



Report and financial statements

Notting Hill Housing Trust
2016/17



www.nhhg.org.uk

Registered office and head office

Bruce Kenrick House
2 Killick Street
London N1 9FL
Tel: 020 3815 0000

Registrations

Registered Society number: 16558R
Registered Provider number: L0035
A charity exempt from registration
Regulated by The Homes and
Communities Agency

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London WC2N 6RH

Principal solicitors

Devonshires
30 Finsbury Circus
London EC2M 7DT

Principal bankers

Barclays Bank plc
Business Banking
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London E14 5HP

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Board members and senior staff

Group Board members



Paul Hodgkinson CBE
Board Chairman



Debra Yudolph
Vice Chairman



Bukky Bird



Linde Carr



Jane Hollinshead
(appointed 25 May 2017)



Sue Hunt



Alastair Moss



Richard Powell
(appointed 25 May 2017)



James Wardlaw



Kate Davies
Chief Executive



Andy Belton
Chief Operating
Officer and
Deputy CEO



Paul Phillips
Group Finance Director

Executive Board members



Kate Davies
Chief Executive



Paul Phillips
Group Finance
Director



Andy Belton
Chief Operating
Officer and
Deputy CEO



Mark Vaughan
Group Director of
Commercial Services



John Hughes
Group Development
Director



Andrew Muir
Group Corporate
Services Director



Annemare Fenlon
Group Director
of Housing
(appointed
2 February 2017)

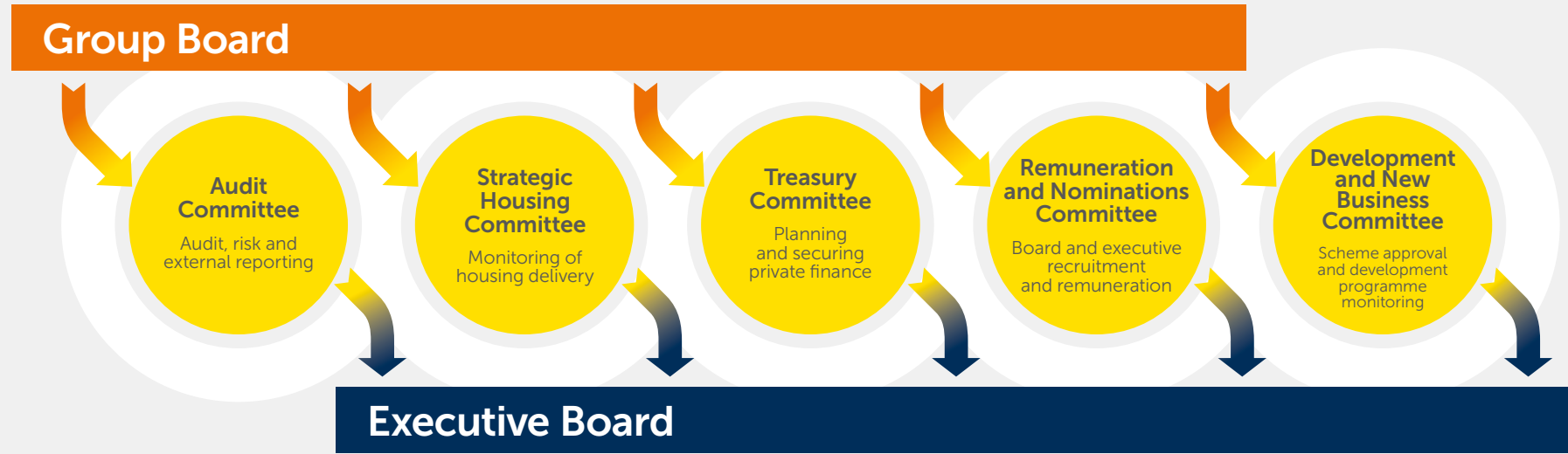


Andrew Nankivell
Secretary

Karen Richardson and Samantha Tennakoon served on the Board during the year. Both resigned 24 May 2017.

Governance structure

The Group undertook a governance review in 2016/17. The amendments to the governance structure took effect from 25 May 2017.



Key* legal entities in the Notting Hill Housing Group

Notting Hill Housing Trust		Paragon Student Lets
Notting Hill Home Ownership (NHHO) Shared ownership	Notting Hill Sales Canonbury Developments Ltd	Touareg Trust Student accommodation
Notting Hill Community Housing Ltd Low cost rental homes	SimpliCity.	Notting Hill Commercial Properties Ltd Investment properties Notting Hill Developments Ltd Project Light Development 1 Ltd Walworth Homes Ltd Project Light Market Rent Ltd Project Light Development 2 Ltd
Folio London Ltd Market rent	FOLIO LONDON	

*Key entities in terms of properties managed or active development. A full list of entities is available on page 85.





Chairman's report

"Notting Hill Housing is committed to using its commercial skills and its financial resilience to fulfil its social purpose - providing affordable housing for Londoners, in an increasingly challenging environment."

Chairman's report

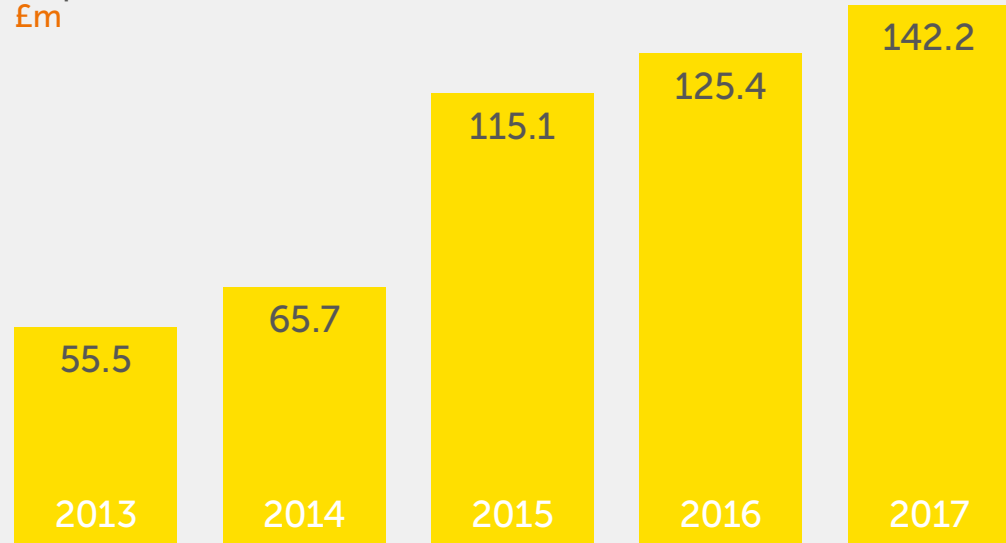


Notting Hill Housing is one of the largest housing associations in London. We now own or manage almost 33,000 properties within Greater London. We were formed more than 50 years ago to meet the capital's unique housing challenges and we are still providing low-cost homes for those who need them most.

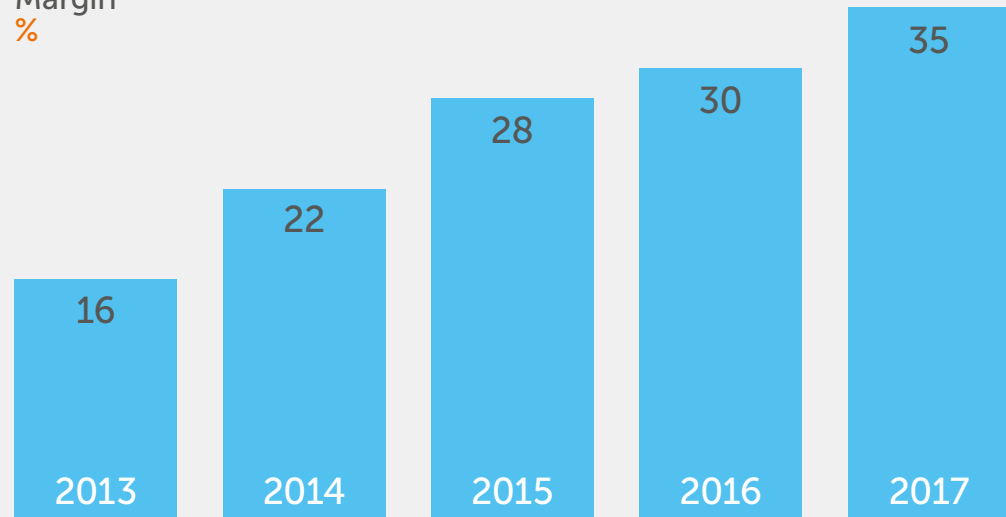
Our business model has evolved over the past 50 years and we continue to adapt to the increasing challenge of providing affordable housing to low-income Londoners. But there is a constant and growing need for more housing. We remain committed to our social purpose – to provide decent, affordable homes for Londoners – and to use our commercial skills to develop more homes.

We do this mainly by developing mixed tenure sites, in which we offer homes for private sale and undertake commercial rental activities so that we can provide shared ownership properties and affordable homes to let to new customers. Despite rising construction costs and the higher price of land for development, we started 2,408 homes in 2016/17 and finished 1,151, making us one of the biggest developers in London. At the end of March, we had 3,351 homes on site.

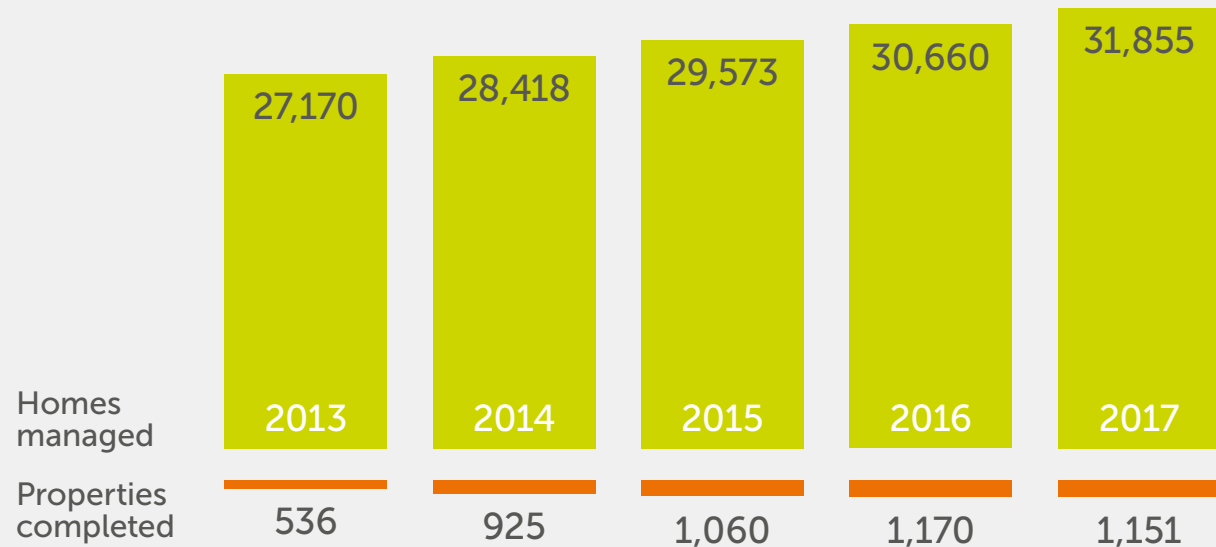
Surplus
£m



Margin
%



We have achieved our highest ever surplus of £142.2m in the year 2016/17. Our surplus as a percentage of turnover has improved from 16% in 2013 to 35% in 2017.



We are increasingly involved in partnerships and joint ventures to create larger schemes, including several with local boroughs to develop public sector land. We own properties in all 32

London boroughs and are actively developing in 12 of them. In the London Borough of Southwark, for example we have more than 5,000 homes under development and we are making progress with our major developments: at Canada Water, the first phase is well underway, and scheme design is completed at the Aylesbury Estate. We are one of 13 developers and consortia chosen by Transport for London (TfL) to help create thousands of new homes on unused land owned by TfL and, together with our joint venture partner

U&I, we have been selected as the preferred developer for the first TfL scheme at Kidbrooke in the Royal Borough of Greenwich.

We are always looking for new and innovative ways to provide new affordable homes. To this end we have created SimpliCity, a community benefit society that will use some of the profits from our commercial activities to purchase and let street properties. The properties will be refurbished and let at no more than 80% of market rent to low-income

working families. Following a successful pilot of 50 properties, we intend to purchase a further 180 properties in the next year.

In the absence of or reduction in government support, we have been exploring partnerships to enable us to become more resilient, influential and to deliver more homes for those who could otherwise not afford them for some time. To that end the Board have approved a merger with Genesis Housing Association on 19 July 2017 to form a new group NottingHill

Our development programme has delivered 1,151 properties in the year. We have 9,673 properties in the pipeline for delivery.

Genesis. We believe we have found the right partner in Genesis, with whom we have a great deal in common, not least our shared roots in 1960s west London and a similar ongoing commitment to housing low-income households in London and the South East. This exciting partnership means that together we can transform the approach to housing in London and the South East by leading by example and challenging others to do much more.

Our financial resilience is derived from two primary sources: our surpluses and our operating efficiency.

A+ outlook negative
Standard and Poor's

A2 outlook negative
Moody's

Vacant possession value of property portfolio

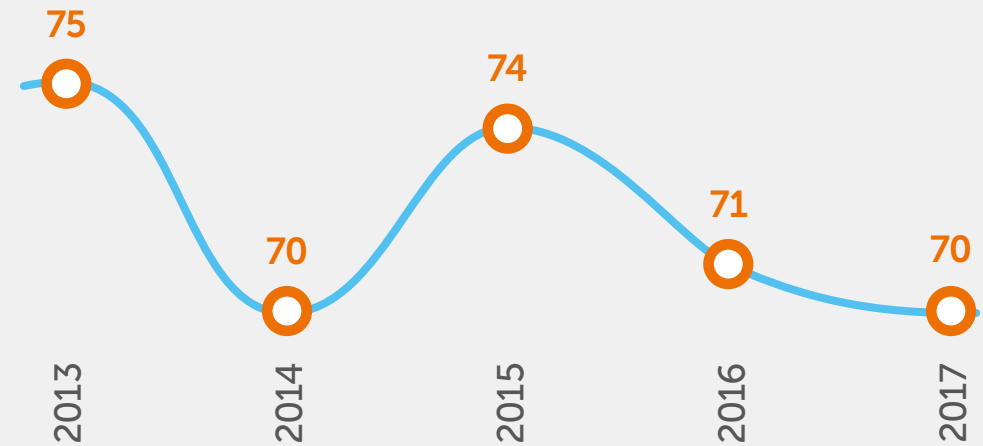
£11.9 billion

In 2016/17, we made a surplus of £142.2 million, a 13% increase on the previous year, primarily due to the higher value of homes developed for sale and strong revenues as shared ownership customers purchased more equity in their homes. Our surpluses are re-invested in developing new homes because we do not pay any dividends.

We have maintained our debt level at £1.3bn which, as a proportion of our asset base, is prudent. We regularly undertake risk assessments and stress testing of our business plans to ensure that should external conditions change dramatically the business will be able to respond and maintain viability. We continue to carry the highest ratings of G1 for governance and V1 for viability from our regulator.

We are committed not simply to cutting costs, but to improving how we deliver housing services. We remain on track in our commitment to reduce our operating costs per home by reducing them by 3.5% in the year. The cost reduction

Overall customer satisfaction %



programme has been developed by teams across all businesses rather than by creating a central cost-cutting project and will be implemented over the life of the plan. This means we can both embed the savings and better avoid adverse effects on customer service and satisfaction levels. The work is supported by investment in technology and making the most of new technology to create smoother, faster and more cost-effective systems to benefit both our staff and our customers.

Our overall customer satisfaction has reduced slightly from 71% in 2016 to 70% in 2017. We have more work to do to improve our customer satisfaction, in particular for our leasehold customers.

The next five years will see unprecedented change and opportunity arising from the decision to leave the European Union; political change in London and the UK; the impact of automation and how people whether customers or our staff use technology. We are investing substantial resources in our information technology to improve the digital offer for those who wish to access services online and to improve the effectiveness of our staff. We will approach these new challenges as we always do – by thinking for ourselves, being pragmatic and serving our residents. Our job is to ensure that while change will and must happen, we stay focused on our mission and values.

On 31st October 2016, our Vice President and former chair Lionel Morrison OBE died aged 81. Lionel became a member of our Board in 1976

and served as our chairman for five years from 1994. He had been a prominent member of the Notting Hill and North Kensington communities as well as the only black journalist on Fleet Street. He will be missed by us and the Notting Hill community.

In these challenging times, we are particularly fortunate to have an excellent and stable executive team led by Kate Davies, supported by strength in depth among the business leaders. Our reputation among London boroughs and with the Mayor's office is strong, and we intend to continue this productive dialogue to drive our unique combination of development and social rented provision in London.

On behalf of the Board, I would like to express my gratitude to the entire staff of Notting Hill Housing. I

referred earlier to the strength of the London housing market, which creates challenges for our staff, working in the capital as they do. Nonetheless, I continue to be impressed by their enthusiasm and commitment to providing high quality homes for those who couldn't otherwise afford to live in London. Their ability to adapt to a changing and challenging external environment, along with our strong financial position, means that we look ahead with confidence.

The Grenfell Tower tragedy has thrown a spotlight on social housing and on everyone who works in the sector. Although there is still no confirmation of what caused the fire, it is clear that we all need to take a good look at a whole range of issues around how we procure, build, refurbish and maintain our properties, as well as at how we ensure our residents' safety.

The fire was a national tragedy, but also a very personal one. It occurred in the area where Notting Hill Housing was founded, where we have many residents and where many colleagues live. We are fortunate in that no staff were killed or injured, but some were unable to return to their homes for several days. We also heard inspiring accounts of support and hard work undertaken by residents, colleagues and others from within and beyond the local community.

I would like to take this opportunity on behalf of the Board to thank all colleagues who worked so hard to deal with the aftermath of the fire and who I know will continue to do everything they can to help ensure that nothing like this can ever happen again.



Paul Hodgkinson CBE
Board Chairman





Strategic report

“Each of our five strategic themes - focusing on our residents, our people, new homes, closer partnerships and our financial strength - links back to our core purpose: to provide good quality homes for those who could not otherwise afford them.”

Strategic report

Who are we?

Notting Hill Housing provides owns and manages almost 33,000 homes across London. The majority of these are at a lower rent for people who cannot afford a full market rent. In addition, we provide shared ownership properties, homes at market rent and accommodation with additional support for those who need it, as well as units for outright sale on the private market. We are a major developer of housing in London.

