Notting Hill Genesis

2018/19 Annual report and financial statements

Notting Hill Genesis

£105.3m
Surplus before tax

24.7%
Operating margin

64,000
Properties owned or managed

around
£20bn
Value of properties

2,031
FTE staff

2,111
Homes completed

16,000 Unencumbered properties

Available liquidity
£775m

G1 / V2	A- (stable)	A (stable)
Regulatory rating	S&P rating	Fitch rating

Contents

Registered office and head office

Bruce Kenrick House
2 Killick Street
London N1 9FL
Tel: 020 3815 0000
www.nhggroup.org.uk

Registrations

Registered Society Number: 7746
Registered Provider Number: 4880
A charity exempt from registration. Regulated by the Regulator of Social Housing.

Independent auditors

BDO LLP
Statutory Auditors
55 Baker Street
London
W1U 7EU

Principal solicitors

Devonshires Solicitors LLP
30 Finsbury Circus
London
EC2M 7DT

Principal bankers

Barclays Bank PLC
Business Banking
Floor 28
1 Churchill Place
London
E14 5HP

Introduction

Mildmay, London Borough of Hackney

Chair's welcome

I am pleased to introduce the 2018/19 annual report and financial statements, our first since we merged formally on 3rd April 2018. We have made good progress towards achieving our three year plan, although it is going to take longer than we anticipated at the outset, and there is much work still to be done. The challenging market conditions are reflected in our results: the core non-sales related, operating surplus has decreased to £136.5m compared with the pro-forma combined figure for 2017/18 of £160.2m. The surplus on the sales of private homes and shared ownership first tranches was down from £41.3m to £24.2m. We invested £654.4m in 2018/19 in the development of new homes and started over 1,000 homes on site. We completed 2,111 homes during the year, but we also have experienced a rise in the number of unsold homes. Consequently, in late 2018 we decided to slow down the pace of our development activity but not to completely stop - we remain committed to using the surpluses generated by our commercial activities to create more homes for lower income Londoners – our core social purpose. Notting Hill Genesis, like most registered providers, is committed to our core social purpose – it drives everything we do. We do not pay any dividends and all our surpluses are re-invested into building new homes for lower income households in London.

Our liquidity position is deliberately large, with about £775m in undrawn bank facilities and cash – reflecting the scale of uncertainty in which we operate but also to enable us to move quickly when the operating environment improves.

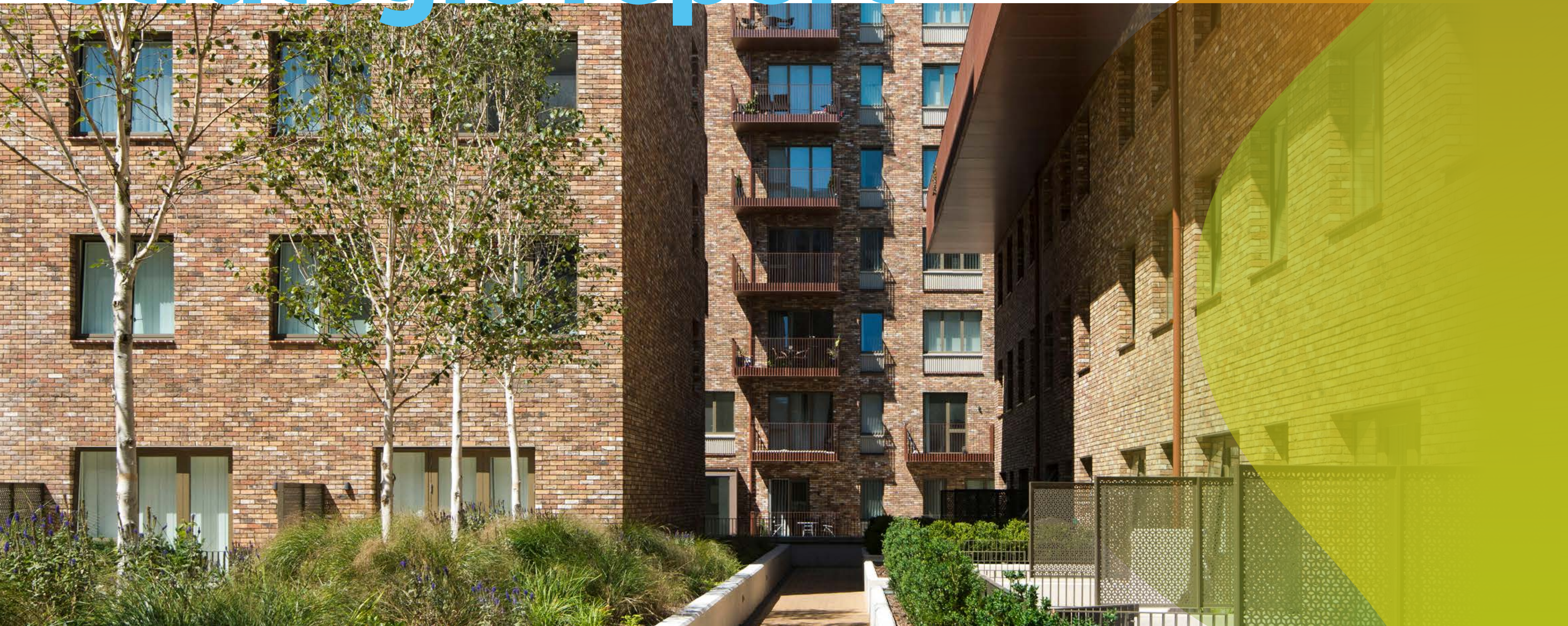
We now own and manage approximately 65,000 homes, principally in London, which makes us the third largest housing association in London and the fifth largest in England. Scale is of no consequence to individual residents unless and until we can demonstrate that the incremental scale leads to a better service for them. We hope that in 2019/20 the fruits of the work last year to secure the benefits of scale achieved through the merger will be evident both to our residents and our external stakeholders. Two years on from the Grenfell Tower fire in which we lost eight of our residents, we have reviewed and strengthened our approach to fire risk and management.

