back to cost. The effect of this has been to reduce the revaluation reserve to nil from £2,033k and the net asset value of tangible fixed assets to £15,852k from £13,958k.