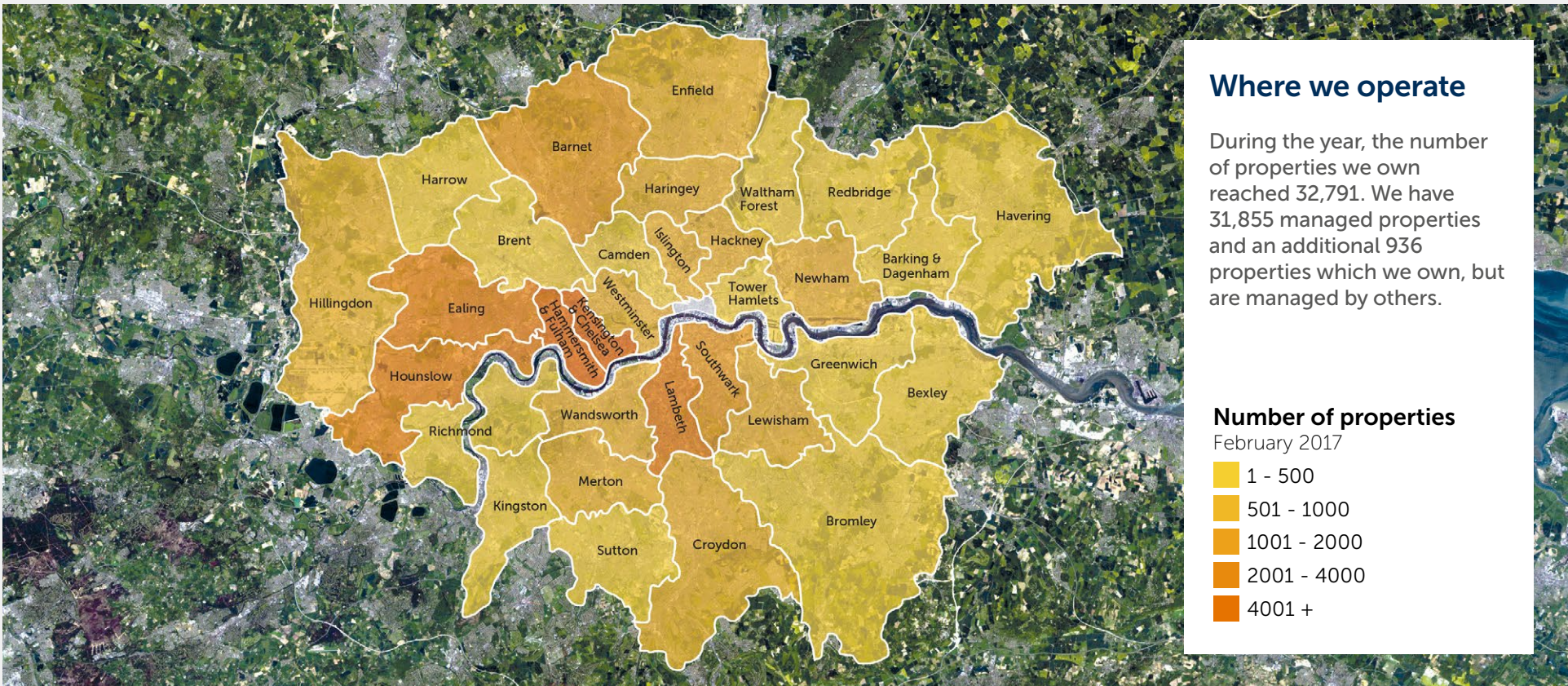
Our purpose - Notting Hill Housing exists to provide good quality homes for those who could not otherwise afford them.

Our vision - To be London's leading housing organisation with customers who love where they live and staff who love where they work and what we do.

Our values - At Notting Hill Housing, we are motivated by the positive impact that good quality, affordable housing has on people's lives. We are inspired by what we do; we act with integrity and openness; we challenge and support each other; and we are united. We are independent, financially strong and have good governance. We are one Notting Hill Housing.



Our strategic priorities



Properties under management



Strategy, objectives and performance

Our residents and their homes

We provide a range of good quality, affordable and well maintained homes. Each of our residents has a dedicated member of staff through our successful Altogether Better (A2B) service delivery model. We now need to improve our digital offer to our customers so those who wish to can access our services online and self-serve.



Turnberry Court: The first scheme in London to be rated 'outstanding' by the Care Quality Commission.

Key objective

We will make the most of new technology to create smoother, simpler, faster and more cost-effective systems. By automating key services we will make it easier and more convenient for customers to interact with us.

The Board has approved a £7m investment in a programme (called WorkWise) to automate some of our key business processes such as handling repairs, managing voids and dealing with rent and service charges.

Our homes will be safe and cost-effectively maintained.

99.98% of our properties with a gas supply have a valid gas safety certificate.

We have completed 100% of the Fire Risk Assessments across our homes in 2016/17; 77% of the actions arising from the assessments have also been completed.

At 31 March 2017, 78 high risk actions were outstanding and 38 at the point of signing.

The repairs and maintenance costs per home have reduced by 11% from £2,002 in 2014/15 to £1,781 in 2016/17 mainly driven by savings on unit prices within our new contracts put in place from April 2015, and delays in planned maintenance works.

Housing management costs per unit have also reduced from £1,069 in 2014/15 to £930 in 2016/17.

We will continue to offer a personal service to all those who need or prefer it.

We have worked hard on understanding our different customers and what they expect from our services. As a result we changed how we measure satisfaction across our business.

Our new customer satisfaction index for our general needs residents is now 78%, with care and support on 90%, leasehold on 57% and Home Options on 68%.

Our Pathways extra care service at Turnberry Court was awarded outstanding status by the Care Quality Commission, making it the first scheme in London to receive the accolade.

Notting Hill's record of year-on-year arrears reduction continues and we currently sit just 0.01% short of our target.

The number of residents impacted by welfare reform has increased due to the continued roll-out of Universal Credit and reduction in the household benefit cap. Figures show cases and arrears across all business areas.

Impact of welfare reform

Universal Credit

556
residents affected

15.48% in arrears

Benefit cap

318
residents affected

8.43% in arrears

Bedroom tax

864
residents affected

7.51% in arrears

Key performance indicators	2016/17 Performance	2016/17 Target	2015/16 Performance	2015/16 Target
Rent collection rate over 12 months	100.0%	100.3%	99.6%	100.3%
Current tenant rent arrears	5%	5%	5%	5%
Rent loss due to voids	1.4%	1.1%	1.2%	1.4%
Number of voids	323	302	258	302
Customer satisfaction overall	70%	76%	71%	76%
Number of ombudsman investigations	20	0%	16	0%
Number of maladministration findings by ombudsman	5	0%	6	0%
Percentage of homes with valid gas certificate	99.98%	100.00%	99.97%	100.00%

Providing more new homes

Everyone knows there is a housing shortage in London, especially of homes that lower and middle-income individuals and families can afford. Notting Hill Housing is absolutely committed to producing as many new homes as we can each year to provide a range of options to meet Londoners' needs.

Key objective

We will produce a range of housing types to help support mixed communities.	We have a strong pipeline of tenures and we continue to deliver a range of housing types to suit all Londoners (see graph below)
All of our surpluses from private rented and for-sale housing will be reinvested in providing good quality homes for those who could not otherwise afford them.	We have let building contracts worth £531m which will add to economic activity in London. We have created a Community Benefit Society with the intention of providing homes for low-income working Londoners, without the need for Government subsidy. 71 properties were purchased by the society in the year.
Our target is to build at least 1,400 homes per year.	We have an overall strong pipeline of land identified for development and we expect to meet our long-term average growth aspirations. In the year, we acquired plots for 3,091 homes, started to build 2,408 and completed 1,151.

Key performance indicators	2016/17 Performance	2016/17 Target	2015/16 Performance	2015/16 Target
Average overhead cost of developing a new home	£5,825	£5,311	£5,348	£6,329
Cost per square metre of homes constructed	£2,709	£2,176	£2,386	£1,925
Sale time to completion (weeks)	17.1	11	9	10
Customer satisfaction with sales process	86%	87%	96%	87%
Plots acquired	3,091	1,400	801	1,400
Homes started	2,408	1,474	750	2,569
Homes completed	1,151	879	1,170	1,321

Our cost per square metre of homes constructed has suffered as a result of rapid inflation, mostly off-set by increases in the sales values of our homes developed for sale.

We have continued to experience the effects of a cooling market on our high value schemes influenced by uncertainty around Brexit, the general election and changes to stamp duty law. We continue to monitor this area closely.

We strive to make a surplus and to be efficient. This is important to us not for its own sake, but so we can continue to provide more homes for even more people in housing need and improve our services.

Much of the money we spend on new homes is generated through our commercial activity, such as selling homes on the open market. Political and social change may make this more challenging, but we will continue to manage the risk effectively without jeopardising our core purpose.



Canada Water
Southwark

Our people and our work

We want our residents to feel our passion and our staff to be the best at their work. While we work in different teams and with different residents, we all play a role in building more homes, providing attractive and safe environments, and offering the best customer service. People from all over the world and from very different backgrounds work for us, this makes us stronger and more able to help the wide range of residents we serve.

We set ourselves high standards and apply commercial discipline to every aspect of our business, with all of our businesses needing to make a surplus. We try to learn from others and from listening carefully to our staff and residents.

We now need to embrace new ways of working for our staff as well as our customers. This will include using automation to increase efficiency and to reduce waste, bureaucracy, paper and time.

Key objective

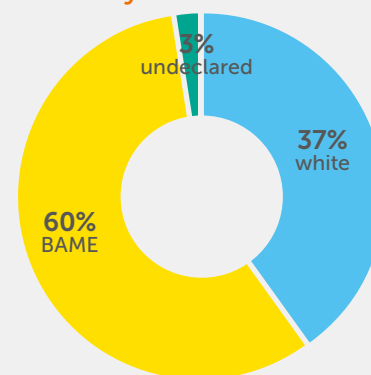
We will make work easier and more rewarding for our staff by creating a strong digital offer for our residents.

We have created the WorkWise programme which is delivering automated and efficient processes and new ways of working. We are continuing with our office modernisation to support flexible working.

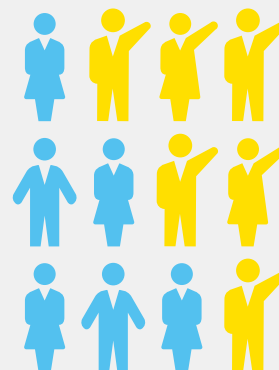
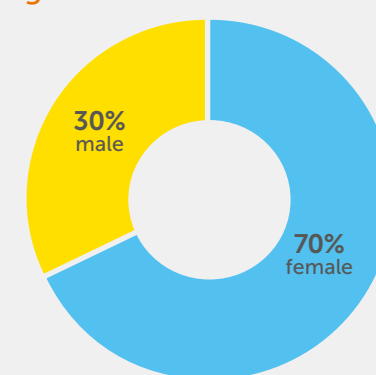
We will have a skilled and talented workforce and we commit to developing our staff so we can promote people internally whenever possible.

87% of staff say that NHH is a good employer and we have been awarded Investors in People Gold.
NHH has created an emerging leaders programme to support staff to transition into management.
25 individual staff benefited from Course of Study grants in 2016/17.

Staff composition ethnicity



Staff composition gender



6 of 12
emerging managers
on the 2016/17
programme are
now in management roles.

// NHH has effectively **evolved into an impressive organisation** that meets the exacting standards of IiP Gold with aplomb. Employees ... have **a very real pride in what they and their employers do** and the impact that this has on their customers.

Investors in People

Closer partnerships

We can achieve more in partnership than we can do alone and have always used partnerships to help us provide more affordable homes. Our merger with Presentation in 2009 gave us new opportunities and more influence in new areas of London.

In order to deal with the changes and challenges ahead, Notting Hill Housing will find partners from the private, local authority and housing association sectors to work with us to create a new approach and a stronger organisation.

Key objective

We will work more closely with key local authorities.

We have a presence in all 32 London boroughs and are actively developing in 12 of them. We are major regeneration partners with Greenwich, Haringey, Harrow and Southwark.

We also have a 15-year partnership agreement on extra care provision in Islington.

We will approach other like-minded housing associations to discuss a formal partnership or merger.

On 19 July the Board approved the merger with Genesis Housing Association. Through greater efficiency and influence, we will continue to meet our core purpose of providing more affordable homes.

Our financial strength

We are financially strong, which gives us the independence to make choices about our future. All the money that we make is reinvested in what we do, we have no shareholders to whom we must pay a dividend.

We are efficient so that we make best use of our financial resources. We are profitable and make the best use of our resources because we need to secure funding from private investors and public sector partners.

The Board estimates the value of our housing properties to be more than £11.9bn on a vacant possession basis.

We regularly stress-test our financial plans to ensure we are resilient to changes in economic assumptions in relation to internal and external factors.

We had undrawn facilities of £357m at 31 March 2017.

Key objective

We will use our surplus to be financially strong, resilient and independent so we are sustainable for the future. We will achieve this by securing surpluses of at least £500m by 2022 to finance our investment.

We will continue to provide new homes, spending at least £1.5bn by 2022.

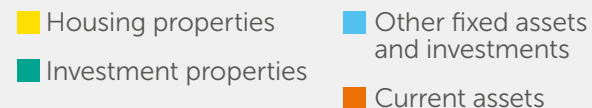
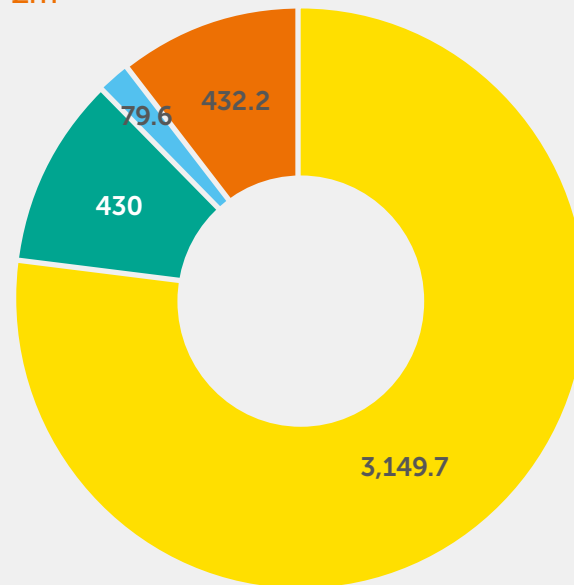
We want investors to choose to partner with us.

We have generated a surplus of £142.2m in the first year of our five-year strategy, which requires £100m per year to meet the target of £500m by 2022.

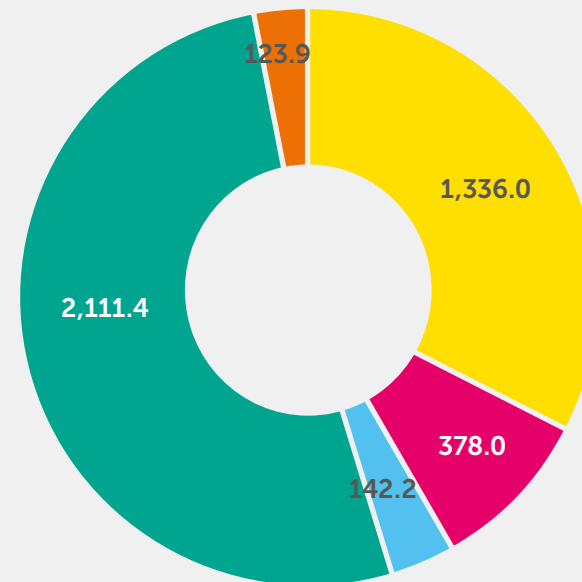
We have spent £373m on property development in the year. This is above our target of £300m.

A new facility of £200m has been agreed in principle with the European Investment Bank during 2016/17.

Assets
£m



Financed by
£m



Governance

Notting Hill Housing Trust ("The Trust") is governed by a Board ('the Board') composed of nine non-executive members plus three executives. Notting Hill Home Ownership (NHHO) has a separate Board ('NHHO Board'), chaired by Debra Yudolph, which consists of seven non-executive members and three executives, with the meetings taking place concurrently with the Trust Board. Details of Board members, who are drawn from a range of backgrounds, are set out on page 2. The Board delegates some of its responsibilities to committees, which each has a Group-wide remit. Each of these committees has clear terms of reference and delegated authority. They report back to the Board after each meeting, where their recommendations are considered and approved where appropriate.

The Group undertook a governance review in 2016/17. The amendments to the governance structure took effect from 25 May 2017.

There are five main functional committees within the Group: the Audit Committee, the Treasury Committee, the Strategic Housing Committee, the Development and New Business Committee and the Remuneration and Nominations Committee.

The Audit Committee

The Audit Committee oversees the work of the internal and external audit functions as well as the risk management framework and internal control framework for the Group. The Committee reviews the audited financial statements for all parts of the Group with external debt and recommends them to the relevant Boards for approval. Through the reports it receives, the Audit Committee gains external assurance that the Group has appropriate systems of internal control and complies with the HCA's expectations in this area.

The Treasury Committee

The Treasury Committee undertakes an annual review of the Group's treasury policy and hedging strategy. It also oversees the Group's treasury activities including, in particular, the strategy for sourcing of new finance.

The Strategic Housing Committee

The Strategic Housing Committee is responsible for strategic oversight of services to the Group's residents and other customers including providing challenge and overseeing major transformation programmes.

The Development and New Business Committee

The Development and New Business Committee is responsible for overseeing the effective risk management, control and delivery of major business development programmes and projects across the Group.

The Remuneration and Nominations Committee

The Remuneration and Nominations Committee considers remuneration of the Board members and of the Executive Board. In addition it oversees the process for Board member appraisal, reviews the process for Board member appointments.

The Executive Board ('the EB')

The Group is managed by the EB, headed by the Chief Executive and supported by Group Directors of Finance, Commercial Services, Development, Corporate Services and Housing and Chief Operating Officer.

Executives and other staff have no interest in the Trust's shares and act as executives within the authority delegated by the Board.

The Chief Executive and the EB members are on notice periods ranging from three to six months. Details of Board

and EB remuneration are shown in note 30. Board members, senior staff and committee members are insured against personal liability when acting on behalf of the Group.

Tenant involvement

Tenants are actively encouraged to become involved in decision-making by the Group, which promotes mechanisms through which tenants can influence operations. We have a tenant Board member and a leaseholder Board member. There are clear reporting arrangements between resident groups and the Board.

Code of governance

The Group has adopted the National Housing Federation's 'Code of Governance: Promoting Board Excellence for Housing Associations (2015 edition)' and has committed to uphold it and keep to the high standards expected. Compliance with it is reviewed annually by the Remuneration and Nominations Committee. The Group complies with all areas of the code apart from one.

The code advises that the Board should delegate to a committee responsibilities that include oversight of the appraisal of the Chief Executive and making a recommendation to the Board on a remuneration package for the Chief Executive. The committee must not include any executives. In the Group's case, the Board does not decide the Chief Executive's remuneration package, but has delegated that to the Remuneration and Nominations Committee, which does not include executives.