I am delighted with the way in which the board and the executive team are already operating as one organisation and doing so in a much more challenging environment that we could have envisaged two years ago when we embarked upon merger discussions. This is testament to the leadership of Kate Davies and her executive team. On behalf of the board, I also want to thank the 2,355 people of Notting Hill Genesis for their hard work and dedication in this first year of integration, particularly given the uncertainty surrounding their own roles for many individuals. I am also grateful to the many groups with whom we work closely to achieve our aims, including our banks, institutional investors, local authorities, development partners, the Greater London Authority, shareholders and our residents.

Finally, I would like to take this opportunity to thank former chair Dipesh Shah OBE, as well as Elizabeth Froude and Eugenie Turton, all of whom left the board in 2018/19. All three made significant contributions during their time with us and were instrumental in the establishment of Notting Hill Genesis. At the same time, I'm pleased to welcome Elaine Bucknor, who joined us as a non-executive director in August 2018, and the new chair Ian Ellis, who takes over from me on 1 September 2019. For full details of all board members, please take a look at page 22.

James Wardlaw
Interim chair
Notting Hill Genesis

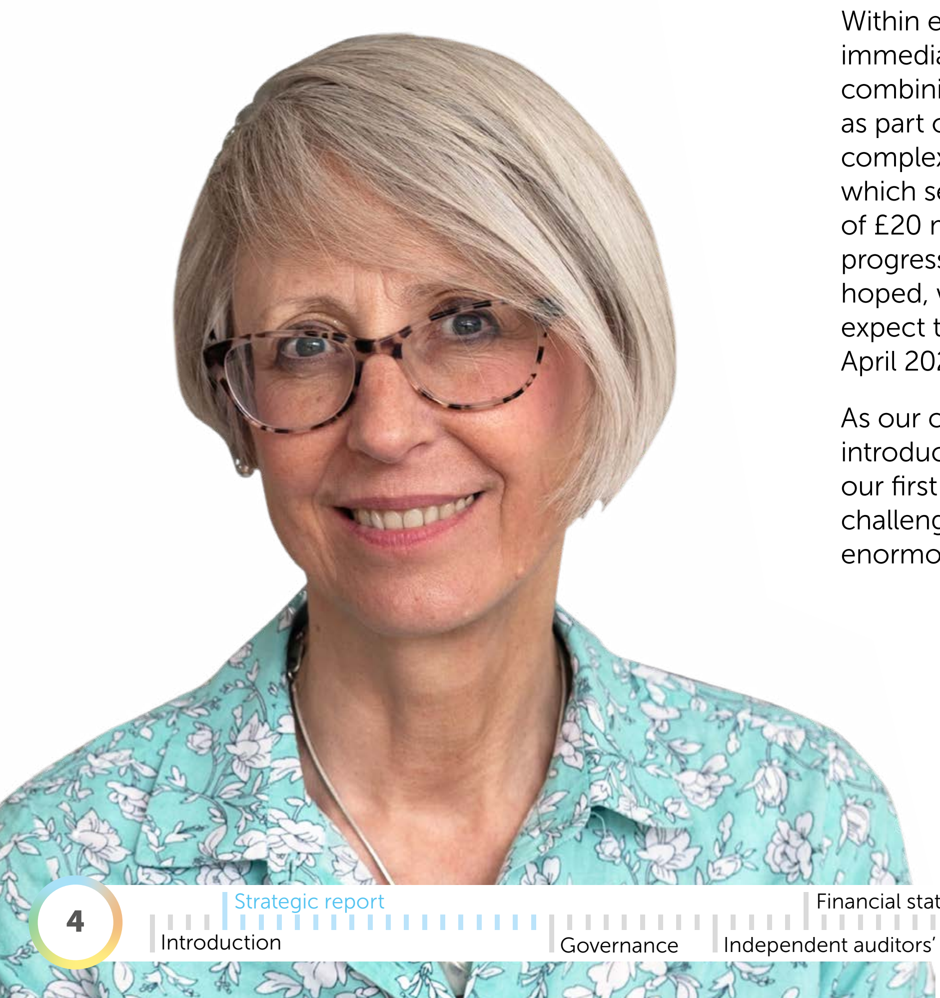
Strategic report



Royal Albert Wharf, London Borough of Newham

Chief executive's introduction

Our strategic report for 2018/19 provides an overview of some of the work we've done in our first year as Notting Hill Genesis. The areas we identified as priorities when we first merged have been refined during our first year into five coherent strategic themes. This strategic report summarises performance against four of those five themes: our residents, our homes, our people and providing new homes. The fifth, which focuses on financial strength and value for money, is covered in subsequent sections.



Within each of those themes, our immediate focus has been on effectively combining our predecessor organisations as part of an ambitious, challenging and complex two-year integration programme, which seeks to achieve full-year savings of £20 million from April 2020. Although progress has initially been slower than we hoped, we have made a good start and still expect to deliver the full cost saving from April 2020.

As our chair has already said in his introduction to the financial statements, our first year has been in turn stimulating, challenging and rewarding. I feel enormously privileged to work with such a fine group of colleagues, all of whom are working so hard to improve our residents' lives and create communities for future generations. That they have managed to maintain business as usual at the same time as bringing together our predecessor organisations is a tribute to their skill and commitment, and I am truly grateful to them all.

Kate Davies

Kate Davies
Chief executive
Notting Hill Genesis

Year at a glance

April

Notting Hill Genesis formally created following the amalgamation of its two predecessor organisations.

May

Involvement day across several locations provides residents with a chance to say how they want to work with us to ensure the services they receive are the best they can be and fulfil the commitments set out in our resident promise.

June

Colleagues able to access simplified, standardised and automated key business processes through the WorkWise staff portal, a key aspect of our commitment to greater efficiency and an improved resident experience.

July

Staff Promise

Staff promise published, following input from colleagues across the business. The staff promise forms the foundation for all the work we need to do around our people through integration and beyond to make Notting Hill Genesis a place where people want to work.

August

Notting Hill Genesis named on the Greater London Authority's new £20 billion London Development Panel (LDP2), enabling us to continue to work in partnership with them to deliver thousands of new homes for Londoners.

September

National Housing Awards recognise two of our developments, with Shakespeare Road in Ealing winning best new scheme in planning and extra care facility Cheviot Gardens in West Norwood being highly commended in the best design category.

October

Board agrees strategic review of care and support services and the transfer of services in East Anglia to other organisations better placed to provide high standard care in that area.

November

Woodberry Down in Hackney is named UK Project of the Year by the Royal Institute of Chartered Surveyors.

December

Our volunteer network visits hostels and refuges in the lead-up to Christmas to drop off bags of presents from our staff Christmas appeal, which saw colleagues providing gifts and cash donations for families in need.

January

We participated in the social media campaign to launch the G15's Gogglebox-style video highlighting the work of housing associations and how it benefits our residents.

February

New live-chat functionality to our customer service centre exceeds 1,000 chats. One of several initiatives to improve digital services for our residents, live-chat is also substantially reducing the number of calls to the customer service centre.

March

Publication of first corporate strategy for Notting Hill Genesis, setting out how, together, we will be able to do more for our residents and make a bigger difference for those in housing need.

Our mission, vision and values

We are based in the community, and provide homes for lower-income households in and around London. This is our primary purpose, and everything else we do supports that aim. We aspire to be the best housing association in London.

Along with the commitments set out in our staff promise, our values help to guide our people and inform their behaviours and decision-making. It is important that we challenge and support each other, and tackle problems head-on so that we can perform better.

The drive for profit is important to us, not for its own sake, but so we can continue to invest in our social purpose by providing more homes for people in housing need. Ensuring that each area of our business makes money and delivers value for money is critical to this.

Our mission

Based in the community, we provide homes for lower-income households in and around London.

Our vision

We aim to be the best housing association in London.

Our values

We are open, honest and willing to confront difficulties.

Our strategy

- Our residents
- Our homes
- Providing more new homes
- Our people
- Our financial strength

Our social purpose

Our social purpose is as important to us today as when our parent organisations were formed in the 1960s. As Notting Hill Genesis, we can do more.

It's increasingly difficult to produce social and affordable housing with limited government grants, but by continuing to use surpluses generated by our commercial activities to plough back into our core social purpose, we can ensure we create the right mix of homes – and contribute to addressing the housing crisis in and around London.

Our colleagues have always been at the heart of our communities, and we want our merger to enhance those links. Whether it's supporting residents to claim the correct benefits, getting involved in community events, or just being there for a resident to talk to in times of need, our relationship with those in our homes goes beyond bricks and mortar. That relationship has always been important for our colleagues and residents and it will remain so in Notting Hill Genesis.

Many of our shareholders have been involved with us for years, even decades, and we want to ensure that their shared traditions and values, which go back more than 50 years, continue to influence how we work in the future.

Performance against objectives

Our residents

Resident promise

We worked closely with our residents in the run-up to and following our merger to ensure that they are at the heart of shaping services. Our resident promise captures the key themes that came up during the merger consultation and sets out how we will address those issues. We worked with residents throughout the year to ensure they are fully involved in refining and delivering on the promise, and now have an aligned resident involvement structure, a resident services committee with a direct link to the board, and a new resident newsletter, Connections.

Baseline satisfaction survey

We undertook a resident satisfaction survey which will provide a baseline against which to monitor future performance and progress. The survey showed that overall satisfaction stands at 65.2%. Safety and security, and the overall quality of our homes were listed as the most important issues for our residents and registered the greatest levels of satisfaction. Conversely, the survey showed that we need to do more to improve our repairs service.

New operating model

Our new operating model, developed by residents and colleagues, should start to address many of the commitments set out

The key performance indicators for the merged group assist the Board in monitoring progress against delivery of the Corporate Strategy.

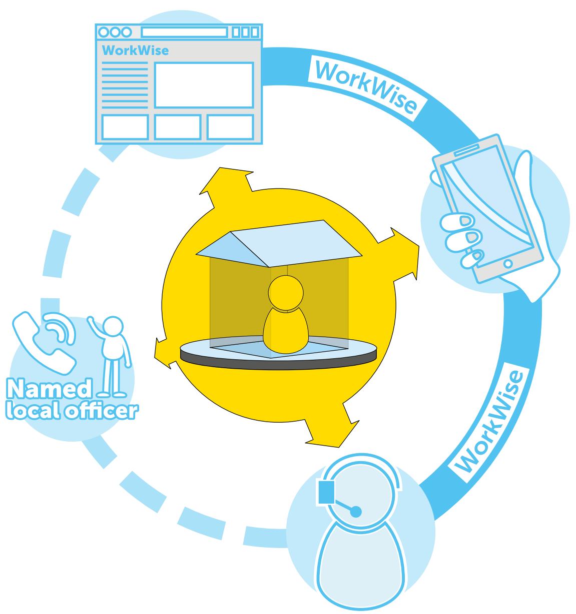
Key performance indicators	2018/19 performance	2018/19 target	Commentary
Rent collection rate over 12 months	100.05%	99.64%	We achieved our target.
Current tenant rent arrears	4.32%	4.62%	We achieved our target.
Occupancy rate	98.0%	98.6%	The overall occupancy rate did not achieve the target as general needs was impacted by a backlog of voids. In addition, a large number of new developments were completed close to the year end date, particularly in market rent.
Customer satisfaction overall	65.2%	No target	As a new organisation, a baseline survey was undertaken to determine current customer satisfaction for the new organisation. Based on the outcome of that survey (and other factors) the customer satisfaction target for 19/20 is 68%.
Number of ombudsman investigations	47	No target	The number of ombudsman investigations and maladministration findings in the first year of NHG is less than the two separate organisations prior to merging (60 and 17 respectively). Improvements in escalated complaints handling have been made, and we have reviewed all cases with the Housing Ombudsman – as part of our integration work - this allowed us to reduce the number of maladminstrations coming in, and in comparison to the previous year.
Number of maladministration finding by ombudsman	13	No target	
Percentage of homes with a valid gas certificate	99.9%	100.0%	Although the board sets 100% compliance, a small number of homes could not be completed on time due to the difficulty in securing access.
Sales time to completion (weeks)	25.9	12.0	The delay in securing sales during 2018/19 was due to the general slowdown of the housing market, of which Brexit uncertainty was an influence.
Plots acquired	892	2,264	The delay in selling homes built for sale and shared ownership meant that the board took the decision during the year to reduce new commitments. This meant that targets set at the beginning of the year were not achieved.
Homes started	1,018	2,240	
Homes completed	2,111	2,403	

in our resident promise. The model places residents at the centre of what we do. Building on what worked well in our predecessor organisations, and making the most of modern automated technologies, the model includes online transactions, a digital support team and local officers who can develop and sustain a genuine relationship with residents who want or need a greater level of support.