Employees

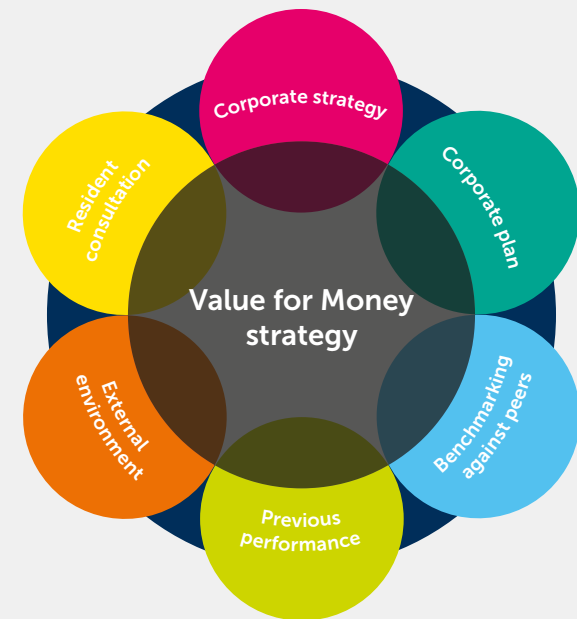
The strength of the Group lies in the quality of all its employees. Our ability to meet our objectives and commitments to tenants in an efficient and effective manner depends on their contribution. The Group is committed to equal opportunities and in particular we support the recruitment of disabled people and the retention of employees who become disabled while in the employment of the Group. The Group has received recognition from the Department for Education for

establishing policies of positive promotion of employment opportunities for candidates and employees with disabilities. The Group holds Investor in People Gold Standard.

Value for money (VFM)

What does VFM mean to Notting Hill Housing?

For Notting Hill Housing, VFM is about being effective in how we plan, manage and operate our business. It means making the best use of the resources available to us to provide quality homes appropriate to London's needs, supported by high quality services and support. Value therefore means the number of homes, the appropriateness of those homes to London's needs, the quality of the homes and the quality of the services we provide, which in turn lead to improved quality of life and wellbeing for our customers.

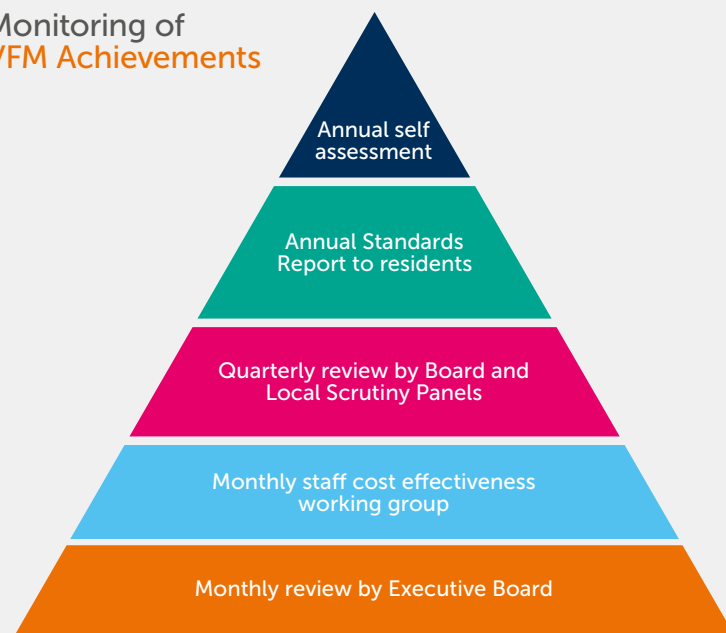


How do we approach VFM?

The VFM strategy is agreed by the Group Board, which also monitors performance on VFM.

We use simple performance indicators to measure ourselves, set targets and benchmark our performance. Over time our VFM standards have and will continue to rise.

Monitoring of VFM Achievements



Delivery of VFM

We use the objectives and outcomes in our Corporate Strategy to drive business planning for each of our businesses. Because of the balance between the required objectives and the limited assets and other resources available to achieve them, it is essential that VFM is maximised.

Our delivery of VFM is based on setting targets for operating costs per unit for each business and monitoring delivery and achievement

against those targets on a regular basis.

VFM achievements - return on assets

We aim to deliver an average of 1,400 additional homes a year. We acquired 3,091 plots during the year, started 2,408 homes and completed 1,151, of which 81% were affordable homes aimed at low-income Londoners.

We aim to make best use of the funds and assets available to us to provide more affordable homes. Where we invest in assets outside of our core social homes, we are careful to make sure that they make a good return and do not pose a risk to our core homes. They provide more homes overall and the surpluses are used to support future growth in affordable homes.

The return on market rent activities is reduced this year due to the cost of reinvestment works which under FRS102 are brought to account in the year, rather than being taken as an increase in the capital value. It

Table A – Return on capital employed by main business

	2017			2016		
	Operating surplus	Capital deployed	Return %	Operating surplus	Capital deployed	Return %
Rented housing	£55.0m	£2,340m	2.4	£51.5m	£2,218m	2.3
Shared ownership	£13.1m	£553m	2.4	£12.5m	£483m	2.6
Market rent	£6.4m	£242m	2.6	£8.7m	£218m	4.0
Student housing	£3.5m	£60m	5.8	£2.7m	£60m	4.5

is more than offset by uplifts to valuations of the properties.

We also review the returns from our existing properties, both financial and non-financial, in order to ensure their value for money. Our active asset management strategy improves the use of our housing assets – selling older, more expensive and less suitable inner London properties to provide more efficient and larger homes in outer London. As well as increasing our overall stock of homes, this strategy helps deal with the impact of welfare reforms where larger families find it difficult to live in inner London and will increase opportunities for seriously overcrowded households.

This year we sold 17 homes which enabled the purchase of 99 homes in Outer London for affordable rent. In total we have sold 57 homes and purchased 461, a net gain of 404 homes. We plan next year to deliver a further 200 largely family-sized homes in London, of which 180 will be Notting Hill Community Housing's SimpliCity product, and the new homes will give a significantly better return than the properties we will sell.

Table B – NHHT Group social housing cost per unit trend

	2014/2015 £ per unit	2015/2016 £ per unit	2016/2017 £ per unit	Change 2015 - 2017		Budget 2017/2018 £ per unit
Management costs	1,069	1,023	956	-£113	-10.6%	847
Service costs	633	575	671	£38	6.0%	665
Routine maintenance	801	806	806	£5	0.6%	870
Planned maintenance	418	245	305	-£113	-27.0%	242
Major repairs incl capitalised	783	565	662	-£121	-15.5%	644
Home Options lease payments	826	820	756	-£70	-8.5%	718
Neighbourhood services	21	14	14	-£7	-33.3%	23
Cost of care support services	325	276	267	-£58	-17.8%	258
Sub total	4,876	4,324	4,437	-£439	-9.0%	4,267
Pension deficit		293				
Total	4,876	4,617	4,437	-£439	-9.0%	4,267

VFM achievements, service costs

We have always tracked our operating cost per unit and this year we have been using the HCA's suggested definition. Our key measure is the headline cost per social housing unit, which we calculate at Group level. When comparing ourselves to others we are able to adjust for factors within our strategies which drive

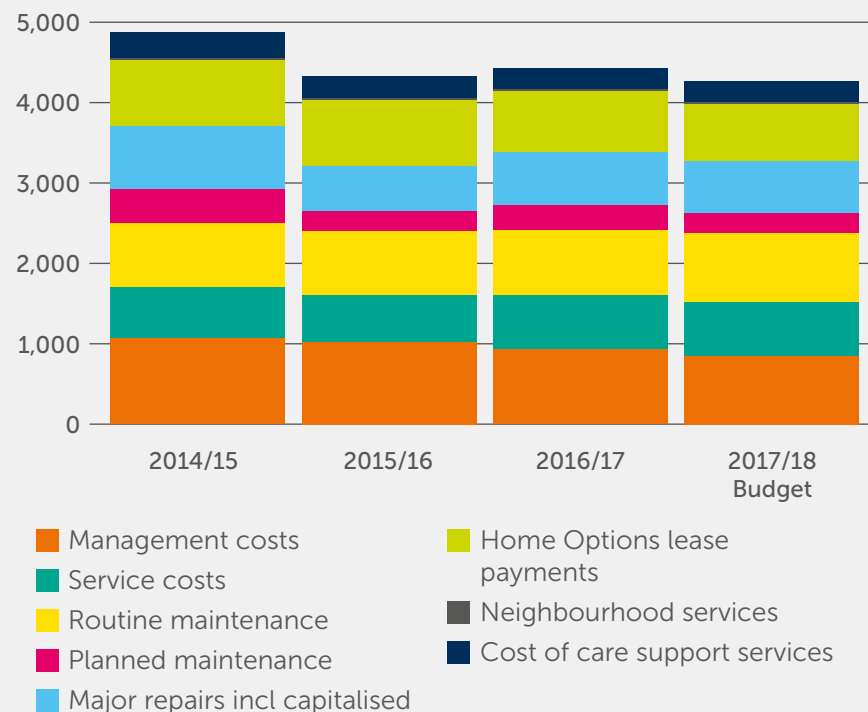
our cost per unit, such as our decision to operate in London, and to deliver services which have a high cost, particularly temporary accommodation, supported housing and care.

Performance on satisfaction and other quality measures are described in the Annual Standards Report for residents and in the strategic report within the financial statements.

We use Housemark to analyse our performance relative to peers, the Group of 15 large London providers of social housing (G15). We also track our unit costs using published accounts. For future years we are taking part in the Sector Scorecard initiative which uses 15 key measures. Our cost per unit performance is shown in Table B.

Table C shows the costs in graphical form.

Table C – Chart of CPU Trend (excluding pension deficit adjustment) £ per unit, 2014/15 actual to 2017/18 budget



The overall trend is good, with the CPU dropping from £4,876 in 2014/15 to £4,437 (9.0% over the two years). The cost for 2015/16 was particularly low due to planned maintenance and major repairs, offsetting higher values for the previous year. Performance is better than target which requires a reduction of 3.5% per annum.

All categories of spend have been reduced, with the exception of Service Costs and routine maintenance. Retrospective costs for service charges increased costs this year.

Planned maintenance and major repairs have increased from last year's low base, but

Table D – Cost per unit comparison

	NHH 2017 £ per unit	NHH 2016 £ per unit	G15 average £ per unit	NHH rank
Management	956	1,023	1,194	5
Service charge	671	575	549	9
Maintenance	1,111	1,050	1,095	9
Major repairs	662	565	833	4
Other social housing costs	1,037	1,402	654	12
Total	4,437	4,615	4,325	9

are significantly lower than the previous year, helped in part by efficiency improvements.

Management costs per home are reducing steadily, helped by efficiency improvements and further reduced in 2017 by low overhead costs per home.

Our non-social housing businesses within the Group compete in the wider market, so we control costs by setting financial performance targets rather than benchmarking. VFM is essential for them to compete in their respective markets.

Table D shows our costs per unit relative to our G15 peer group.

Our 2016 cost included £293 per unit in respect of SHPS pension deficits, which are brought to account every third year. There are other factors which affect our comparison. We have more temporary accommodation and supported housing than most of our peers and they cost substantially more than other forms of social homes. We are also based only in London, whereas all but one of the other G15 members has operations outside London.

We will continue to track our cost against others and seek to understand where we need to make improvements.

We actively raise charitable donations which are used to fund welfare for tenants in most need, and run other initiatives such as our Construction Training Initiative. We have a programme of recruiting and training volunteers which helps support service delivery and helps the volunteers into paid work.

VFM plans

Our business plans include unit cost reduction targets of 16% over the five years to 2022. Our devolved approach to cost reduction, which tasks individual businesses with delivering efficiency improvements is working well and has become embedded. We have also launched our WorkWise programme which will simplify, standardise and automate some of our key business processes in order to improve customer service and bring efficiencies. We expect this to deliver a further

£2.3m of efficiency savings each year from 2018/19 at a total cost over the next two years of £6.5m.

Our central procurement team is adding expertise and improved processes for purchasing goods and services. In the last 12 months they have helped deliver £2.9m in benefits.

Repairs and maintenance services represent 40% of our CPU and we plan to build on the recently introduced commercial arrangements, partnership working, contract management and cost controls to further reduce costs. Targeted investment programmes will reduce the cost of routine repairs and improve the condition of our stock.

We will be expanding our successful pilot of new ways of working at one of our offices, using mobile working office and telephony solutions to help us work together more efficiently and optimise office space.

One of our strategic aims is to strike new and closer

partnerships. We will seek to ensure that our delivery model is appropriate to best meet our strategy. This will include consideration of mergers and partnership with organisations such as Transport for London, local authorities and other housing associations.

Statement of Board's responsibilities

The Board is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the registered provider of social housing (RPSH) and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RPSH will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the transactions and which disclose with reasonable accuracy at any time the financial position of the RPSH, and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from April 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the RPSH and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the Strategic Report includes a fair review of the development and performance of the business

and the position of the Group and its subsidiaries included in the consolidation, together with the disclosure of the principal risks and uncertainties they face.

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

Internal control

The Board has overall responsibility for establishing and maintaining the whole system of internal control for the Group and for reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which is embedded within the normal management and governance process. This approach includes the regular evaluation

of the nature and extent of risks to which the Group is exposed and is consistent with Turnbull principles.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, includes the items listed below.

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Group's activities. The Executive Board regularly considers and receives reports on significant risks facing the Group and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

Monitoring and corrective action

A process of control, self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of our services.

Control environment and control procedures

The Board retains responsibility for a defined range of matters covering strategic, operational, financial and compliance issues, including treasury strategy and large new investment projects. The Board has adopted and disseminated to all employees a code of conduct for employees. This sets out the Group's policies with regard

to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, and fraud prevention and detection.

Information and financial reporting systems

The Board approves a strategic plan in each financial year, which includes longer-term financial plans and limits on investment in its various activities. Financial reporting procedures include detailed budgets for the year ahead, management accounts produced monthly and forecasts for the remainder of the financial year. These are reviewed in various levels of detail by appropriate staff and in summary on a quarterly basis by the Board. The Board also regularly reviews progress towards the achievement

of key business objectives, targets and outcomes.

Fraud

The Board has a policy on fraud covering prevention, detection and reporting of fraud and the recovery of assets. A register is maintained of any frauds or potential frauds. The Audit Committee reviews the fraud register at each meeting and has taken the results of these reviews into account in its report to the Board.

Anti-bribery policy statement

We seek to maintain the highest standards of ethics and integrity in the way we conduct our business. We recognise that bribery and corruption, in all its forms, is illegal and unacceptable. Our bribery policy statement has been integrated into our code of conduct and our gifts and hospitality policy, adopted by the Board, signed by the Chairman and Chief Executive and made available on our corporate website. We

expect our business partners to adopt a similar approach to bribery or corruption and make this a condition for new contracts awarded.

Audit assurance

During the year, KPMG acted as internal auditors. The internal control framework and the risk management process are subject to regular review by the internal auditors who advise the executive directors and report to the Audit Committee.

An audit plan was agreed by the Audit Committee for 2016/17 and was completed, including the one audit that was deferred in 2015/16. The internal auditors have direct access to the Audit Committee. The Audit Committee met four times during the financial year and considered internal control and risk at each of its meetings.

The Group has appointed PricewaterhouseCoopers LLP as external auditors. The Group receives a memorandum from the

external auditors identifying any internal control weaknesses that may have come to their attention in the course of their duties. This letter is considered by the Audit Committee and the Board.

The Audit Committee met with the internal and external auditors during the year without the presence of paid staff or executive directors.

The Audit Committee conducts an annual review of the effectiveness of the system of internal control and takes account of any changes that may be needed to maintain the effectiveness of the risk management and control process. The Audit Committee makes an annual report to the Board, which the Board has received.

Risk and uncertainties

The Board has identified the following risks to the delivery of the Group's plans.

Risk	Comments	Mitigation
Health and Safety	The health and safety of our residents remains a key concern for us. In particular fire safety and carbon monoxide poisoning.	Following the tragedy at Grenfell Tower the Group is in the process of reviewing its fire prevention measures with a view to complying with any recommendations made by both the fire authorities and Government. The Group continues to monitor this area closely. All new schemes are fitted with carbon monoxide detectors.
Downturn in the housing market	A large part of the Group's development programme relates to shared ownership and outright sale. The Group's ability to deliver this will be adversely affected if there is a lack of demand for the resulting homes at the right price.	The Group keeps the level of work in progress and completed unsold homes under review. Appraisal assumptions allow for falls in value and delays in sales.
Interest rates	At the year-end, the Group had £185m of variable rate borrowings, so each 1% increase in prevailing interest rates costs about £1.8m per annum. Of the Group's total debt, 83% is fixed, 14% is variable and 3% is inflation linked.	The Group has in place a treasury policy which sets out the limits of fixed, variable and inflation-linked debt as well as how to manage the exposure to other treasury risks. This is approved annually by the Board and is prepared jointly with our treasury advisors.
External political change	The UK's decision to leave the European Union has created uncertainty around investments, pensions, property sales and values, and staff retention.	The Group continues to monitor the evolving political landscape closely. In addition the Group continues to stress test business plans with changing scenarios and reviewing uncommitted development sites.

Investment for the future

In addition to investing in our existing stock, the Board has approved a significant new-build housing programme.

The Board has approved a land bank of up to £250m. This has enabled advantage to be taken of acquisition opportunities across London. At the year-end, the Group had invested £109.4m in undeveloped sites.

Financial review

Going concern

After making enquiries, the Board has a reasonable expectation that the overall Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Key estimates and judgements

The Group has elected to apportion 100% of the deemed cost valuation uplift to the land component. This is to reflect our valuer's view that due to the location and condition of the Group's assets, a maximum of 85% of the value of our existing properties is attributable to the land. This is based on objective evidence to reflect land values appropriate for our portfolio.

The Group has recognised £10.9m of impairment in relation to our developments. £7.3m relates to costs incurred, £0.4m in respect of investment properties and £3.2m as a provision for future losses.

Ratings

Notting Hill Housing Group is rated by both Standard and Poor's (S&P) and Moody's Investors Service (Moody's).

S&P rates Notting Hill Housing Trust (NHHT) and Notting Hill Home Ownership (NHHO). NHHT was first rated by S&P in 2015 and NHHO in 2016. The rating is currently A+ (outlook negative).

Moody's rates Notting Hill Housing Group and has since June 2010. The rating is currently A2 (outlook negative).

Results

Five-year trends for the Group are set out on page 35. Turnover for 2016/17 (£411.7m) was lower than 2015/16 (£415.4m) due to variances in property sales and shared ownership equity sales.

The surplus for the year at £142.2m after interest was above the approved budget of £97.9m and £16.8m greater than 2015/16 (£125.4m). The key reasons for this were as follows:

- The surplus from staircasing sales within our shared ownership business of £17.6m, increases in the value of our investment properties of £11m offset by impairment of £10.9m.
- Group reserves at the year end amounted to £2,253.8m (2016: £2,106.8m). See statement of changes in reserve.

Capital structure and treasury policy

Borrowings at the year-end were £1,336.3m (2016: £1,297.6m) and undrawn facilities were an additional £357.0m (2016: £390.7m). This debt is borrowed from banks and building societies in the UK as well as from the capital markets through bond issuance and international investment.

Borrowings management is the responsibility of the Group Finance Director. The treasury strategy is set annually and approved by the Board. The current interest rate strategy, along with the year-end position is set out in table E.

The figure shown as 'lower' is the minimum approved by the Board and the figure shown as 'upper' is the maximum. The Group also has target duration of 10 years and a permitted range of nine to 14 years. The year-end position was 12.7 years. The Group Finance Director is authorised to enter into interest rate swaps to modify the Group's exposures provided they remain within this range.

Table F provides an analysis of when the debt falls due for repayment.