Digital transformation

Our WorkWise programme aims to simplify, standardise and automate some of our main business processes and to make them available to colleagues and residents online. Staff from some parts of our business have been using the staff portal since June 2018 and can now

WorkWise workflow diagram



raise and track repairs, and deal with a range of housing management issues. By enabling more of our routine transactions to take place online, we can free up frontline colleagues to focus on more complex resident issues. We are beginning to roll out WorkWise to customers and over 2,000 are already enrolled.

WorkWise is supported by a digital team in our customer service centre, who also started using live chat to interact with residents during 2018/19. By February 2019, the team had dealt with more than 1,000 chats, which is substantially reducing the number of calls to the customer service centre.

Our homes

Safer homes

Our compliance with key health and safety areas improved during 2018/19. Through the implementation of our improvement plans, by the end of the year, we had achieved board approved targets for gas, fire risk assessments, fire risk assessment actions, domestic electrical installation condition reports, water quality risk assessments and asbestos surveys. Condition reports on communal electrical installations identified additional work around the year end, meaning that these properties were all completed by the end of May 2019.

We are especially sensitive to fire risk following the deaths of eight residents in 2017 during the Grenfell fire and have set up a fire safety task force to respond to the recommendations that have been made following the Hackitt Review of building fire safety and recent government requirements. As part of our post Grenfell review, we have identified seven sites with aluminium composite material (ACM) cladding. Three of these have had cladding removed and replaced; two have had cladding removed and it is currently being replaced; two projects are under way and cladding is yet to be removed. In addition, we are in the process of reviewing 148 blocks that are 18m or above to ensure that any cladding systems in place are not flammable as required by Advice Note 14 issued by the government in December 2018. This review work will continue into 2019/20.

Repairs

We worked throughout the year to improve our repairs service. Work completed in autumn 2018 should help us manage our processes more effectively in future, freeing up colleagues to focus on reducing service failure and cost, and improving the resident experience.

The introduction of WorkWise (see workflow diagram) means that many simple repairs (those that it should be possible to fix first time) can now be dealt with online as the WorkWise portal links to Plentific. Plentific is an online repairs platform that connects companies and individuals to approved tradespeople.

Quality

Many of our schemes were shortlisted for or won prestigious awards during the year. Developments recognised in 2018 for their architecture, design or community benefit included Cheviot Gardens in West Norwood, New Mildmay in Shoreditch, Royal Albert Wharf in Newham, Shakespeare Close in Ealing, the Tin Tabernacle in Kilburn, Spray Street Quarter in Woolwich and Woodberry Down in Hackney. A much older Notting Hill Genesis building – the iconic Isokon in Hampstead – was also awarded an English Heritage blue plaque to recognise the building's three leading architects and designers.

Our people

Staff promise

Colleagues attended workshops and completed a survey over the summer of 2018 to create a staff promise. The promise sets out our commitment to our people as we go through integration and beyond, alongside a set of values to inform how we interact and engage with each other to ensure Notting Hill Genesis is a place people want to work.

Support through change

Our merger and subsequent integration represent a major change for our colleagues. We completed much of our back-office integration during 2018/19, which involved about 300 staff from our development, finance, sales and marketing, leasehold support, health and safety, and welfare benefits teams.

Integration is supported by a suite of internal communications tools, which reflect best practice from our legacy organisations and ensure that information is provided in the right way at the right time. Executive board members visit our main offices where corporate information is shared face-to-face and colleagues are able to ask questions and raise concerns, followed by a written briefing

Royal Albert Wharf

Excellence in Newham.

Royal Albert Wharf (RAW) is being created on three brownfield dockland sites assembled over a decade via purchase and two successful tenders to the GLA. This single masterplan development incorporates a strong emphasis on place making and includes significant provision for arts, leisure and commercial space.

The overall scheme will deliver more than 1,800 new homes, of which at least 40% will be affordable housing.

In 2018 RAW won both the RICS London Residential Property of the Year and RIBA London Awards.

1,856 homes

- 29 Social rent
- 37 London affordable rent
- 87 London living rent
- 243 Affordable rent
- 73 Market rent
- 398 Shared ownership
- 989 Private sale

Architects:
Maccreanor Lavington
Feilden Clegg Bradley Studios
PRP

Contractors:
Galliford Try
Telford Homes

Completion: 2024

for managers and a presentation pack for use at local team meetings.

Opportunities for career development

We continued to provide a range of learning and development opportunities, from informal lunch and learn events to more structured training and courses. We are especially pleased with two in-house initiatives that allow more junior colleagues to develop leadership and management skills. In October 2018, 24 colleagues were accepted on to our emerging leaders programme, which includes workshops, action learning and project work over an eight-month period. Our Stepping Stones programme helps develop the skills and confidence of domiciliary care officers in our extra care services. Four people from the 2018/19 programme are progressing to more senior roles within the business as a result of their participation.

Equality and diversity

Several initiatives during 2018/19 are helping to create a working environment where diversity, inclusion and equality are supported and celebrated. We launched Beehive, our women's network, in August 2018 and Eric, our LGBT+ network, in October. Also in October, Cultural Energie, our BAME network, celebrated Black History Month with a range of events, and Pamela Sinnott, our commercial manager for extra care services, won the inclusion champion category in the Women in Housing awards for her work with Houseproud, the first cross-sector LGBT+ network.

Reynard Mills

Innovation in Hounslow.

Reynard Mills is a mixed tenure development with 63% affordable housing. It includes significant family housing provision, with a range of houses, spacious apartments, and plans for an on-site nursery.

The site was a former industrial estate, most recently used for storage of the BBC film archives. This historical context is alluded to through the retention of an existing pediment transferred to mews houses within the new development.

195 homes

- 42 Affordable rent
- 81 Shared ownership
- 72 Private sale

Architect: BPTW

Contractor: Hill

Completed: October 2018

Providing new homes

Development programme

During 2018/19, we completed 2,111 new units and 235 renovations, with an investment of £654.4m, including £17.2m from government grant. Of those units, 205 were for social rent, 261 for affordable rent, 617 for shared ownership, 95 for market sale, 720 for market rent and 213 other units.

We also started work on 774 new homes, which will include 160 for social rent, 70 for affordable rent, 192 for shared ownership, 172 for market sale, 152 for market rent and 28 for London living rent.

Regeneration and community investment

Active community investment activities mean that we're doing more than just building homes for people to live in – we're helping to create thriving communities too.

We worked closely with the London Borough of Barnet and the Mayor of London's team during the year to design a new scheme to regenerate the next stage of Grahame Park, following the Mayor's refusal of our original planning application. The new scheme will create around 2,000 homes, half of them affordable housing and like-for-like reprovision of the number of social rented homes. Community consultation started in March 2019.

At the Aylesbury Estate in Southwark, we appointed a top 20 UK housebuilder, to construct the first 229 homes. Of those homes, 84% will be available for social rent, including 54 extra care units and seven homes for people with learning difficulties. This is part of the wider First Development Site, which will provide more than 800 homes, a community facility and new public open space. It will also provide a wide range of job and training opportunities for Southwark residents, including 224 sustained jobs, 98 apprenticeships and 105 training places. In due course we plan to build over 3,500 new homes on this estate.

Geography

Our board agreed proposals to sell stock in areas beyond our core operations in London, as part of a broader strategy of focusing our growth and operational strategy on London, and the areas immediately surrounding it. The first of those sales was completed at the end of November 2018, when we transferred 474 homes to Futures Housing Group.

Partnerships

In August, we were named on the Greater London Authority's new £20bn London Development Panel (LDP2), enabling us to continue to work in partnership with them to deliver thousands of new homes for Londoners.

In addition, we continue to work with Transport for London on two sites released for development as part of their property partnership framework. Triangle Developments London, our partnership with property developers U+I, is one of 13 developers and consortia on the framework.

Future prospects

Following our merger in April 2018, Notting Hill Genesis is one of the largest housing associations in the UK, with around 65,000 homes in management and ownership and with about 90% of those in London. More than half of our homes are for general needs or social or affordable rents.

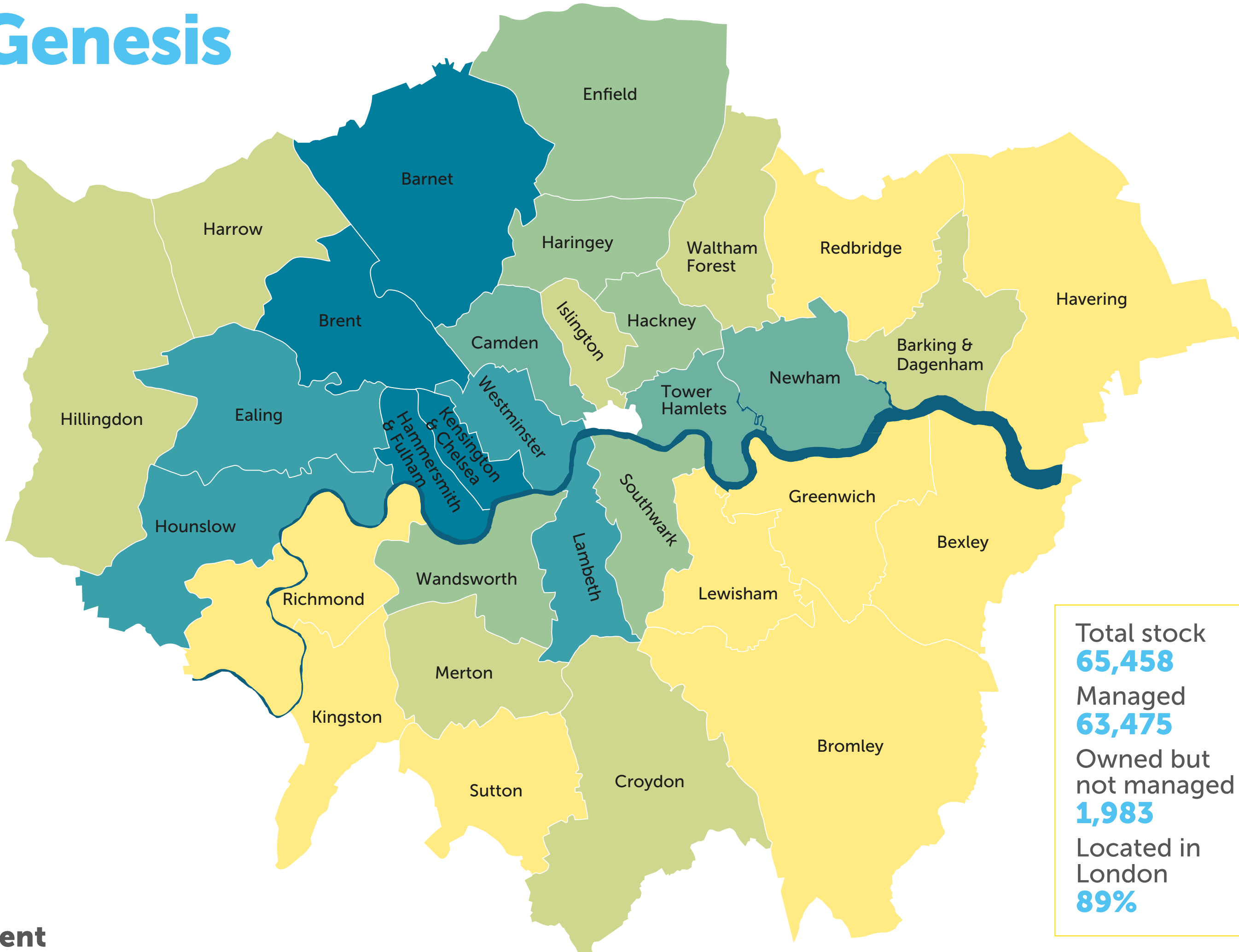
We published our first corporate strategy as Notting Hill Genesis in March 2019. The strategy outlines what we plan to achieve over the next five years and how we will live up to our mission and deliver our vision. It is supported by our staff and resident promises, several other detailed documents, a suite of measures and performance indicators, and our integration programme and governance framework.