The Group has entered into interest rate swaps with a gross notional value at 31 March 2017 of £374.7m (2016: £360.8m). The Group's policy in relation to cash surpluses is to preserve capital. Cash surpluses are thus invested in money market funds rated AAAmf and approved UK institutions rated ukA1 by Standard and Poor's.

Table E — Interest rate strategy

	Target			Actual Position
	Lower	Central	Upper	
Floating	0%	15%	40%	14%
Inflation linked	0%	10%	25%	3%
Fixed	40%	75%	95%	83%

Table F — Debt maturity

	Group £m	Trust £m
0-1 years	6.2	4.5
1-2 years	82.1	77.7
2-5 years	43.6	13.7
5-10 years	60.0	18.5
10-20 years	557.5	359.5
20-30 years	337.6	321.3
30-40 years	249.3	249.3
Total	1,336.3	1,044.5

Under the terms of its interest rate swap agreements, the Group can be required to put up cash or property as security for future payments. The amount of security is assessed by the counterparty banks on a regular basis (weekly or monthly, according to the bank).

The maximum amount of cash and properties pledged as security for interest rate swap transactions during the financial year was £nil (2016: £6.2m) and the amount at 31 March 2017 was £nil (2016: £nil). The Group generally borrows and lends only in sterling and so does not have

Table G — Property valuation

	Rented social housing £m	Shared ownership housing £m	Market rent £m	Total £m
Cost (excluding depreciation and social housing grant)	2,487.8	559.4	183.7	3,230.9
Net book value	2,422.2	550.6	262.7	3,235.5
Value				
- on a vacant possession basis	9,390.0	2,211.0	346.3	11,947.3
- on a market value subject to tenancy basis	4,634.2	634.0	262.7	5,530.9
- on an existing use for social housing basis	2,041.1	634.0	262.7	2,937.8

any currency risk. Where it borrows in a foreign currency, all associated cash flows are hedged to remove currency risk. All loans at 31 March 2017 with the exception of a £28m unsecured loan in NHHO are secured by first fixed charges over housing properties. The Trust and NHHO have a policy of not granting floating charges, although this policy does not extend to subsidiaries.

Housing properties

Housing properties are held at either cost or deemed cost in the balance sheet. At 31 March 2017, the Board was of the opinion that the value of the completed housing properties owned by the Group compared with their cost is as detailed in table G.

Independent auditors and annual general meeting

At the date of this report, each Board member confirms the following:

- So far as each Board member is aware, there is no relevant information needed by the Trust's auditors in connection with preparing their report of which the Trust's auditors are unaware;
- Each Board member has taken all the steps that they ought to have taken as a Board member in order to make themselves aware of any relevant information needed by the Trust's auditors in connection with preparing their report and to establish that the Trust's auditors are aware of that information.

The Trust's auditor is automatically reappointed on an annual basis, and PricewaterhouseCoopers LLP has expressed willingness to continue in office.

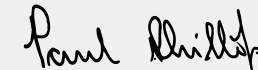
Statement of compliance

The Group has undertaken an assessment of compliance with the governance and financial viability standard as required by the Accounting Direction 2015. The Group can confirm that no evidence of non-compliance has been identified since the last report.

In preparing the strategic report the Board has followed the principles set out in the Statement of Recommended Practice for Registered Social Landlords (SORP 2014).



Kate Davies
Chief Executive



Paul Phillips
Group Finance Director

Registered Society number: 16558R
Registered Provider number: L0035

Group highlights — five-year summary

For the year ended 31 March	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Group statement of comprehensive income					
Total turnover	411.7	415.4	402.8	299.1	340.4
Income from lettings	222.6	215.2	199.6	184.2	175.5
Depreciation and amortisation of housing properties	25.8	28.7	23.7	16.7	14.3
Operating surplus	145.6	142.7	143.9	86.8	87.6
Surplus after interest and tax	142.2	125.4	115.1	65.7	55.5
Surplus / (deficit) before housing sales	56.4	36.9	31.4	9.4	6.6
Group statement of financial position					
Tangible fixed assets, at cost	3,149.7	3,034.3	2,940.4	2,535.9	2,399.9
Net current assets	308.3	321.3	222.6	218.3	144.2
Indebtedness	1,336.3	1,297.6	1,252.4	1,206.6	997.6
Total reserves	2,253.8	2,106.8	1,982.0	468.2	343.2
For the year ended 31 March	2017 units	2016 units	2015 units	2014 units	2013 units
Accommodation managed at year-end					
Rented social housing	17,860	17,246	16,860	16,437	15,600
Supported housing	1,458	1,443	1,537	1,453	1,415
Temporary housing	1,902	2,090	1,830	1,999	2,125
Student accommodation	839	839	839	839	839
Market rent accommodation	905	786	770	665	712
Total rented housing	22,964	22,404	21,836	21,393	20,691
Shared ownership housing	5,357	5,198	5,285	4,980	4,700
Leasehold in management	3,534	3,058	2,452	2,045	1,779
Total housing	31,855	30,660	29,573	28,418	27,170

For the year ended 31 March	2017 %	2016 %	2015 %	2014 %	2013 %
Statistics					
Surplus for the year as % of turnover	35%	30%	28%	22%	16%
Operating margin	35%	34%	36%	29%	26%
Operating margin-social housing lettings	35%	35%	26%	27%	25%
Surplus for the year as % of income from lettings	64%	58%	58%	36%	32%
Rent losses (voids and bad debts as % of rent and service charges receivable)	1%	2%	1%	2%	2%
Rent arrears (gross arrears as % of rent and service charges receivable)	7%	7%	8%	9%	11%
Gearing (total loans as % of housing properties at cost)	42%	43%	43%	48%	42%
Interest cover (surplus before interest payable, depreciation and amortisation of housing properties as % of interest payable)	449%	410%	436%	311%	338%
Adjusted EBITDA as a % of turnover	40%	41%	42%	32%	27%
Surplus from social housing lettings over interest paid	174%	124%	97%	93%	142%
Net debt as a % of all assets at market value	23%	23%	25%	26%	24%





Independent auditors' report to the members

The report to the members of
Notting Hill Housing Trust is
presented by
PricewaterhouseCoopers LLP.

Independent auditors' report to the members of Notting Hill Housing Trust

Report on the financial statements

Our opinion

In our opinion, Notting Hill Housing Trust's (the "Trust") financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Trust's affairs as at 31 March 2017 and of the Group's and the Trust's result and cash flows for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 2015.

What we have audited

The financial statements comprise:

- the Group and Trust statements of financial position as at 31 March 2017;
- the Group and Trust statements of comprehensive income for the year then ended;
- the Group and Trust statements of changes in reserves for the year then ended;
- the Group cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards,

comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Board has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Other matters on which we are required to report by exception

Adequacy of accounting records, system of internal control and information and explanations received

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the Trust; or
- the Trust financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Board

As explained more fully in the Statement of Board's Responsibilities, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Trust's members as a body in accordance with Section 87 (2) and Section 98(7) of the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Trust's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Board; and

- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Board's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Sotiris Kroustis
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

20 July 2017

(a) The maintenance and integrity of Notting Hill Housing Trust's website is the responsibility of the Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.





Financial statements

“We recorded a record surplus of £142.2m in 2016/17. This financial strength is crucial to the continued development of new affordable homes for Londoners, and reduces our reliance on Government subsidy.”

Consolidated and Trust statement of comprehensive income for the year ended 31 March 2017

	Notes	Group		Trust	
		2017 £m	2016 £m	2017 £m	2016 £m
Turnover	2	411.7	415.4	206.4	215.1
Cost of sales	2	(87.7)	(86.1)	(3.1)	(6.0)
Operating costs	2	(178.4)	(186.6)	(149.2)	(158.9)
Operating surplus	2	145.6	142.7	54.1	50.2
Surplus on disposal of assets	4	32.1	26.2	9.9	2.7
Gift aid receivable		-	-	43.1	47.9
Share of joint venture profit	33	0.1	-	-	-
Surplus before interest		177.8	168.9	107.1	100.8
Interest receivable and similar income	5	1.3	2.1	16.5	16.8
Interest payable and similar charges	6	(45.7)	(45.9)	(46.7)	(44.8)
Gains in respect of financial derivatives	37	8.8	13.4	8.6	6.6
Losses in respect of financial derivatives	37	-	(14.8)	-	(2.5)
Gains on disposal of financial interest rate swaps	37	-	1.7	-	-
Surplus on ordinary activities before taxation	7	142.2	125.4	85.5	76.9
Taxation	8	-	-	-	-
Surplus for the financial year after taxation		142.2	125.4	85.5	76.9
Other comprehensive income/(expense)					
Cash flow hedges		3.8	(0.6)	(0.5)	(2.8)
Actuarial pension movement		(0.2)	-	(0.2)	-
Other comprehensive income/(expense) total		3.6	(0.6)	(0.7)	(2.8)
Total comprehensive income for the year		145.8	124.8	84.8	74.1

The notes on pages 48 to 94 form part of these financial statements.

All amounts relate to continuing activities.

Statement of changes in reserves for the year ended 31 March 2017

Group	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total £m	Minority interest £m
Balance at 1 April 2015	1,275.3	723.2	(16.7)	1,981.8	0.2
Surplus for the year	125.4	-	-	125.4	-
Transfers to general reserves upon asset sale	4.5	(4.5)	-	-	-
Fair value measurement of derivatives	-	-	(0.6)	(0.6)	-
Actuarial pension movements	0.1	-	-	0.1	-
Deferred tax	-	(0.6)	0.5	(0.1)	-
Balance at 1 April 2016	1,405.3	718.1	(16.8)	2,106.6	0.2
Surplus for the year	142.2	-	-	142.2	-
Transfers to general reserves upon asset sale	4.9	(4.9)	-	-	-
Fair value measurement of derivatives	-	-	3.8	3.8	-
Actuarial pension movements	(0.2)	-	-	(0.2)	-
Deferred tax	-	1.6	(0.4)	1.2	-
Balance at 31 March 2017	1,552.2	714.8	(13.4)	2,253.6	0.2

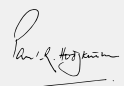
Trust	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total £m
Balance at 1 April 2015	1,004.4	637.5	(12.5)	1,629.4
Surplus for the year	76.9	-	-	76.9
Transfers to general reserves upon asset sale	0.6	(0.6)	-	-
Fair value measurement of derivatives	-	-	(2.8)	(2.8)
Actuarial pension movements	0.1	-	-	0.1
Balance at 1 April 2016	1,082.0	636.9	(15.3)	1,703.6
Surplus for the year	85.5	-	-	85.5
Transfers to general reserves upon asset sale	1.0	(1.0)	-	-
Fair value measurement of derivatives	-	-	(0.5)	(0.5)
Actuarial pension movements	(0.2)	-	-	(0.2)
Balance at 31 March 2017	1,168.3	635.9	(15.8)	1,788.4

Consolidated and Trust statement of financial position as at 31 March 2017

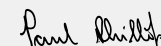
	Notes	Group		Trust	
		2017 £m	2016 £m	2017 £m	2016 £m
Tangible fixed assets					
Housing properties	9	3,149.7	3,034.3	2,371.8	2,317.9
Investment in properties	10	430.0	337.5	84.5	89.4
Other fixed assets	11	32.3	29.6	31.5	29.6
Total tangible fixed assets		3,612.0	3,401.4	2,487.8	2,436.9
Investments					
Homebuy	12	30.6	32.3	0.1	0.2
Investments in subsidiaries	14	-	-	207.8	151.6
Investment in joint ventures		16.7	24.9	-	-
		3,659.3	3,458.6	2,695.7	2,588.7
Current assets					
Properties in the course of sale	15	333.2	309.3	30.1	22.8
Debtors falling due within one year	16	21.9	31.2	198.5	252.7
Debtors falling due after one year	17	20.7	22.6	223.9	162.0
Current asset investment	18	0.7	0.7	0.7	0.7
Cash at bank and in hand		55.7	80.2	30.5	62.8
		432.2	444.0	483.7	501.0
Current liabilities					
Amounts falling due within one year	19	(123.9)	(122.7)	(131.1)	(124.4)
Net current assets		308.3	321.3	352.6	376.6
Total assets less current liabilities		3,967.6	3,779.9	3,048.3	2,965.3

	Notes	Group		Trust	
		2017 £m	2016 £m	2017 £m	2016 £m
Creditors					
Amounts falling due after more than one year	20	1,555.5	1,495.1	1,159.7	1,154.2
Past service pension deficit liability arrangements	28	23.9	25.6	23.9	25.6
Derivative financial instrument		67.8	88.1	62.9	71.9
Deferred tax	8	53.2	54.3	-	-
		1,700.4	1,663.1	1,246.5	1,251.7
Provisions for liabilities and charges	22	12.5	9.2	12.5	9.2
Pension deficit liability arrangements	28	0.9	0.8	0.9	0.8
Capital and reserves					
General reserves		1,552.2	1,405.3	1,168.3	1,082.0
Revaluation reserves		714.8	718.1	635.9	636.9
Cash flow hedge reserve		(13.4)	(16.8)	(15.8)	(15.3)
		2,253.6	2,106.6	1,788.4	1,703.6
Minority interest		0.2	0.2	-	-
		2,253.8	2,106.8	1,788.4	1,703.6
Total funding		3,967.6	3,779.9	3,048.3	2,965.3

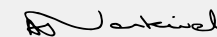
The notes on pages 48 to 94 form part of these financial statements. The financial statements on pages 42 to 94 were authorised and approved by the Board on 19 July 2017 and signed on its behalf by



Paul Hodgkinson CBE
Chairman



Paul Phillips
Group Finance Director



Andrew Nankivell
Company Secretary

Consolidated statement of cash flows for the year ended 31 March 2017

	Notes	Group	
		2017 £m	2016 £m
Net cash inflow from operating activities	25	161.6	120.2
Returns on investments and servicing of finance			
Interest received		1.3	2.1
Interest paid		(55.5)	(62.3)
Breakage of derivative fair value instrument		(8.7)	-
Joint venture income		0.1	-
Net cash outflow from returns on investments and servicing of finance		(62.8)	(60.2)
Taxation			
Capital expenditure and income			
Purchase and construction of housing properties		(261.6)	(169.4)
Sale of properties		71.9	119.8
Social housing grant received		26.1	6.2
Purchase of other fixed assets		(4.3)	(4.2)
Fixed asset investment		8.2	(22.4)
Net cash outflow from capital expenditure		(159.7)	(70.0)
Increase in cash on deposit		-	1.0

	Notes	Group	
		2017 £m	2016 £m
Financing			
Loans received		49.0	176.7
Loans repaid		(12.6)	(131.5)
Net cash inflow from financing		36.4	45.2
Net (decrease)/increase in cash and cash equivalents		(24.5)	36.2
Cash and cash equivalents at start of the year		80.2	44.0
Cash and cash equivalents at end of the year		55.7	80.2

The notes on pages 47 to 95 form part of these financial statements.





Notes to the financial statements for the year ended 31 March 2017

“We invested £373m in new housing in 2016/17. Our development pipeline over the next five years will deliver around 7,000 properties within the Greater London area.”

Note 1 — Accounting policies

Statement of compliance

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements of Notting Hill Housing Trust (the Trust) and Notting Hill Housing Group (the Group).

The financial statements have been prepared in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice (UK GAAP), including the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102), the Statement of Recommended Practice Accounting for Registered Social Housing Providers 2014 (SORP 2014) and the Accounting Direction for Private Registered Providers of Social Housing 2015 from April 2015.

General information

Notting Hill Housing Trust is registered under the Co-

operative and Community Benefit Societies Act 2014 and is a registered provider of social housing. It is a public benefit entity

Basis of accounting

The financial statements have been prepared under the historic cost convention as modified by the application of fair value as deemed cost and by the revaluation of certain properties, investments and financial instruments. They have been prepared on a going concern basis and in accordance with the applicable accounting standards in the United Kingdom. The accounting policies have been consistently applied.

The preparation of the financial information requires management to exercise its judgement in applying the Group's accounting policies. Areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial

statements, are explained in the accounting policies below.

Basis of consolidation

The Group financial statements are the result of the consolidation of the financial statements of the Trust and its subsidiaries. Uniform accounting policies have been used throughout the Group. All intra-Group transactions, balances and surpluses or deficits are eliminated in full on consolidation.

Jointly controlled entities are accounted for using the equity method in the Group financial statements, which reflects the Group's share of the profit or loss, other comprehensive income and the equity of the jointly controlled entities.

Investments in subsidiaries are accounted for using the equity method in the Group financial statements.

Segmental reporting

Segmental reporting is presented in the consolidated financial statements in respect of the Group's business

segments, which are the primary basis of segmental reporting. The business segmental reporting reflects the Group's management and internal reporting structure. Segmental results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. As the Group has no material activities outside the UK, segment reporting is not required by geographical region. The chief operating decision-makers (CODM) have been identified as the Group's Executive Board. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments as Permanent Rented Housing, Temporary Housing, Care and Support, Home Ownership Sales, Home Ownership Lettings, Student Accommodation, Commercial Properties, Market Rent and Key Worker. The CODM assess the performance of the operating segments based on a measure of adjusted earnings before finance costs, support services costs, amortisation, exceptional items

Turnover and revenue recognition

Rent	Revenue is measured at fair value of the consideration received or receivable and represents the amount receivable for the services rendered net of empty properties.
Service charge income	Fixed service charge income is recognised in the year to which it relates. Variable service charge income is recognised in the year the related cost is recognised.
First tranche shared ownership property sales and properties developed for outright sale	Property sales income is recognised when the risks and rewards of ownership have passed to the buyer upon legal completion of the sales, except in circumstances where specific legal contractual terms dictate that risks and rewards of ownership pass at different times.
Revenue grants	Revenue grants are recognised when the performance-related conditions are met or when the grant proceeds are received or become receivable if no conditions are imposed.
Amortisation of Government grant	Grants provided to construct social housing assets are recognised on a systematic basis over the useful economic life of the asset for which the grant is intended to compensate.
Interest receivable	Interest income is recognised on a receivable basis.
Gift aid	Gift aid is recognised on a received or receivable basis.
Supported housing services	Where the Trust and the Group hold the support contract with the Supporting People Administering Authority and carry the financial risk, all the project's income and expenditure are included in the Trust's and the Group's statement of comprehensive income.
Other income	Management fees relating to services provided to leaseholders and income in relation to extension of leases.
Neighbourhood activities	Grants received to encourage residents to find employment.
Sales and marketing services	Allowances to cover the cost of the sales department.

and taxation. Other information provided to them is measured in a manner consistent with that in the financial statements. See note 38.

Taxation

The Trust has charitable status and is not subject to corporation tax on surpluses in furtherance of charitable objectives. The profits of trading subsidiaries are subject to corporation tax, but the subsidiaries elect to distribute profits to the parent or other charitable group entities via gift aid.

Deferred taxation

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Current or deferred tax assets and liabilities are not discounted.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Deferred tax has been recognised in relation to investment property that is measured at fair value using tax rates and allowances that apply to the sale of an asset

Value added tax

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT on costs to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Interest payable

Interest is capitalised on a fair proportion of total borrowings on development costs during the period of development.