Financially, our merger has brought together two substantial organisations to make a new group. We now have combined reserves of £8.2bn and borrowing and undrawn facilities of about £4.2bn. We are generating turnover of about £700m. We will use this financial strength to invest in our core social purpose to provide more homes for those on a low income in London and the south east as well as providing a high quality service to our existing customers.

Notting Hill Genesis
Stock map
London boroughs

Number of homes currently under management in each London borough

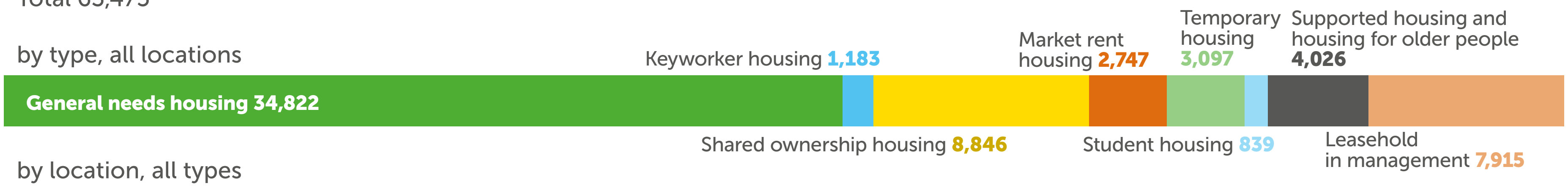
1 - 500
501 - 1,000
1,001 - 2,000
2,001 - 3,000
3,001 - 4,000
4,000+



Total stock
65,458
Managed
63,475
Owned but not managed
1,983
Located in London
89%

Total properties in management
Total 63,475

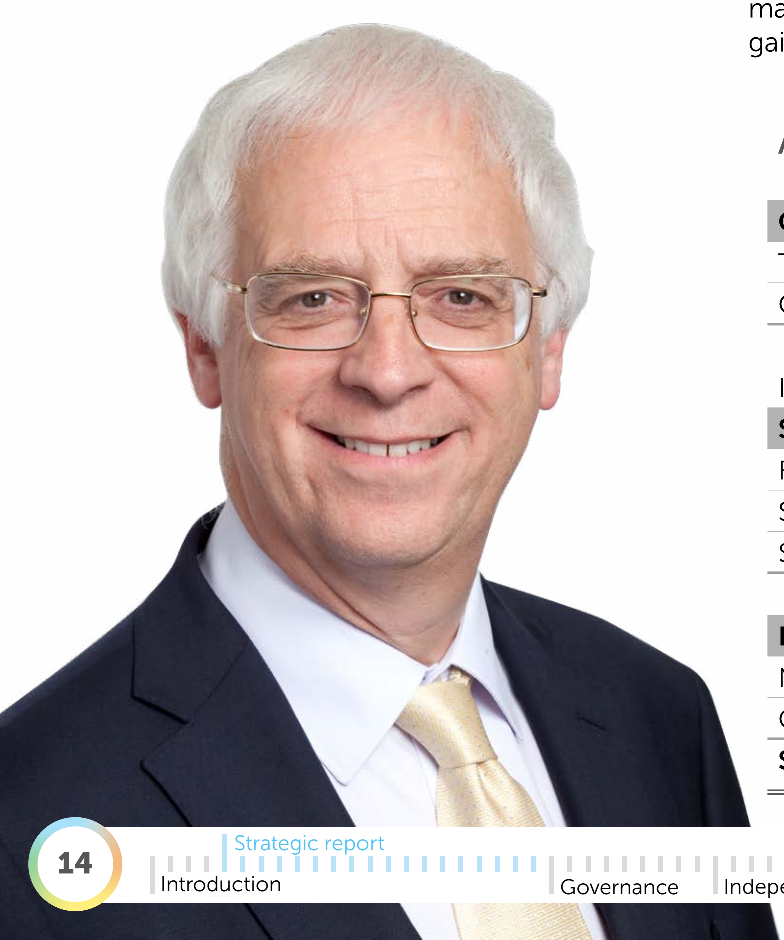
by type, all locations



by location, all types

Group finance director's report

I am pleased to present the financial report for the first year of Notting Hill Genesis. We have had a successful year as an enlarged organisation, generating an overall surplus before tax of £105.3m. As a result we exceeded our budgeted surplus of £97.3m.



Results

Group turnover decreased from £695.6m in 2018 to £670.6m in 2019, with £468.8m (2018: £469.4m) generated from social housing, £134.9m (2018: £159.7m) from sales, and £30.6m (2018: £25.6m) from market rent.

The surplus before tax and after interest was £105.3m and was above the approved budget of £97.3m, but lower than the comparable surplus in 2018 of £139.3m. No allowance was made in the approved budget for fair value gains of investment properties or mark to market movements. The attached accounts show that the actual surplus was £105.3m and that the equivalent figure for 2017/18 as restated was £139.3m.

The change between the years principally arose for the following reasons.

- Turnover excluding fair value gains and sales was broadly even between the two years.
- Fair value gains from investment properties were higher mainly because schemes which were held at cost during development, were revalued upwards on completion.

Analysis of consolidated NHG surplus	2018/19 £m	2017/18 £m	Difference
Core operating surplus			
Turnover - excluding sales	535.7	535.9	(0.2)
Operating costs - excluding impairment	(423.4)	(394.7)	(28.7)
	112.3	141.2	(28.9)
Impairment	-	(24.6)	24.6
Sales and investment surplus			
Fair value gains - investment properties	36.3	8.0	28.3
Surplus from sales	24.2	43.6	(19.4)
Surplus on disposal of assets	34.0	65.0	(31.0)
	94.5	116.6	(22.1)
Results from financing activities			
Net financing costs	(107.7)	(126.4)	18.7
Other	6.2	32.5	(26.3)
Surplus before tax	**105.3**	**139.3**	**(34.0)**

- The surplus from sales was lower due to fewer homes sold as a result of the delays in the sales programme arising from the challenging market.
- The surplus from sales was also below target, which has led to a growth in the number of unsold homes.
- In 2017/18, we reviewed the carrying value of a number of housing assets and they were written down. The same review was carried out in 2018/19, however no write downs were required.
- Operating costs were higher because of additional costs arising from repairs and writing down assets that were no longer required by the combined entity.
- The surplus on disposal of assets was reduced because the new entity has substantially reduced the sale of assets in the heartland boroughs. Shared ownership staircasing was, however, in line with expectations, although we saw some falling off late in the financial year.
- Financing costs were reduced because break costs incurred in 2017/18 as a result of the merger were not repeated.
- The main factor in the "other" category is the lower gain that arose as a result of mark to market movements.

Overall, the results demonstrate that our focus on improving operating margins should remain high.

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 also have available to us substantial liquidity (over £775m at 31 March 2019).

Ratings

Notting Hill Genesis is rated by Standard and Poor's (S&P) and Fitch.

S&P assigned a rating of A+ on creation of Notting Hill Genesis. The outlook was negative. This was lowered to A, with the outlook still negative on 27 July 2018, on the basis of sales risk. On 5 June 2019, the rating was lowered to A- due to lower sales and higher integration costs. The outlook is now stable.

Fitch assigned Notting Hill Genesis a rating of A (stable outlook) on 1 August 2018.

Capital structure and treasury policy

The group board approves an annual treasury plan each year, which sets the strategy on how we mitigate and manage treasury related risks.

We issued our first bond as the merged group in January 2019, raising £250m to be repaid in 10 years, with an all in cost of 2.97%. Despite the ongoing uncertainty in the political and economic landscape, the order book peaked at £1.1bn. We now have six public bonds in issue with an outstanding nominal value of £1.7bn.

Borrowings at the year-end were £3,471.0m (2018: £3,267.7m) and undrawn facilities were an additional £642.8m (2018: £893.8m). This debt is borrowed from banks and building societies in the UK, as well as from the capital markets. Cash and deposits available to the group totalled £133.0m, meaning we had available liquidity of £775.8m (2018:£893.8m).

The current interest rate strategy, along with the year-end position is set out in the table below.

Interest rate strategy table

	Target			Actual position
	Lower	Central	Upper	
Fixed	50%	75%	95%	72%
Floating	5%	20%	40%	25%
Inflation linked	0%	5%	15%	3%

The above interest rate targets were set by the board at amalgamation.

The figure shown as 'lower' is the minimum approved by the board and the figure shown as 'upper' is the maximum. Notting Hill Genesis also has a target duration of 10 years for its debt and a permitted range of nine to 14 years. The year-end position was 12.7 years.

The debt maturity table below provides an analysis of when the outstanding debt falls due for repayment:

Debt maturity table

	Group, £m	NHG, £m
0-1 years	105.2	97.3
1-2 years	42.7	40.5
2-5 years	423.1	401.6
5-10 years	816.7	751.3
10-20 years	737.7	568.4
20-30 years	1,056.6	1,056.6
30-40 years	289.0	289.0
Total	**3,471.0**	**3,204.7**

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 S&P.

Notting Hill Genesis had entered into various interest rate swaps at the year-end to manage the interest rate charged on variable, fixed and currency debt. Under the terms of its interest rate swap agreements, Notting Hill Genesis can be required to provide 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, dependent on the lender).

The maximum amount of cash and properties pledged as security for interest rate swap transactions during the financial year was £27.0m (2018: £nil) and the amount at 31 March 2019 was £7.1m (2018: £nil). Notting Hill Genesis generally borrows and lends only in sterling, which minimises associated currency risk. Where it does borrow in a foreign currency, all associated cash flows are hedged to mitigate currency risk.

As at 31 March 2019, £398.0m (2018: £404.9m) of the group's variable debt had its interest rate hedged by stand-alone interest rate swaps.

As at 31 March 2019, £42.0m (2018: £42.0m) of the group's fixed debt had its interest rate hedged by stand-alone swaps.

As at 31 March 2019, ¥5bn (2018: ¥5bn) of the group's debt had been hedged into £28.0m (2018: £28.0m) by a currency swap.

Notting Hill Genesis 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 2019, 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 the property valuation table below.

Property valuation table

	General needs housing £m	Shared ownership housing £m	Market rent £m	Total £m
Cost (excluding depreciation and social housing grant)	5,323.5	1,089.9	622.1	7,035.5
Net book value	4,965.9	1,078.4	716.9	6,761.2
Value				
On a vacant possession basis	16,676.0	2,156.0	867.6	19,699.6
On a market value subject to tenancy basis	9,193.0	1,156.0	716.9	11,065.9
On an existing use for social housing basis	4,184.0	1,156.0	N/A	5,340.0

Valuation of the shared ownership properties is based on the open market value for the equity share retained by the group. The equity share retained by the group, typically represents 57% of the whole property, with the balance owned by the leaseholder. In previous years, the vacant possession value was noted at 100% of the equity.

Value for money (VfM)

For Notting Hill Genesis, 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.

When Notting Hill Housing Trust and Genesis Housing Association came together in April 2018, the board acknowledged that the combined organisation had an unacceptably high cost base, and there had to be a considerable focus on reducing the operating costs during the first two years of operating as one organisation. The merger had a VFM basis with the delivery of 400 extra homes each year and operational savings of £20m from 2020/21.

Our VFM reporting and analysis is now focused on the seven key metrics as aligned to the requirements of the Regulator of Social Housing (RSH) which are used for comparison across the sector.

The board has approved three major strands to improve cost effectiveness.