Other interest payable is charged to the comprehensive income statement in the year by the effective interest rate method.

Employee benefits

Short term employee benefits are recognised as an expense in the period in which they are incurred. Unused annual leave is accrued at the year end.

Pensions

The Group has closed two of the multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) (closed to new members and accruals) and The London Borough of Islington Pension Fund (LBIPF) (fully closed). It participates in the multi-employer defined benefit scheme with the London Borough of Richmond Pension Fund (LBRPF).

For the SHPS, sufficient information is not available to identify the share of underlying assets and liabilities belonging to individual participating employers. The statement of comprehensive income

charge represents the employer contribution payable to the scheme for the accounting period. Contributions payable under the terms of the funding agreement for past deficits are recognised as a liability in the statement of financial position at the present value of the expected future cash flows for which there is a contractual obligation.

The LBRPF is accounted for as a defined benefit scheme using the unit credit method. Actuaries are used in order to calculate the assets and liabilities of the scheme. The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the statement of comprehensive income along with changes in fair value of assets and liabilities.

The Group also operates other defined contribution schemes. Employer contributions paid are charged to the statement of comprehensive income as incurred.

Government grant

Grants received in relation to assets that have been treated as deemed cost at the date of transition to FRS102 have been accounted for using the performance model. In applying this model such grant has been presented as if it were originally recognised as income within the statement of comprehensive income in the year it was receivable and is therefore included within brought-forward general reserves.

Grants received since transition in relation to newly acquired or existing housing properties are accounted for using the accrual model. Grant is carried as deferred income in the balance sheet and is amortised on a systematic basis over the useful life of the housing property structure, even if the fair value of the grant exceeds

the carrying value of the structure in line with SORP 2014. No grant is recognised against other components.

When a housing property is sold which was partly funded by social housing grant (SHG) the grant becomes repayable and is transferred to a Recycled Capital Grant (RCGF) fund until it is either reinvested in a replacement property or repaid to the Homes and Communities Agency. Amortised grant liability is created by increasing the cost of sale of the asset, unamortised grant is transferred between deferred Government grant, and RCGF amortised grant is disclosed as a contingent liability in note 39.

Properties for sale

Shared ownership first-tranche sales, completed properties and properties under construction for outright sale are valued at the lower of cost and net realisable value. Cost comprises land, payments to contractors, fees, direct development overheads

and interest capitalised. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

At the end of each reporting period, work in progress is assessed for indicators of impairment. If a property is impaired, the identified property is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is required, the impairment charge is reversed, up to the original impairment loss and is recognised as a credit in the statement of comprehensive income.

Current asset first-tranche shared ownership work in progress and completed properties in relation to shared ownership are calculated based on average first-tranche equity percentage purchased in the year.

Housing properties

Housing properties not converted to deemed cost or constructed or acquired since the transition to FRS102 are measured using the cost model (cost less accumulated depreciation and impairment (where applicable)).

Housing properties in the course of development are stated at cost.

Housing properties other than shared ownership properties have been split between their land and structure costs and a specific set of major components which require periodic replacement.

Refurbishment or replacement of such components is capitalised. Freehold land is not depreciated. Depreciation is charged on completed housing properties, excluding the land element, on a straight-line basis over the useful economic life of the component as follows:

Component	Useful economic life (years)
Land	Not depreciated
Structure	100
Roof	60
Heating	15
Windows	30
Electrical	30
Bathroom	30
Kitchen	20
Lift	40

Cost includes the cost of acquiring land and buildings, cost of construction, capitalised interest, administration costs and expenditure incurred in improving or reinvesting in existing properties. Only directly attributable project management costs relating to developments are capitalised as part of the costs of those properties.

Interest incurred on a loan financing a development is capitalised up to the date of the practical completion of the scheme.

Shared ownership properties in the course of development are split proportionally between current and fixed assets based on the element relating to expected first-tranche sales.

The first-tranche proportion is classed as a current asset and related sales proceeds included in turnover and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Shared ownership properties have been split between land and structure only.

Deemed cost on transition to FRS102

The Group took the option to carry out a one-off valuation of the majority of social housing and shared ownership properties at the date of transition and to use that amount as deemed cost.

To determine the deemed cost, the Group engaged independent valuation specialist Jones Lang LaSalle Ltd (JLL) to value the housing properties on an existing use value-social housing (EUJ-SH) basis. Housing properties are subsequently to be measured at cost.

Investment properties

Investment properties are defined as properties held to earn rentals and for capital appreciation on a commercial basis. The Group holds properties rented on the open market and commercial properties.

Investment properties are included in the balance sheet at their open market value. This has been determined in accordance with the guidance notes on the valuation of assets issued by the Royal Institute of Chartered Surveyors.

Properties held as investments are revalued annually and the surplus or deficit is recognised in operating surplus. No depreciation is provided in respect of investment properties.

Housing properties for market rent are stated at market value subject to tenancies (MV-STT). Full revaluations of the properties are undertaken on an annual basis.

Other fixed assets

Other fixed assets are stated at historical purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on a straight-line basis as follows:

- Other land and buildings
 - » Freehold offices and buildings - 50 years
 - » Leasehold offices and buildings - over the life of the lease
- Other tangible assets - 2 to 5 years

Property impairment

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified

then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. The Group defines a cash generating unit as a scheme. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units. Details of properties where consideration has been given to service potential are detailed in note 9.

Revaluation reserve

The revaluation reserve is used to reflect the surplus on asset revaluation upon transition to deemed cost. When an asset is disposed, the surplus on asset revaluation is transferred from the revaluation reserve to general reserves.

Homebuy

Homebuy transactions are grants received from the Homes and Communities Agency and passed on to an eligible beneficiary. The Group has the benefit of a fixed charge on the property

entitling the Group to a share of the proceeds on the sale of the property by the beneficiary. Homebuy loans have been classified as a financial asset and treated as a concessionary loan. Concessionary loans are carried in the statement of financial position at amortised cost less any impairment. The Government grants that fund these concessionary loans are recognised as liabilities under the performance method.

Provisions

Provisions have been included in the financial statements only to the extent that there is a present legal or constructive obligation to transfer economic benefits.

Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on an accruals basis.

Gift aid

Charitable donations made between Group entities are shown in the financial

statements at the value of the donation. Within the Group such transactions are eliminated. Gift aid payments are treated as distributions of reserves in the Group's subsidiaries.

Financial instruments

The Group has elected to categorise its financial assets and liabilities in accordance with IFRS9 'Financial Instruments' and the disclosure requirements of sections 11 and 12 of FRS102

Interest rate swap financial instruments and hedging activities

The Group uses interest rate swaps to adjust interest rate exposure. The Group also uses, if appropriate, foreign exchange contracts to reduce exposures to movements in foreign exchange rates on foreign currency nominated financial instruments. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Interest rate swaps are initially accounted for and measured at fair value on the date an interest rate swap contract is entered into and subsequently measured at fair value. The gain or loss on measurement is taken to the statement of comprehensive income except where the interest rate swap is a designated cash flow hedging instrument. The accounting treatment of interest rate swaps classified as hedges depends on their designation, which occurs on the date that the interest rate swap contract is committed to.

The group designates interest rate swaps as:

- A hedge of the fair value of an asset or liability ('fair value hedge')
- A hedge of the income/cost of a highly probable forecasted transaction or commitment ('cash flow hedge')

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to document and demonstrate an assessment of the relationship

between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective.

Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income in gains/losses in respect of financial derivatives as appropriate unless they are included in a hedging arrangement.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Where the forecast transaction results in a financial asset or financial liability, only gains or losses previously recognised in the statement of comprehensive income are reclassified to the statement of comprehensive income in the same period as the asset or liability affects income or expenditure. Where the forecasted transaction or commitment results in a non-financial asset or a non-financial liability, any gains or losses previously deferred in the statement of comprehensive

income are included in the cost of the related asset or liability. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in the statement of comprehensive income are transferred to the statement of comprehensive income in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are recognised in the statement of comprehensive income.

For the portion of hedges deemed ineffective or transactions that do not qualify for hedging, any change in assets or liabilities is recognised immediately in the statement of comprehensive income. Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the statement of comprehensive income when the committed or forecasted transaction is recognised in the statement of comprehensive income. However, where an entity applied cash flow hedge accounting for a forecasted or committed transaction that is no longer expected to occur,

the cumulative gain or loss that has been recorded in the statement of comprehensive income is transferred to the statement of comprehensive income. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income.

Financial assets

The Group classifies its financial assets into one of the following categories depending on the purpose for which the asset was acquired.

Cash and cash equivalents

Cash and cash equivalents are readily disposable current asset investments. They include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

Loans and receivables

These assets are non-interest rate swap financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate. Provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the receivable item.

Rental debtors

Rental debtors are stated gross of amounts paid in advance and overpayments, which are shown in other creditors.

Financial liabilities

The Group classifies its financial liabilities into one of the following categories depending on the purpose for which the liability was acquired. Other than financial liabilities in a qualifying hedging relationship, the Group's accounting policy for each category is as follows.

Fair value through the statement of comprehensive income

Other than interest rate swap financial instruments which are not designated as hedging instruments, the Group does not have any liabilities for trading nor does it voluntarily classify any financial liabilities as being at fair value through the statement of comprehensive income.

Other financial liabilities

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the

issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes the amortisation of initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Interest rate swaps embedded in host debt contracts are not accounted for separately where they are considered to be closely related.

Where swaps are considered not to be closely related they are accounted for separately and treated as fair value through the statement of comprehensive income.

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest.

In the temporary housing business, under the terms of the leases, funds are set aside on acquisition of property in order to meet contractual obligations.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are addressed below.

Useful economic lives of other fixed assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Impairment of debtors

The Group makes an estimate of the recoverable value of trade and other debtors including rental debtors. When assessing impairment of debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience of cash collection from tenants and future expected credit losses as per IFRS9 requirements.

Investment property

The fair value of investment properties is determined by using valuation techniques. The valuation of commercial properties is determined using open market value with vacant possession. Properties rented on the open market are valued at market value subject to tenancies using a discounted cash flow methodology.

Deemed cost valuation

When converting, the Group has elected to apportion 100% of the deemed cost valuation uplift to the land component. This is to reflect our valuer's view that due to the location and condition of the Group's assets, 85% of the value of our existing properties is attributable to the land. This is based on objective evidence to reflect land values appropriate for our portfolio.

Onerous contracts

The Group has recognised £10.9m (2016: £13.9m) of impairment in relation to one of our developments to reflect the cost of our

contractual obligations with the contracting authority.

Housing property cost allocation

Housing property costs include the cost of acquiring land and buildings, cost of construction, directly attributable management costs and capitalised interest. Directly attributable management costs are allocated at 1.5% (2016: 1.5%) of project costs to a maximum of costs incurred. Interest is capitalised up to the date of practical completion based on the weighted average cost of capital at a rate of 3.89% (2016: 4.09%), reviewed annually.

Note 2 – Turnover, cost of sales, operating costs and operating surplus

Group continuing activities Year ended 31 March 2017

	Turnover £m	Cost of Sales £m	Operating costs £m	Operating surplus / deficit £m
Social housing lettings (note 3)	222.6	-	(142.8)	79.8
Other social housing activities				
Development services	-	-	(2.7)	(2.7)
Sales and marketing services	1.4	-	(3.6)	(2.2)
Neighbourhood activities	0.3	-	(0.4)	(0.1)
First tranche shared ownership sales	69.4	(36.7)	-	32.7
Supporting people and care	7.2	-	(8.1)	(0.9)
Other income	5.3	-	-	5.3
Past service deficit	-	-	(0.7)	(0.7)
	83.6	(36.7)	(15.5)	31.4
Activities other than social housing activities				
Properties for sale	72.0	(51.0)	-	21.0
Charitable fund raising activities	0.9	-	(0.3)	0.6
Commercial rent properties	4.1	-	(1.4)	2.7
Student accommodation	5.8	-	(2.3)	3.5
Impairment	-	-	(10.9)	(10.9)
Market rent properties	11.6	-	(5.2)	6.4
Fair value gains on investment	11.1	-	-	11.1
	105.5	(51.0)	(20.1)	34.4
Total	411.7	(87.7)	(178.4)	145.6

Group continuing activities Year ended 31 March 2016

	Turnover £m	Cost of Sales £m	Operating costs £m	Operating surplus / deficit £m
Social housing lettings (note 3)	215.2	-	(140.3)	74.9
Other social housing activities				
Development services	0.1	-	(4.4)	(4.3)
Sales and marketing services	2.1	-	(3.6)	(1.5)
Neighbourhood activities	0.2	-	(0.4)	(0.2)
First tranche shared ownership sales	75.8	(38.8)	-	37.0
Supporting people and care	7.2	-	(8.0)	(0.8)
Other income	4.8	-	-	4.8
Past service deficit	-	-	(8.5)	(8.5)
	90.2	(38.8)	(24.9)	26.5
Activities other than social housing activities				
Properties for sale	72.6	(47.3)	-	25.3
Charitable fund raising activities	0.7	-	(0.2)	0.5
Commercial rent properties	4.3	-	(0.6)	3.7
Student accommodation	6.1	-	(3.4)	2.7
Impairment	-	-	(13.9)	(13.9)
Market rent properties	12.0	-	(3.3)	8.7
Fair value gains on investment	14.3	-	-	14.3
	110.0	(47.3)	(21.4)	41.3
Total	415.4	(86.1)	(186.6)	142.7

Note 2 – Turnover, cost of sales, operating costs and operating surplus **CONTINUED**

Trust continuing activities
Year ended 31
March 2017

	Turnover £m	Cost of Sales £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	188.1	-	(121.8)	66.3
Other social housing activities				
Development services	3.1	(3.1)	(0.6)	(0.6)
Neighbourhood activities	0.3	-	(0.4)	(0.1)
Supporting people and care	7.2	-	(8.1)	(0.9)
Other income	1.2	-	-	1.2
Past service deficit	-	-	(0.7)	(0.7)
	11.8	(3.1)	(9.8)	(1.1)
Activities other than social housing activities				
Commercial rent properties	2.6	-	(0.8)	1.8
Charitable fund raising activities	0.9	-	(0.3)	0.6
Market rent properties	2.6	-	(0.9)	1.7
Impairment	-	-	(15.6)	(15.6)
Fair value gains on investment	0.4	-	-	0.4
	6.5	-	(17.6)	(11.1)
Total	206.4	(3.1)	(149.2)	54.1

Trust continuing activities
Year ended 31
March 2016

	Turnover £m	Cost of Sales £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	184.3	-	(122.2)	62.1
Other social housing activities				
Development services	6.0	(6.0)	(2.5)	(2.5)
Neighbourhood activities	0.2	-	(0.4)	(0.2)
Supporting people and care	7.2	-	(8.0)	(0.8)
Other income	1.0	-	-	1.0
Past service deficit	-	-	(8.5)	(8.5)
	14.4	(6.0)	(19.4)	(11.0)
Activities other than social housing activities				
Commercial rent properties	3.7	-	(2.4)	1.3
Charitable fund raising activities	0.7	-	(0.2)	0.5
Market rent properties	2.5	-	(0.8)	1.7
Impairment	-	-	(13.9)	(13.9)
Fair value gains on investment	9.5	-	-	9.5
	16.4	-	(17.3)	(0.9)
Total	215.1	(6.0)	(158.9)	50.2

Note 3 – Income and expenditure from social housing lettings

Group Year ended 31 March 2017	Rented Social Housing £m	Shared Ownership £m	Temporary Housing £m	Supported Housing £m	Total £m
Income					
Rent receivable	128.2	23.7	33.3	13.5	198.7
Service charges receivable	5.3	10.4	-	5.3	21.0
Net rents receivable	133.5	34.1	33.3	18.8	219.7
Amortised government grants	1.3	0.1	-	0.7	2.1
Other grants	0.2	-	0.6	-	0.8
Total income from social housing lettings	135.0	34.2	33.9	19.5	222.6
Expenditure					
Management	(14.6)	(6.4)	(4.9)	(2.9)	(28.8)
Service charges	(6.7)	(10.4)	(0.1)	(3.0)	(20.2)
Routine maintenance	(20.2)	(0.7)	(1.7)	(1.6)	(24.2)
Planned maintenance	(7.9)	-	-	(1.3)	(9.2)
Major repairs expenditure	(10.6)	-	-	(1.0)	(11.6)
Bad debts	(0.2)	-	-	(0.2)	(0.4)
Lease charges	-	-	(22.8)	-	(22.8)
Depreciation of housing properties	(19.8)	(3.6)	(0.1)	(2.1)	(25.6)
Operating costs on social housing lettings	(80.0)	(21.1)	(29.6)	(12.1)	(142.8)
Operating surplus on social housing lettings	55.0	13.1	4.3	7.4	79.8
Void Losses	1.0	-	0.5	0.4	1.9

Note 3 – Income and expenditure from social housing lettings **CONTINUED**

Group Year ended 31 March 2016	Rented Social Housing £m	Shared Ownership £m	Temporary Housing £m	Supported Housing £m	Total £m
Income					
Rent receivable	122.5	21.8	35.2	12.5	192.0
Service charges receivable	5.4	9.0	-	5.1	19.5
Net rents receivable	127.9	30.8	35.2	17.6	211.5
Amortised government grants	0.7	0.1	-	0.1	0.9
Other grants	0.2	-	0.8	1.8	2.8
Total income from social housing lettings	128.8	30.9	36.0	19.5	215.2
Expenditure					
Management	(14.3)	(5.6)	(5.0)	(4.8)	(29.7)
Service charges	(5.4)	(9.0)	(0.2)	(2.1)	(16.7)
Routine maintenance	(18.8)	(0.8)	(1.6)	(2.2)	(23.4)
Planned maintenance	(6.5)	-	-	(0.6)	(7.1)
Major repairs expenditure	(8.9)	-	-	(0.7)	(9.6)
Bad debts	(0.5)	-	(0.6)	(0.4)	(1.5)
Lease charges	-	-	(23.8)	-	(23.8)
Depreciation of housing properties	(22.9)	(3.0)	(0.2)	(2.4)	(28.5)
Operating costs on social housing lettings	(77.3)	(18.4)	(31.4)	(13.2)	(140.3)
Operating surplus on social housing lettings	51.5	12.5	4.6	6.3	74.9
Void Losses	0.9	-	0.7	0.6	2.2

Note 3 – Income and expenditure from social housing lettings CONTINUED

Trust	Rented Social Housing £m	Temporary Housing £m	Supported Housing £m	Total £m
Year ended 31 March 2017				
Income				
Rent receivable	127.6	33.2	13.5	174.3
Service charges receivable	5.6	-	5.4	11.0
Net rents receivable	133.2	33.2	18.9	185.3
Amortised grants	1.3	-	0.7	2.0
Other grants	0.2	0.6	-	0.8
Turnover from social housing lettings	134.7	33.8	19.6	188.1
Expenditure				
Management	(14.6)	(4.9)	(2.9)	(22.4)
Service charges	(6.7)	(0.1)	(3.0)	(9.8)
Routine maintenance	(20.2)	(1.8)	(1.7)	(23.7)
Planned maintenance	(7.9)	-	(1.3)	(9.2)
Major repairs expenditure	(10.6)	-	(1.0)	(11.6)
Bad debts	(0.2)	-	(0.2)	(0.4)
Lease charges	-	(22.8)	-	(22.8)
Depreciation of housing properties	(19.8)	(0.1)	(2.0)	(21.9)
Operating costs on social housing lettings	(80.0)	(29.7)	(12.1)	(121.8)
Operating surplus on social housing lettings	54.7	4.1	7.5	66.3
Void Losses	0.9	0.5	0.4	1.8

Note 3 – Income and expenditure from social housing lettings **CONTINUED**

Trust Year ended 31 March 2016	Rented Social Housing £m	Temporary Housing £m	Supported Housing £m	Total £m
Income				
Rent receivable	122.3	35.1	12.5	169.9
Service charges receivable	5.6	-	5.2	10.8
Net rents receivable	127.9	35.1	17.7	180.7
Amortised grants	0.7	-	0.1	0.8
Other grants	0.2	0.8	1.8	2.8
Turnover from social housing lettings	128.8	35.9	19.6	184.3
Expenditure				
Management	(14.4)	(5.1)	(4.9)	(24.4)
Service charges	(5.6)	(0.2)	(2.1)	(7.9)
Routine maintenance	(18.8)	(1.6)	(2.2)	(22.6)
Planned maintenance	(6.5)	-	(0.6)	(7.1)
Major repairs expenditure	(8.9)	-	(0.7)	(9.6)
Bad debts	(0.5)	(0.6)	(0.4)	(1.5)
Lease charges	-	(23.8)	-	(23.8)
Depreciation of housing properties	(22.8)	(0.1)	(2.4)	(25.3)
Operating costs on social housing lettings	(77.5)	(31.4)	(13.3)	(122.2)
Operating surplus on social housing lettings	51.3	4.5	6.3	62.1
Void Losses	0.9	0.7	0.6	2.2

Note 4 – Surplus on disposal of assets

	Group						Trust					
	2017			2016			2017			2016		
	Shared ownership £m	Other £m	Total £m	Shared ownership £m	Other £m	Total £m	Shared ownership £m	Other £m	Total £m	Shared ownership £m	Other £m	Total £m
Disposal proceeds	51.6	20.3	71.9	60.5	59.3	119.8	-	22.7	22.7	0.2	4.9	5.1
Social Housing Grant	(6.4)	0.8	(5.6)	(11.0)	(0.2)	(11.2)	-	0.8	0.8	(0.3)	-	(0.3)
Carrying value of fixed assets	(23.4)	(10.5)	(33.9)	(30.2)	(52.2)	(82.4)	-	(13.6)	(13.6)	(0.1)	(2.0)	(2.1)
Selling costs	(0.3)	-	(0.3)	-	-	-	-	-	-	-	-	-
At year ended 31 March	21.5	10.6	32.1	19.3	6.9	26.2	-	9.9	9.9	(0.2)	2.9	2.7

Note 5 – Interest receivable and similar income

	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Bank deposits	0.3	0.2	0.3	0.2
Intercompany	-	-	15.2	14.7
Interest on financial assets held at amortised cost	0.3	0.2	15.5	14.9
Interest received on interest rate swaps	1.0	1.9	1.0	1.9
	1.3	2.1	16.5	16.8

Note 6 – Interest payable and similar charges

	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Indexation on loans	0.5	0.1	0.5	0.1
Other loans	48.1	51.2	43.0	43.2
Interest on financial liabilities held at amortised cost	48.6	51.3	43.5	43.3
Interest paid on interest rate swaps	6.9	6.7	5.7	4.8
	55.5	58.0	49.2	48.1
Less: interest capitalised on developments	(9.8)	(12.1)	(2.5)	(3.3)
	45.7	45.9	46.7	44.8
Interest is capitalised at	3.89%	4.13%	4.00%	4.60%

Note 7 – Surplus on ordinary activities before taxation

	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Surplus on ordinary activities before taxation is stated after charging				
Depreciation on housing properties	25.8	28.7	21.9	25.3
Depreciation on other fixed assets	2.8	4.7	2.7	4.6
Impairment	10.9	13.9	15.6	13.9
Rent on temporary housing leases (Less than 28 days)	22.8	23.8	22.8	23.8
Auditors remuneration	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Audit services (excluding VAT)	136.9	129.8	84.3	84.6
Non audit services (including VAT)	114.0	114.1	114.0	114.1

Note 8 – Taxation

	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Current tax reconciliation				
Surplus on ordinary activities before tax	142.2	125.4	85.5	76.9
Theoretical tax at UK corporation tax rate 20% (2016: 20%)	28.4	25.1	17.1	15.4
Charitable activities	(31.6)	(24.7)	(17.1)	(15.4)
Utilisation of tax losses	-	1.1	-	-
Benefit of wear and tear allowances	-	(0.2)	-	-
Fixed asset differences	(2.4)	3.2	-	-
Other permanent differences	0.3	0.2	-	-
Chargeable losses/(gains)	0.5	(3.6)	-	-
Deferred tax not recognised	6.6	1.0	-	-
Deferred tax charged to revaluation reserve	-	(0.6)	-	-
Effect of rate change on deferred tax	(2.2)	(1.5)	-	-
Joint venture taxable profits	0.4	-	-	-

	Group	
	2017 £m	2016 £m
Deferred tax		
Balance at 1 April	54.3	54.2
Deferred tax charged to revaluation reserve	(1.5)	0.6
Deferred tax charged to cash flow hedge reserve	0.4	(0.5)
Balance at 31 March	53.2	54.3

Note 9 – Housing properties

On transition to FRS102, the Group took the option of carrying out a one-off valuation on the majority of its housing properties and using that amount as deemed cost. To determine the deemed cost at 1 April 2014, the Group engaged Jones Lang LaSalle (JLL) to value housing properties on an EUV-SH basis. Housing properties are subsequently to be measured at cost.

The valuation was carried out as a desktop exercise on an EUV-SH basis using discounted cash flows. The properties were grouped by local authority area.

The cash flow was calculated over 50 years with the net income in the final year capitalised into perpetuity with an assumption of 1% real rent increase per annum with a discount rate of between 5.25% and 6.25%.

The carrying value of the properties under the cost model would be £2.93bn (2016: £3.03bn) compared with £3.15bn (2016: £3.03bn) shown above.

Impairment

Following the Government announcement of a 1% rent reduction for social housing properties for four years in July 2015, the Group undertook an impairment exercise on all housing properties to assess the impairment impact.

It is the Group's view that as housing assets are held for their service potential, a cash-flow driven valuation is not appropriate for assessing impairment. The Group has used the depreciated replacement cost as a measure when assessing impairment. As a result no impairment has been recognised in the financial statements in relation to the 1% rent reduction in the year.

The Group assessed two development sites as impaired due to the combination of the 1% rent reduction for four years plus rising construction costs. A total of £10.9m was recognised. £7.3m to write down costs incurred to date, £0.4m in respect of investment properties and £3.2m as a provision to meet future obligations.

Group	Completed properties held for letting £m	Letting properties in the course of development £m	Completed shared ownership properties £m	Shared ownership properties in the course of development £m	Total £m
At 1 April 2016	2,306.1	157.0	500.3	124.9	3,088.3
Additions	11.9	90.8	0.6	69.4	172.7
Impairment	-	(7.3)	-	-	(7.3)
Works to existing properties	8.3	-	-	-	8.3
Properties completed	175.7	(175.7)	82.2	(82.2)	-
Disposals	(14.2)	-	(23.7)	-	(37.9)
At 31 March 2017	2,487.8	64.8	559.4	112.1	3,224.1
Accumulated depreciation					
At 1 April 2016	48.5	-	5.5	-	54.0
Charge for the year	22.2	-	3.6	-	25.8
Disposals	(5.1)	-	(0.3)	-	(5.4)
At 31 March 2017	65.6	-	8.8	-	74.4
Net book value					
At 31 March 2017	2,422.2	64.8	550.6	112.1	3,149.7
At 31 March 2016	2,257.6	157.0	494.8	124.9	3,034.3
Historical cost at 31 March 2017	2,375.5	70.1	506.8	112.1	3,064.5
Historical cost at 1 April 2016	2,193.1	162.2	446.9	124.9	2,927.1

Note 9 – Housing properties **CONTINUED**

Trust	Completed properties £m	Housing properties in the course of development £m	Total £m
At 1 April 2016	2,233.7	132.0	2,365.7
Additions	12.0	76.4	88.4
Works to existing properties	8.3	-	8.3
Impairment	-	(7.3)	(7.3)
Properties completed	152.7	(152.7)	-
Disposals	(14.2)	(4.3)	(18.5)
At 31 March 2017	2,392.5	44.1	2,436.6
Accumulated depreciation			
At 1 April 2016	47.8	-	47.8
Charge for the year	21.9	-	21.9
Disposals	(4.9)	-	(4.9)
At 31 March 2017	64.8	-	64.8
Net book value			
At 31 March 2017	2,327.7	44.1	2,371.8
At 31 March 2016	2,185.9	132.0	2,317.9
Historical cost at 31 March 2017	2,297.9	44.1	2,342.0
Historical cost at 1 April 2016	2,138.5	132.1	2,270.6

Housing Properties comprise	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Freeholds	3,048.3	2,932.9	2,330.9	2,277.0
Long leaseholds	101.1	101.1	40.6	40.6
Short leaseholds	0.3	0.3	0.3	0.3
	3,149.7	3,034.3	2,371.8	2,317.9

Additions to properties include	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Capitalised interest	9.8	12.1	2.5	3.3
Capitalised development salaries and overheads	5.6	5.6	0.6	1.9

Expenditure on works to existing properties	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Amounts capitalised	8.3	6.8	8.3	6.6
Amounts charged to income and expenditure account	11.6	9.6	11.6	9.6
	19.9	16.4	19.9	16.2

Note 10 – Investment in properties

The market rent properties were valued at 31 March 2017 by Jones Lang LaSalle Limited, member of the Royal Institute of Chartered Surveyors. The properties were valued at open market value subject to tenancies. The properties were valued on a discounted cash flow basis over a 10-year holding period, with a reversion in the final year to net income capitalised into perpetuity by an exit yield between 4.75% and 5.5% dependent on the scheme. The discount rate used is 8%.

The financial statements include commercial properties at open market value with vacant possession. These were valued by Dunphys Ltd, Savills, Jones Lang LaSalle, Tuckerman Chartered Surveyors, and Currell Chartered Surveyors. All valuers are members of the Royal Institute of Chartered Surveyors at 31 March 2017.

Group	Completed market rent properties £m	Market rent properties in the course of development £m	Sub total £m	Completed commercial properties £m	Commercial properties in the course of development £m	Sub total £m	Total £m
Valuation at 1 April 2016	221.3	67.0	288.3	46.6	3.6	50.2	338.5
Additions	31.1	60.6	91.7	1.9	-	1.9	93.6
Completed properties	-	(8.3)	(8.3)	0.6	(3.3)	(2.7)	(11.0)
Transfer	(0.6)	-	(0.6)	0.1	-	0.1	(0.5)
Disposals	(0.4)	-	(0.4)	(1.4)	-	(1.4)	(1.8)
Revaluation of property	11.9	-	11.9	0.7	-	0.7	12.6
At 31 March 2017	263.3	119.3	382.6	48.5	0.3	48.8	431.4
Impairment							
At 1 April 2016	0.4	-	0.4	0.6	-	0.6	1.0
Provision for impairment	0.2	-	0.2	0.2	-	0.2	0.4
At 31 March 2017	0.6	-	0.6	0.8	-	0.8	1.4
Net book value							
At 31 March 2017	262.7	119.3	382.0	47.7	0.3	48.0	430.0
At 31 March 2016	220.9	67.0	287.9	46.0	3.6	49.6	337.5

Note 10 – Investment in properties **CONTINUED**

Trust	Completed market rent properties £m	Market rent properties in the course of development £m	Sub total £m	Completed commercial properties £m	Commercial properties in the course of development £m	Sub total £m	Total £m
Valuation at 1 April 2016	49.2	7.5	56.7	33.1	-	33.1	89.8
Transferred from office, land and building	(0.5)	-	(0.5)	-	-	-	(0.5)
Additions	-	-	-	1.9	-	1.9	1.9
Disposals	(0.4)	-	(0.4)	(0.2)	-	(0.2)	(0.6)
Completed properties	-	(7.5)	(7.5)	-	-	-	(7.5)
Revaluation of property	2.0	-	2.0	0.1	-	0.1	2.1
At 31 March 2017	50.3	-	50.3	34.9	-	34.9	85.2
Impairment							
At 1 April 2016	-	-	-	0.4	-	0.4	0.4
Provision for impairment	-	-	-	0.2	-	0.2	0.2
At 31 March 2017	-	-	-	0.7	-	0.7	0.7
Net book value							
At 31 March 2017	50.3	-	50.3	34.2	-	34.2	84.5
At 31 March 2016	49.2	7.5	56.7	32.7	-	32.7	89.4

Note 11 – Other fixed assets

Group	Other land and buildings £m	Other tangible fixed assets £m	Total assets £m
Cost			
At 1 April 2016	32.3	22.2	54.5
Additions	1.7	2.7	4.4
At 31 March 2017	34.0	24.9	58.9
Accumulated depreciation			
At 1 April 2016	7.1	17.8	24.9
Charge for the year	1.4	1.4	2.8
Reclassification	(1.1)	-	(1.1)
At 31 March 2017	7.4	19.2	26.6
Net book value			
At 31 March 2017	26.6	5.7	32.3
At 31 March 2016	25.2	4.4	29.6

Trust	Other land and buildings £m	Other tangible fixed assets £m	Total assets £m
Cost			
At 1 April 2016	32.3	20.7	53.0
Additions	1.7	1.8	3.5
At 31 March 2017	34.0	22.5	56.5
Accumulated depreciation			
At 1 April 2016	7.1	16.3	23.4
Charge for the year	1.4	1.3	2.7
Reclassification	(1.1)	-	(1.1)
At 31 March 2017	7.4	17.6	25.0
Net book value			
At 31 March 2017	26.6	4.9	31.5
At 31 March 2016	25.2	4.4	29.6

Group other land and building	2017 total £m	2016 total £m
Freehold	26.6	25.2
Total	26.6	25.2

Trust other land and building	2017 total £m	2016 total £m
Freehold	26.6	25.2
Total	26.6	25.2

Note 12 – Homebuy

Group	Homebuy loans to customers £m	Temporary housing cost of lease £m	Total £m
At 1 April 2016	32.1	0.2	32.3
Paid in year	(1.6)	-	(1.6)
Written off in the year	-	(0.1)	(0.1)
At 31 March 2017	30.5	0.1	30.6

Trust	Temporary housing cost of lease £m
At 1 April 2016	0.2
Written off in the year	(0.1)
At 31 March 2017	0.1

Note 13 – Number of dwellings under development and in management

	Group		Trust	
	2017 No.	2016 No.	2017 No.	2016 No.
In the development programme				
General needs housing	1,986	2,258	1,986	2,258
Shared ownership housing	3,114	2,895	-	-
Market rent	1,165	667	318	-
Intermediate market rent	260	-	-	-
Commercial property	77	61	-	1
Outright sales	3,071	2,913	-	-
	9,673	8,794	2,304	2,259
Rented social housing includes affordable housing units	1,082	1,697	1,082	1,697
The development programme includes units on site	3,351	2,262	748	-
In management at the end of the year				
General needs housing	17,860	17,246	17,754	17,205
Shared ownership housing	5,357	5,198	35	97
Temporary housing	1,902	2,090	1,894	2,084
Market rent accommodation	905	786	151	354
Student accommodation	839	839	-	-
Supported housing and housing for older people	1,458	1,443	1,458	1,443
Leasehold in management	3,534	3,058	618	462
	31,855	30,660	21,910	21,645
Rented social housing includes affordable housing units	3,037	2,211	3,037	2,211
Owned but not managed				
General needs rented housing	267	424	267	424
Shared ownership housing	108	81	-	-
Market rent accommodation	2	2	-	-
Supported housing and housing for older people	530	487	530	487
Leasehold in management	29	81	-	-
	936	1,075	797	911

Note 14 – Investment in subsidiaries

Trust	2017 £m	2016 £m
Cost		
At 1 April 2016	151.6	92.2
Additions	60.9	59.4
Disinvestment in subsidiary	(4.7)	-
At 31 March 2017	207.8	151.6
Impairment		
	-	-
Net book value		
At 31 March 2017	207.8	151.6
At 31 March 2016	151.6	92.2

As required by statute, the financial statements consolidate the results of Notting Hill Housing Trust and its subsidiaries at 31 March 2017 (see note 33). The Trust has the right to appoint members to the boards of all of its subsidiaries, thereby exercising control.

Notting Hill Commercial Properties had invested £657,000 as shares in Seward Street Developments LLP, a partnership with Mount

Anvil PLC. This investment was made to fund the development of 107 private sale units and two commercial units. Notting Hill Commercial Properties owns 75% of Seward Street Developments LLP. It is anticipated that Seward Street will be wound up in the year.

During the year the Trust provided management services for Canonbury Developments Limited, Notting Hill Home

Note 15 – Properties in the course of sale

	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Landbank	109.4	94.8	18.0	17.4
Properties under construction				
First tranche	61.0	52.9	7.0	5.4
Outright sales	130.6	73.9	5.1	-
	191.6	126.8	12.1	5.4
Completed properties				
First tranche	14.7	10.5	-	-
Outright sales	17.5	77.2	-	-
	32.2	87.7	-	-
Total	333.2	309.3	30.1	22.8

Ownership Limited, Notting Hill Developments Limited, Project Light Market Rent Limited, Folio London Limited, Notting Hill Commercial Properties Limited, Notting Hill Community Housing, Touareg Trust and Presentation Market Rent Limited and charged them £6.3m (2016: £5.6m). The Board believe that the carrying value of the investment is supported by their underlying net assets.

During the year Presentation Market Rent sold its property to Folio London Limited. The proceeds were used to repay the Trust's loan and share capital in Presentation Market Rent Limited.

Note 16 – Debtors falling due within one year

	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Rental debtors	14.7	16.2	12.0	13.3
Less provision	(8.4)	(9.6)	(7.2)	(8.6)
	6.3	6.6	4.8	4.7
Trade debtors	1.9	1.5	0.3	0.2
Social Housing Grant receivable	0.2	0.7	0.2	0.4
Amounts receivable from local authorities	3.3	1.8	3.3	1.8
Amounts owed by subsidiary undertakings	-	-	43.2	73.4
Value added tax receivable	1.2	3.2	0.1	-
Stock transfer (see note 19)	2.0	2.0	2.0	2.0
Other debtors	2.5	7.1	2.6	4.5
Prepayments and accrued income	4.5	8.3	2.9	1.7
Intercompany short term investments	-	-	139.1	164.0
	21.9	31.2	198.5	252.7

Note 17 – Debtors falling after one year

	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Other long term debtors	2.9	2.4	1.3	0.8
Derivative instrument asset	17.8	20.2	18.7	22.5
Intercompany long term investments	-	-	203.9	138.7
	20.7	22.6	223.9	162.0

Note 18 – Current asset investments

	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Short term deposit	0.7	0.7	0.7	0.7
	0.7	0.7	0.7	0.7

Note 19 – Creditors: amounts falling due within one year

	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Housing loans (note 21)	6.2	4.4	4.5	3.4
Trade creditors	14.2	9.1	9.5	3.3
Amounts owed to Group undertakings	-	-	66.7	58.0
Other taxes and social security	1.9	1.0	0.9	1.0
Stock transfer (see note below)	2.0	2.0	2.0	2.0
Barnet surplus and deficit agreement (see note below)	2.1	-	2.1	-
Deferred government grant	1.1	1.2	1.1	1.1
Other creditors	35.8	32.4	13.5	21.6
Accruals and deferred income	60.6	72.6	30.8	34.0
	123.9	122.7	131.1	124.4

Stock transfer balances relate to a works programme to be undertaken on the Bolney Meadow estate in the London Borough of Lambeth. The amount stated represents the Group's prepayment for assets for which it has a legally binding obligation to the

London Borough of Lambeth to undertake the works under the refurbishment contract. The VAT saving under this agreement will be shared between the Group and the local authority.

Note 20 – Creditors: amounts falling due after more than one year

	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Housing loans (note 21)	1,330.1	1,293.2	1,040.0	1,043.3
Recycled capital grant fund	42.7	44.6	0.3	0.2
Disposal proceeds fund	2.9	2.1	2.9	2.1
Barnet surplus and deficit agreement (see note below)	-	1.8	-	1.8
Deferred government grant	149.2	118.4	116.4	103.8
Homebuy Grant	30.6	32.3	0.1	0.2
Other long term creditor	-	2.7	-	2.8
	1,555.5	1,495.1	1,159.7	1,154.2

The Trust has entered into an agreement with the London Borough of Barnet which guarantees any capital deficits/surpluses and revenue deficits/surpluses and are refundable by/to the local authority. See note 16.

At the end of 31 March 2017, £nil (2016: £1.3m) of grants were due for repayment to the Greater London Authority.

Note 20 – Creditors: amounts falling due after more than one year CONTINUED

Deferred government grant	Group			Trust		
	Completed properties £m	Work in progress £m	Total £m	Completed properties £m	Work in progress £m	Total £m
Opening balance at 1 April 2016	66.2	53.4	119.6	63.0	41.9	104.9
Grants received during year	-	25.7	25.7	-	12.3	12.3
Disposal	-	-	-	(0.9)	-	(0.9)
Transferred to completed schemes	43.5	(43.5)	-	37.0	(37.0)	-
Transferred to recycled capital grant	(1.3)	7.9	6.6	-	3.4	3.4
Recycled on disposal	-	-	-	(0.2)	-	(0.2)
Amortisation	(2.3)	-	(2.3)	(2.2)	-	(2.2)
Payable to GLA	0.2	0.5	0.7	-	-	-
Intercompany transfer	-	-	-	0.2	-	0.2
Balance at 31 March 2017	106.3	44.0	150.3	96.9	20.6	117.5

Group 2017 Homebuy	Homebuy grants receivable £m	Temporary housing grant receivable £m	Total £m
At 1 April 2016	(32.1)	(0.2)	(32.3)
Repaid in the year	1.6	-	1.6
Written back in year	-	0.1	0.1
At 31 March 2017	(30.5)	(0.1)	(30.6)

Trust 2017 Homebuy	Temporary housing grant receivable £m	Total £m
At 1 April 2016	(0.2)	(0.2)
Written back in year	0.1	0.1
At 31 March 2017	(0.1)	(0.1)

Recycled capital grant fund	Group	Trust
	Total £m	Total £m
At 1 April 2016	44.6	0.2
Grants recycled	6.8	0.1
Interest accrued	0.2	-
Used to finance new provision	(8.1)	(3.6)
Transferred from other group member	-	3.6
Repaid	(2.5)	-
Homebuy redemption	1.7	-
At 31 March 2017	42.7	0.3

Disposals proceeds fund	Group	Trust
	Total £m	Total £m
At 1 April 2016	2.1	2.1
Grants recycled	0.6	0.6
Used to finance new provision	0.2	0.2
At 31 March 2017	2.9	2.9

Note 21 – Loans

	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Secured loans	481.7	442.9	223.9	226.0
Unsecured loans and overdrafts	34.0	34.0	-	-
Public bonds	800.0	800.0	800.0	800.0
Non-recourse secured bank loans	20.6	20.7	20.6	20.7
Housing loans	1,336.3	1,297.6	1,044.5	1,046.7

Analysis of loan repayments	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Repayable on maturity				
in less than five years	25.0	25.0	25.0	25.0
in five years or more	843.0	815.0	815.0	815.0
Repayable by annual instalments				
within one year or on demand	6.2	4.4	4.5	3.4
between one and two years	57.1	52.2	52.7	50.5
within two to five years	43.6	34.7	13.7	16.7
in five years or more	361.4	366.3	133.6	136.1
	1,336.3	1,297.6	1,044.5	1,046.7

Public secured bonds

The Group has made three public bond issues: £300m 5.250 % secured bonds due 2042, £250m 3.750% secured bonds due 2032 and £250m 4.375% secured bonds due 2054.

Secured loans

The Group financing facility includes term and revolving facility loans with maturities out to 2038.

The loans are secured on property assets by a first secured charge. On undrawn revolving facilities, commitment fees are payable at rates of up to 67% of the margin.

Public secured bonds and secured loans are secured by fixed charges on individual properties. The number of charged properties for the Group is 15,579 with a value on a Market Value-Tenanted (MV-T) basis of £2,826m (2016: £2,932m); for the Trust it is 11,237 with a value on a MV-T basis of £2,682m (2016: £2,855m) (2016: Group is 16,108 and Trust is 11,833).

Non-recourse secured loans

The Group has one non-recourse secured loan where, in the event of default, the liability passes across to a third party.

The number of charged properties for the Group is 140 (2016: 140).

Unsecured loans

The Group was able to organise unsecured funding of £28.0m during the year to finance housing development in a subsidiary. The term was for 12 years and the coupon is 2.975%. The Group also has two interest-free unsecured loans totalling £6.0m used to finance housing development in a subsidiary.

Free standing derivatives

The Group has pledged as collateral against potential liabilities on free standing derivatives 369 properties with a value on a MV-T basis of £49.3m (2016: 371 properties with a value of £50.4m) and

Note 21 — Loans CONTINUED

for Trust 309 properties with a value on a MV-T basis of £46.4m (2016: 309 properties and a value of £44.2m).

The rate of interest on loans ranges from 0.00% to 11.30%. The final instalments fall to be repaid in the period 2016 to 2054.

At 31 March 2017 the Group had undrawn loan facilities of £357.0m (2016: £390.7m). Included within the undrawn loan facilities are £nil (2016: £17.7m) of undrawn loan facilities from the Homes and Communities Agency to be used for the construction of specific properties for private rental purposes.

The Group loan balance of £1,336.3m (2016: £1,297.6m) has been netted off by loan arrangement fees of £9.8m (2016: £11.0m) over the term of each loan.

The Trust loan amount of £1,044.5m (2016: £1,046.7m) has been netted off by loan arrangement fees of £7.7m (2016: £7.8m) which are written off over the term of each loan.

As at the year end, £180.0m (2016: £200.0m) of the Group's variable debt had its interest rate hedged by stand-alone interest rate swaps. As at the year end £13.3m (2016: £66.2m) of the Group's fixed debt had its interest rate hedged by stand-alone swaps. As at the year end, ¥5bn (2016: ¥5bn) of the Group's debt has been hedged into £28m (2016: £28m) by a currency swap. Note 37 has an analysis of the anticipated contractual cash flows including interest payable for the Group's financial liabilities on an undiscounted basis. Interest is calculated on drawn debt held as at 31 March 2017

Note 22 — Provisions for liabilities and charges

Group and Trust	Short term leases total £m	Onerous contracts £m	Total £m
At 1 April 2016	1.0	8.2	9.2
Additional provisions	0.3	3.2	3.5
Release of provision	(0.2)	-	(0.2)
At 31 March 2017	1.1	11.4	12.5

During the year £300,000 (2016: £300,000) was provided for future repairs and £200,000 (2016: £200,000) was used to carry out repairs to properties that were handed back during the year. All provisions are attributable to the Trust.

During the year £3.2m (2016: £8.2m) was provided for to pay extra costs on development schemes.

Note 23 — Called up share capital

	2017 £	2016 £
At 1 April	91	90
Issued during year	7	12
Redeemed during year	(9)	(11)
At 31 March	89	91

The shares are non-transferable and do not carry a right to interest or dividends and are cancelled on death or withdrawn from the Trust. The shares do not have any redemption value, and on cancellation the amount paid becomes the property of the Trust.

Note 24 — Reserves

General reserves reflects accumulated surpluses for the Group which can be applied at its discretion for any purpose.

Revaluation reserve relates to the transition to deemed cost for housing properties (see note 9).

Cash flow hedge reserve is used to record transactions arising from the Group's cash flow hedging arrangements. Minority interest is related to the Group's interest in Seward Street LLP.

Note 25 — Reconciliation of operating surplus to net cash inflow from operating activities

Group	2017 £m	2016 £m
Operating surplus	145.6	142.7
Fair value gains on investment	(11.1)	(14.3)
Depreciation	28.7	33.4
Impairment charge	10.9	13.9
Amortisation of loan set up costs	0.6	-
(Increase) in properties and other assets in the course of sale	(23.9)	(58.1)
Decrease/(increase) in debtors	8.8	(10.5)
Increase in creditors	2.0	13.1
Net cash inflow from operating activities at 31 March	161.6	120.2

Note 26 — Reconciliation of net cash flow to movement in net debt

Group	2017 £m	2016 £m
Decrease/(increase) in cash	23.9	(36.2)
Cash flow from decrease in liquid resources	0.6	1.0
Cash flow from increase in debt and lease finance	36.4	41.8
Non cash flow changes	2.3	3.4
Total changes in net debt for the year	63.2	10.0
Net debt at 1 April	1,216.7	1,206.7
Net debt at 31 March	1,279.9	1,216.7

Note 27 — Analysis of debt

Group	1 April 2016 £m	Cash flow £m	Non cash £m	31 March 2017 £m
Cash at bank and in hand	80.2	(23.9)	-	56.3
Current asset investment	0.7	(0.6)	-	0.1
Loans				
Short term loans	(4.4)	(1.8)	-	(6.2)
Long term loans	(1,293.2)	(34.6)	(2.3)	(1,330.1)
Changes in net debt	(1,216.7)	(60.9)	(2.3)	(1,279.9)

Note 28 — Pension obligations

Some of the Group's employees and past employees are deferred members or pensioners of the Social Housing Pension Scheme (SHPS) defined benefit section. The Group currently contributes to a number of defined contribution pension schemes for certain employees, the most significant of which are operated by SHPS and Aviva.

One Group employee is a member of the London Borough of Richmond Pension Fund (LBRPF). On 1 October 2016 LBRPF merged with Wandsworth Council Pension Fund (WCPF). All assets and liabilities associated with each employer remain attributable to the employer in the merged fund.

The Pensions Trust

The Group participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The group also participates in the growth plan which provides benefits to some 1,300 non-associated participating members. The schemes are defined benefit schemes in the UK. It is not possible for the group to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

Note 28 – Pension obligations CONTINUED

Social Housing Pension Scheme (Group and Trust)

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the tier 1, 2 & 3 deficit contributions.

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

This data is for information purposes only.

Total present values of liabilities the Pensions Trust

Reconciliation of opening and closing liabilities

	2017 £000s	2016 £000s
Liabilities at the start of the year	25,655	18,968
Unwinding of the discount factor (interest expense)	496	344
Deficit contribution paid	(2,937)	(2,075)
Remeasurements - impact of any change in assumptions	706	(165)
Remeasurements - amendments to the contribution schedule	-	8,583
Liabilities at the end of the year	23,920	25,655

Note 28 – Pension obligations **CONTINUED**

Present values of provisions of the Social Housing Pension Scheme

Reconciliation of opening and closing liabilities	2017 £000s	2016 £000s
Liabilities at the start of the year	25,449	18,805
Unwinding of the discount factor (interest expense)	492	341
Deficit contribution paid	(2,916)	(2,055)
Remeasurements - impact of any change in assumptions	700	(162)
Remeasurements - amendments to the contribution schedule	-	8,520
Provision at the end of the year	23,725	25,449

Contributions to pension schemes

Group	2017		2016	
	Rate	£m	Rate	£m
SHPS (defined contribution)	1.5% - 13.5%	1.6	1.5% - 13.5%	1.6
SHPS pension deficit	0%	-	0%	(0.1)
London Borough of Richmond	16.0%	-	16.0%	-
Defined contribution scheme	1.5% - 13.5%	0.4	1.5% - 13.5%	0.4
		2.0		1.9

Trust	2017		2016	
	Rate	£m	Rate	£m
SHPS (defined contribution)	1.5% - 13.5%	1.4	1.5% - 13.5%	1.4
SHPS pension deficit	0%	-	0%	(0.1)
London Borough of Richmond	16.0%	-	16.0%	-
Defined contribution scheme	1.5% - 13.5%	0.4	1.5% - 13.5%	0.4
		1.8		1.7

Note 28 – Pension obligations CONTINUED

The Growth Plan

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the trustees have asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

Tier 1	£12.95m per annum
From 1 April 2016 to 30 September 2025:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 2	£0.1m per annum
From 1 April 2016 to 30 September 2028:	(payable monthly and increasing by 4.7% each year on 1st April)

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

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

Present values of liabilities

Reconciliation of opening and closing liabilities	Year Ending 31 March 2017 £000s	Year Ending 31 March 2016 £000s
Liabilities at the start of the year	206	163
Unwinding of the discount factor (interest expense)	4	3
Deficit contribution paid	(21)	(20)
Remeasurements - impact of any change in assumptions	6	(3)
Remeasurements - amendments to the contribution schedule	-	63
Provision at the end of the year	195	206

Note 28 – Pension obligations CONTINUED

London Borough of Richmond Pension Fund (LBRPF)

The LBRPF is a multi-employer scheme, administered by the London Borough of Richmond under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2016 by a qualified independent actuary. The amounts recognised in the consolidated balance sheet are as follows:

Group Year ended 31 March	2017 £000s	2016 £000s
Fair value of plan assets	3,209	2,721
Present value of funded retirement benefit obligations	(4,149)	(3,533)
Net asset/(liability)	(940)	(812)

The cumulative actuarial (deficit) recognised in the statement of total recognised surpluses and deficits for the year at 31 March 2017 was £150,000 (2016: £16,000). The charge to the income and expenditure account was £29,700 (2016: £6,000).

Note 29 – Employee information

The number of full-time equivalent persons (including part-time staff) employed on a weekly average basis of a 35-hour week, 37.5-hour week or a 40-hour week depending on their respective contract for the whole year is shown below:

	Group		Trust	
	2017	2016	2017	2016
Staff engaged in managing or maintaining housing stock	396	375	345	335
Staff providing other housing services	28	27	28	27
Staff engaged in developing or selling housing stock	93	91	51	53
Staff providing central administration services	188	177	188	177
Staff providing care and support	255	275	254	275
	960	945	866	867

	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Staff costs for the above persons				
Wages and salaries	34.0	33.9	30.2	30.5
Social security costs	3.5	3.4	3.1	3.0
Other pension costs (see note 28)	2.0	2.0	1.8	1.8
	39.5	39.3	35.1	35.3

Redundancy payments of £376,000 (2016: £173,000) were made during year.

Note 29 – Employee information CONTINUED

Salary range	2017 £000s	2016 £000s
Lowest paid employee	16	16
Highest paid employee	232	225

Remuneration banding for employees earning over £60,000 is set out below.

£000s	2017	2016
60-70	32	29
70-80	17	11
80-90	7	13
90-100	5	6
100-110	6	5
110-120	5	5
120-130	1	-
140-150	-	1
150-160	1	1
160-170	1	-
170-180	1	-
180-190	2	3
190-200	1	-
240-250	-	1
250-260	1	-

Note 30 – Board and executive directors' emoluments

The payments to current non-executive Board members represents 0.02% (2016: 0.02%) of turnover. Board members are appraised on an annual basis and there is an annual review of Board member payments.

Remuneration paid to current Board members is set out below. Allowance levels are reviewed annually and set by the Board for different roles. Only one allowance is paid regardless of the number of roles held.

From 1 January 2014, the Executive Board members were either members of a defined contribution pension scheme or received a pension allowance.

James Wardlaw is entitled to non-executive Board remuneration. He has elected to waive his remuneration therefore received no payment.

The remuneration of the members of the Board, the Committee and the Executive Directors was:

	2017 £000s	2016 £000s
Fees for members of the Board	66	67
Fees for Committee members	27	19
Management services of Executive Directors (including pension contributions and benefits in kind)	1,163	1,116
Remuneration for management services (excluding pension contributions) includes the amount paid to the highest paid Director	232	226

Current Non-executive Board members

	2017 £000s	2016 £000s
Bukky Bird	5.5	5.5
Linde Carr	6.2	5.5
Paul Hodgkinson CBE (Chairman)	16.5	16.5
Sue Hunt	8.3	8.3
Alastair Moss	5.5	5.5
Karen Richardson	8.3	4.9
Samantha Tennakoon	7.4	4.9
Sophie Warner	-	3.8
Mohan Yogendran	-	3.8
Debra Yudolph	8.3	8.3

Note 30 – Board and executive directors' emoluments **CONTINUED**

Executive Board members	Salaries £000s	Car Benefits £000s	Pension costs £000s	Bonus £000s	2017 total £000s	Executive Board members	Salaries £000s	Car Benefits £000s	Pension costs £000s	Bonus £000s	2016 total £000s
Kate Davies, Group Chief Executive	220	11	24	1	256	Kate Davies, Group Chief Executive	214	11	30	1	256
John Hughes, Group Development Director	160	8	22	1	191	John Hughes, Group Director of Development and New Business	155	8	21	1	185
Paul Phillips, Group Finance Director	160	8	17	1	186	Paul Phillips, Group Chief Executive	155	8	17	1	181
Andrew Muir Group Corporate Services Director	135	-	19	1	155	Andrew Muir Group Corporate Services Director	130	-	18	1	149
Andy Belton, Chief Operating Officer	160	8	22	1	191	Andy Belton, Chief Operating Officer	155	8	22	1	186
Mark Vaughan Group Director of Commercial Services	143	-	19	1	163	Mark Vaughan Group Director of Housing	139	-	19	1	159
Annemarie Fenlon Group Director of Housing - appointed 2 February 2017	19	-	1	1	21		948	35	127	6	1,116
	997	35	124	7	1,163						

The Chief Executive is an ordinary member of the pension scheme operated by the Social Housing Pension Scheme on behalf of all qualifying employees. No special or enhanced terms apply to her membership of the scheme. During the year no loss of office payments were made (2016: £nil).

Note 31 – Capital commitments

	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements:	803.4	281.5	119.0	47.5
Capital expenditure that has been authorised by the Board but has not yet been contracted for:	261.5	125.6	137.9	42.6

Group capital commitments will be funded by a combination of social housing grant of £53.4m, sales receipts of £765.2m and existing loan facilities of £357.0m. Trust capital commitments will be funded by a combination of social housing grant of £23.4m, sales receipts of £nil and existing loan facilities of £313.0m. The capital commitments exclude land purchases.

Note 32 – Operating leases

The payment which the Group and Trust is committed to make in the next year under operating leases is as follows.

	2017 £m	2016 £m
These leases can be cancelled within 28 days notice. The amount shown is the full payment for the year		
Temporary housing leases less than one year	12.6	15.6

The Group's social housing properties are held under operating leases and are tenanted under cancellable operating lease conditions. Typical tenant break clauses exist requiring a notice period of a month. Rents fluctuate in accordance with the Rent Standard and are affected by the Welfare Reform and Work Act 2016. Shared ownership properties may be purchased (stair-cased by its leaseholder) at any time at the pro-rata market rate). Ongoing lease payments will be adjusted according to the share of ownership retained by the Group. Certain properties are available to purchase via right to buy by the existing tenant.

Note 33 – Incorporation, subsidiaries and joint ventures

Notting Hill Housing Trust is incorporated in England under the Co-operative and Community Benefit Society Act 2014 and is required by statute to prepare Group financial statements. The Trust is a Registered Housing Provider as defined by the Housing and Regeneration Act 2008 and is the ultimate parent.

Notting Hill Housing Trust and its subsidiaries have throughout the year held balances with each other. These balances relate to normal trading transactions between each of the entities.

Notting Hill Housing Trust has taken advantage of the exemption contained in Financial Reporting Standard 102 - Related Party Disclosures 33.1A, and has therefore not disclosed transactions or balances with wholly owned subsidiaries.

All shares held as investments are held as ordinary shares with the exception of shares held in:

- Notting Hill Commercial Properties Limited - ordinary shares, redeemable ordinary shares and redeemable preference
- Great Eastern Quay Limited - ordinary shares and redeemable ordinary shares
- Project Light Development 1 Limited - ordinary shares, ordinary-A and ordinary-B shares
- Project Light Development 2 Limited - ordinary shares and ordinary-A shares
- Notting Hill Developments Limited - ordinary and redeemable preference shares

Note 33 – Incorporation, subsidiaries and joint ventures **CONTINUED**

Company (Subsidiaries)	Principal activity	Parent	Country of registration
Notting Hill Home Ownership Limited	Performs the activities of a registered housing association	The Trust owns one of seven shares and controls the Board. The remaining six shares are held in trust for the Trust.	England and Wales
Notting Hill Commercial Properties Limited	Develops and lets commercial properties	The Trust - 100% shares	England and Wales
Notting Hill Developments Limited	Develops and sells properties	Notting Hill Commercial Properties Limited - 100% shares	England and Wales
Folio London Limited	Rents properties at market rent	The Trust - 100% shares	England and Wales
Canonbury Developments Limited	Develops and sells properties	Notting Hill Home Ownership Limited	England and Wales
Presentation Market Rent Limited	Rents properties at market rents	The Trust - 100% shares	England and Wales
Seward Street Developments LLP	Develops and sells properties	Notting Hill Commercial Properties Limited - 75% control	England and Wales
Goat Wharf Limited	Develops and sells properties	Notting Hill Home Ownership Limited -100% shares	England and Wales
Igloo Insurance Protected Captive Cell NOT6	Provides insurance services	The Trust - 100% shares	Guernsey
Project Light Development 1 Limited	Develops and sells properties	Notting Hill Commercial Properties Limited - 100% shares	England and Wales
Project Light Development 2 Limited	Develops and sells properties	Notting Hill Commercial Properties Limited - 100% shares	England and Wales
Project Light Market Rent Limited	Rents properties at market rent	Project Light Development 1 Limited - 100% shares	England and Wales
Walworth Homes Limited	Develops and sells properties	Notting Hill Commercial Properties Limited - 100% shares	England and Wales
Notting Hill Community Housing Limited	Rents properties at sub-market prices	The Trust - 100% shares	England and Wales
Great Eastern Quay Limited	Investment company (dormant)	The Trust - 100% shares	England and Wales
Arawak Developments Limited	Develops properties (dormant)	The Trust - 100% shares	England and Wales
Great Eastern Homes LLP	Develops and sells properties (dormant)	Jointly owned by Notting Hill Commercial Properties Limited and Great Eastern Quay Limited	England and Wales
Touareg Trust	Provides student accommodation	The Trust is sole guarantee member and controls the board	England and Wales

Note 33 – Incorporation, subsidiaries and joint ventures CONTINUED

Notting Hill Home Ownership Limited has a joint venture investment in KLA Twickenham LLP, registered in England and Wales (see below).

Notting Hill Commercial Properties Limited has a joint venture investment in Seward Street Development LLP, registered in England and Wales (see note below).

Seward Street Developments LLP commenced trading on 6 October 2010. It is accounted for as a subsidiary of the Group, as the Group share is 75%. The remaining 25% is owned by Mount Anvil plc, whose share is represented by a minority interest of £0.2m at 31 March 2017 (2016: £0.2m). Notting Hill Commercial Properties Ltd also has a joint venture investment in Brenley Park LLP, Chobham Farm North LLP and Spray Street Quarter LLP.

The Group's investment in joint venture projects amounted to £16.7m (2016: £25.0m). Details of these investments are shown below.

Joint venture income of £0.1m (2016: £nil) was received during the year.

The contingent liability is limited to the amount invested.

During the year the Trust's jointly controlled operation on the St Martins estate

with two other Registered Providers was dissolved. The Trust disposed of its 18.36% share and acquired 284 units on the estate.

Name	Nature of business	Share of capital commitment	Proportion of holding	Year ended	Assets 2017 £m	Liabilities 2017 £m	Assets 2016 £m	Liabilities 2016 £m
Brenley Park LLP	Development of 169 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation.	Nil	50%	31 December	0.1	(0.1)	0.1	(0.1)
Chobam Farm North LLP	Development of 478 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation.	Nil	50%	31 March	18.6	(18.6)	24.9	(24.9)
					18.7	(18.7)	25.0	(25.0)

Note 34 – Transactions with related parties

At 31 March 2017 there was one Board member (2016: one), Linde Carr, who had a tenancy with the Trust. The tenancy agreement had been granted on the same terms as for all other tenants, and the housing management procedures, including those relating to management of arrears, have been applied consistently to this tenant. During the year, rents of £7,671 (2016: £7,749) were charged, none of which was outstanding at year end (2016: nil). At 31 March 2017 there was one Board member (2016: one), Alastair Moss, who had a lease with Notting Hill Home Ownership Limited (NHHO). The lease had been granted on the same terms as for other leases and the housing management procedures, including those relating to management of arrears, have been applied consistently to this leaseholder. During the year, service charges of £3,249 (2016: £1,598) were charged, none of which was outstanding at year end (2016: nil).

During the year NHHO charged Seward Street Developments

LLP Enil (2016: £25,000) and charged Chobham Farm North LLP £50,500 (2016: £60,000) in respect of administration costs. At the year-end date, £15,000 (2016: £15,000) was owed to NHHO by Seward Street Developments LLP and Enil (2016: £nil) by Chobham Farm North LLP.

During the year the Trust had invested £207.8m (2016: £151.6m) in the share capital of its non-regulated subsidiaries and £234.1m (2016: £241.8m) in loans to its non-regulated subsidiaries. All subsidiaries are shown on note 33. Details of other transactions between the Trust and its non-regulated subsidiaries during the year are shown here.

The transactions relate to: NHCP, NHD, Canonbury, Folio, Touareg, Goat Wharf, PMR and NHCH.

Cash receipts relate to cash paid by the subsidiaries for services provided.

In accordance with the treasury policy, excess cash is transferred in the Trust to manage the interest charges.

Purchases relate to invoices that are charged to the Trust but relate to other Group companies. They include temporary staff costs, utility bills and courier charges.

Overhead recharges are recharges made by the Trust to the rest of the Group based on the budget taking into account staff numbers, floor space and turnover per subsidiary.

Payroll relates to payroll costs for specific staff who work directly for the said subsidiaries.

Transfer of derivative instrument relates to the novation of derivative instrument from Touareg Trust.

Other inter-company transactions	2017 £m	2016 £m
Cash receipts for services provided	-	0.8
Excess cash returned	31.5	11.6
Purchases	(0.2)	-
Overhead recharges	(0.4)	(0.3)
Payroll	(0.9)	(0.4)
Interest	(2.6)	(0.6)
Transfer of derivative instrument	-	(12.4)
	27.4	(1.3)

Note 35 – Legal status

The Trust is a Registered Society under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a social landlord.

Note 36 – Post balance sheet event

On 19th July 2017 the Boards of Notting Hill Housing Trust and Genesis Housing Association approved, in principle a merger at their respective board meetings. Both parties will now work together to form a new group during the year ended 31st March 2018.

Note 37 – Financial instruments and risk management

	Financial assets at fair value		Financial assets at amortised cost	
	2017 £m	2016 £m	2017 £m	2016 £m
Financial assets that are debt instruments measured at amortised cost				
Current asset investments	-	-	0.1	0.7
Cash	-	-	56.3	80.2
Debtors	-	-	21.9	31.2
Debtors falling due after one year	-	-	2.9	2.4
Financial assets measured at fair value through the statement of comprehensive income				
Interest rate swaps fixed to float	9.6	15.7	-	-
RPI option	1.2	1.5	-	-
Designated currency hedge	7.0	3.0	-	-
Total	17.8	20.2	81.2	114.5

All financial assets or liabilities at fair value are calculated using measurements based on inputs that are observable for the asset/liability either directly or indirectly from prices. The valuation techniques used to measure the above interest rate swaps financial instruments maximise the use of market data where

available. For all other financial instruments where fair value cannot be measured reliably, the fair value is considered to approximate to the carrying value of the instrument at historic cost less impairment.

Credit risk is assessed on all financial instruments in the tables above and

an adjustment is made to the valuation to reflect the credit risk associated with each counterparty. It is not considered that any material credit risk attaches to the financial instruments and as such they are not subject to impairment.

Note 37 – Financial instruments and risk management **CONTINUED**

	Financial liabilities at fair value		Financial liabilities at amortised cost	
	2017 £m	2016 £m	2017 £m	2016 £m
Financial liabilities that are debt instruments measured at amortised cost				
Trade and other payables	-	-	118.7	122.7
Public bonds	-	-	800.0	800.0
Loans and borrowings	-	-	529.4	493.2
Other long term loans	-	-	308.2	281.8
Financial liabilities measured at fair value through the statement of comprehensive income				
RPI swaps	8.4	7.8	-	-
Cancellable interest rate swaps	13.1	13.7	-	-
Interest rate swaps float to fixed	22.1	34.8	-	-
Designated interest rate hedges	24.2	31.8	-	-
Total	67.8	88.1	1,756.3	1,697.7

Gains/(losses) in respect of financial derivatives held at fair value through the statement of comprehensive income

	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
Gains on disposal of financial interest rate swaps	-	1.7	-	-
Gains in respect of financial derivatives	8.8	13.4	8.6	6.6
Losses in respect of financial derivatives	-	(14.8)	-	(2.5)
	8.8	0.3	8.6	4.1

A comparison of the book value to the fair value of the Group's long term borrowings at 31 March	2017		2016	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Current portion of long term debt	6.2	6.2	4.4	4.4
Long term debt	1,330.1	1,330.1	1,293.2	1,293.2
	1,336.3	1,336.3	1,297.6	1,297.6

Note 37 – Financial instruments and risk management CONTINUED

Risk

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk.

Interest rate risk

The Group finances its development through a mixture of retained surplus, grant and borrowings. The Group's interest rate management ensures that a minimum of 40% of its drawn funds should be fixed on a long-term basis and the remaining 60% is either hedged or kept at variable rates depending on prevailing market conditions and requirements of the business.

The Group has entered into interest rate swap agreements to hedge exposure to the variability in cash flows attributable to movements in interest rates. This is documented in the treasury policy and allows the Group to enter into contracts where the Group agrees to pay interest at a fixed rate and

receives interest at a floating rate. The interest rate swaps are designated as a hedge of the variable debt interest payments which are linked to changes in the benchmark interest rate (LIBOR) which is the quoted price in an active market. This method reflects the risk management objective of the hedging relationship that swaps a series of future variable cash flows to a fixed rate. The interest rate swap agreements which do not meet the hedging tests contained in IFRS9 are accounted for through the statement of comprehensive income.

The cash flows from the interest rate swaps are expected to occur monthly, quarterly or on a semi-annual basis dependent on each contract. The periods in which the hedged payments are expected to occur are set out in the maturity analysis in note 21.

Hedge Accounting

Where the Group hedges its exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt, or future currency payment on debt designated in a foreign currency) or a highly probably forecast transaction and that transaction could affect profit or loss, the hedging relationship is designated as a cash flow hedge.

The following table indicates the periods in which cash flows associated with cash flow hedging instruments are expected to occur.

The key assumption used in valuing the interest foreign currency derivatives

is the GBP:JPY forward exchange rates.

Hedge accounting is discontinued where the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged instrument is derecognised or the hedging instrument is terminated.

A cash flow hedge is accounted for as follows:

The proportion of the gain or loss on the hedging instruments that is determined to be an effective hedge are recognised directly in equity and the ineffective portion of the gain or loss on the hedging instrument is taken to the statement of comprehensive income.

	2017 £m	2016 £m
Cash flow hedging		
0-1 year	7.7	4.6
1-2 years	7.2	4.2
2-5 years	18.3	11.1
Over 5 years	36.6	23.9
	69.8	43.8

Note 37 – Financial instruments and risk management CONTINUED

Liquidity risk

The Group has a policy to maintain sufficient liquidity in cash and lending facilities to cover 18 months of operational activity. At the year end, 90% (2016: 95%) of the Group's borrowings were due to mature in more than five years. The liquidity risk of each Group entity is managed centrally by the Group treasury function on

a monthly basis to adhere to Group policy.

The following is an analysis of the expected contracted cash flows payable for the Group's financial liabilities on an undiscounted basis. For the purposes of this table, debt is defined as bank loans and bonds. Interest is calculated based on debt held as at 31 March.

For the purposes of this table, debt is defined as drawn bank loans and drawn bond financing and excludes deferred finance. Floating rate interest is determined using the prevailing implied forward rates as at the balance sheet date.

used for provisioning has been shown to reflect historical experience of loss events. The Group provides 100% for former tenants. Provision for current tenant arrears is on the aged profile of the debt. Arrears of more than 19 weeks are provided for at 90% and for arrears between 10 and 19 weeks at 15%. Approximately 60% of arrears is in the form of housing benefit payment coming in directly from the local authorities which reduces the Group's exposure to tenants' risk. In addition, under IFRS9 the Group considers the historical experience of cash collection from tenants and recognises expected future credit losses.

Inflation risk

An element of the Group's debt is linked to inflation. This provides a link between the cost of our debt and the Group's revenue streams. A 1% increase in Retail Price Index results in a £0.3m increase in interest cost.

Credit risk

The main credit risk applies to debtor balances, the majority of which relates to rental income and other arrears, which are reported weekly to business leaders assigned to manage the recovery process. In accordance with IFRS9 the Group only recognises losses when a loss event has occurred. The methodology

The Group recognises the risk whereby the inability of a provider of a credit facility, deposit taker, or interest rate swaps counterparty to fulfil its contractual obligations when they fall due, or reduction in creditworthiness, may result in a financial loss or liquidity problem for the Group. The Group therefore maintains a formal counterparty policy in

	Debt £m	Interest on debt £m	Cash flows on derivative financial instruments £m	Total £m
2017				
0-1 year	6.2	42.1	7.7	56.0
1-2 years	82.2	42.4	7.2	131.8
2-5 years	43.6	123.4	18.3	185.3
Over 5 years	1,204.3	859.1	36.6	2,100.0
	1,336.3	1,067.0	69.8	2,473.1
2016				
0-1 year	4.4	44.4	6.6	55.4
1-2 years	52.2	44.4	6.2	102.8
2-5 years	59.7	130.0	16.7	206.4
Over 5 years	1,181.3	916.0	44.5	2,141.8
	1,297.6	1,134.8	74.0	2,506.4

Note 37 – Financial instruments and risk management CONTINUED

respect of those organisations from which it draws funds on committed facilities, or with whom it may enter into interest rate swap transactions, or with whom funds may be deposited. The longer the maturity of the commitment period, interest rate swap or investment, the greater the counterparty credit risk, and hence the minimum credit quality requirements will be more stringent.

Note 38 – Segmental reporting

	March 2017			2016/17 Full year			2015/16
	Actual £m	Budget £m	Variance £m	Forecast at February £m	Budget £m	Variance £m	Actual £m
Net surplus of business activity							
Permanent Rented Housing	64.3	56.6	7.7	64.6	56.6	8.0	64.3
Temporary Housing	4.9	5.0	(0.1)	5.1	5.0	0.1	5.4
Care and Support	8.7	6.0	2.7	9.1	6.0	3.1	6.4
Home Ownership Sales	54.1	56.5	(2.4)	54.9	56.5	(1.6)	63.1
Home Ownership Lettings	19.1	19.7	(0.6)	19.1	19.7	(0.6)	18.2
Student Accommodation	3.6	3.2	0.4	3.5	3.2	0.3	5.1
Commercial Properties	2.8	2.1	0.7	2.5	2.1	0.4	1.5
Market Rent	17.1	9.6	7.5	7.5	9.6	(2.1)	9.2
Key Worker	0.5	0.4	0.1	0.4	0.4	-	0.3
Surplus/(deficit) from operations	175.1	159.1	16.0	166.7	159.1	7.6	173.5
Community Engagement	-	-	-	-	-	-	(0.1)
Fundraising	0.7	0.2	0.5	0.5	0.2	0.3	0.5
Surplus from Asset Sales	32.1	7.1	25.0	31.0	7.1	23.9	38.5
Development	(16.6)	(1.5)	(15.1)	(1.5)	(1.5)	-	(7.7)
Business Support	(19.1)	(20.7)	1.6	(20.0)	(20.7)	0.7	(19.2)
Interest	(44.0)	(46.3)	2.3	(43.8)	(46.3)	2.5	(47.8)
Mark to Market	9.7	-	9.7	3.2	-	3.2	(10.2)
Group Net Surplus/(Deficit)	137.9	97.9	40.0	136.1	97.9	38.2	127.5

Following the year end adjustments, the Group's net surplus amounted to £142.2m. The differences are shown right:

	2017 £m
Group surplus per management accounts	137.9
Pensions past service deficit	(1.0)
Impairment release	5.3
Group surplus per statutory accounts	142.2

Note 39 – Contingent liability

Contingent liabilities relate to grant recognised in general reserves under the performance method upon transition to deemed cost.

	Group		Trust	
	2017 £m	2016 £m	2017 £m	2016 £m
At 1 April 2016/2015	1,206.3	1,213.2	1,040.0	1,039.5
Stock transfer additional liability	-	3.4	-	0.8
Realised on disposal	(5.6)	(10.3)	(0.3)	(0.3)
Additions	2.3	-	2.2	-
At 31 March 2017/2016	1,203.0	1,206.3	1,041.9	1,040.0