Cost effectiveness target	Update on delivery
We expect to reduce running costs by £20m from the third year of operation (2020/21).	Progress has been slower than planned, however we still expect to achieve this.
We have carried out strategic reviews of both temporary housing and supported housing and care business areas, where operating performance needs to improve, and agreed plans to improve their performance.	The impact of the reviews is expected to come through from 2019/20.
We have reviewed the geographic footprint of the newly merged organisation and decided to focus on London and adjacent areas only, and have approved a programme of disposing of some homes to local Registered Providers who are able to provide a high quality service to residents.	During 2018/19, we completed the disposal of 76 keyworker units in Surrey and 474 units in Northamptonshire and Cambridgeshire. We also plan to dispose of further homes outside London.

The Regulator for Social Housing (RSH) value for money metrics

The Regulator for Social Housing (RSH) has outlined what it expects Registered Providers to deliver in relation to value for money (VFM) in its VFM standard 2018, which was presented to the board in March 2019, as part of the VFM strategy (which can be found on our website).

A key requirement of the VFM standard is that an organisation understands its costs and the outcomes of delivering specific services, and the underlying factors which impact these costs. The regulator has defined seven VFM metrics, and these are the main elements of our VFM reporting and analysis, which allow us to compare across our peer group (G15), and against ourselves over time.

The peer group used is the G15 group of large London RPs, which for 2017/18 comprised 12 members.

Table 1 shows these metrics for NHG, including actual data from 2017/18 to 2018/19 and the budget for 2019/20. It also includes data for our peer group for 2017/18.

In 2018/19, several of the financial metrics (5, 6 and 7) were impacted by merger costs and higher revenue maintenance spend. The

Table 1 – RSH VFM Metrics for NHG – 2017 to 2020

	2017/18 Peer group (G15) Actual	2017/18 NHG Actual	2018/19 NHG Budget	2018/19 NHG Actual	2019/20 NHG Budget
1 - Reinvestment % (development)	5.8%	5.2%	9.1%	5.2%	5.2%
2A - New supply delivered – social housing homes	1.4%	0.9%	2.5%	0.76%	2.7%
2B - New supply delivered – non-social housing homes	0.5%	0.4%	1.4%	1.32%	1.3%
3 - Gearing %	44.7%	48.3%	52.3%	50.3%	49.0%
4 - EBITDA MRI interest cover	147.6%	115.3%	131.4%	143.1%	134.6%
5 - Headline social housing cost per unit £	4,870	6,485	6,295	6,716	6,020
6A - Operating margin % – social housing lettings only	34.2%	25.3%	29.5%	22.8%	27.2%
6B - Operating margin % – overall	28.4%	22.0%	27.2%	25.6%	25.6%
7 - Return on capital employed (ROCE) %	3.5%	2.9%	2.5%	2.5%	2.6%

one off, non-cash fair value adjustment has ameliorated the impact of lower turnover due to fewer sales than anticipated. These metrics are forecast to improve for 2019/20. Table 2 provides the breakdown of the cost per unit.

Notting Hill Genesis cost per unit ranking of 11 out of 12 G15 organisations is calculated based on a combination of the two sets of 2017/18 accounts for Notting Hill Housing and Genesis Housing Association. It should be noted that Notting Hill Genesis has a portfolio of temporary housing stock which brings with it landlord rent costs of £54.1m. These costs reward the landlords for ownership rather than management and increase our total cost per unit by £1,004. We also have supported housing activities with costs of £60.7m. Finally, Notting Hill Genesis stock is mostly in London, and this further impacts this measure.

It was expected that costs would reduce in 2018/19, reflecting budgeted merger savings of £10m (and integration costs of £2.5m). Savings of £4m have been achieved; however the cost of integration has been significantly higher, at £8.9m.

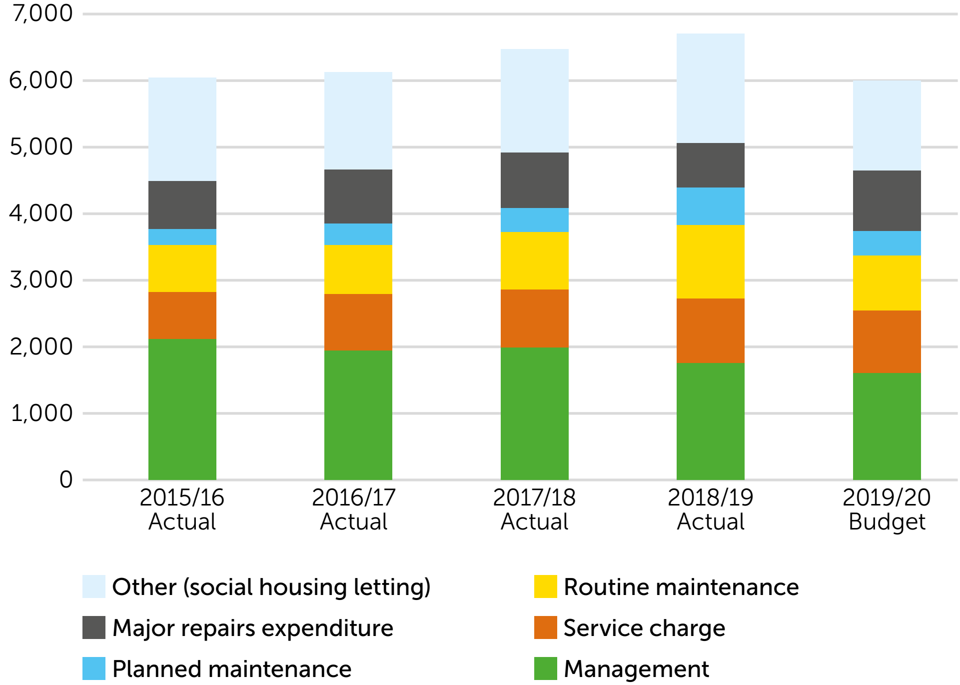
The RSH metrics for the 2018/19 year demonstrate that Notting Hill Genesis has an unacceptably high cost base. The Board is fully committed to improving Value for Money and delivering the expected savings from the merger.

The budget for 2019/20 for Notting Hill Genesis shows expected savings from 2018/19 of £696 per unit, reflecting £14m merger savings set within the budget and integration costs of £3.5m. For 2020/21 we are planning to deliver the full £20m operating cost savings reduction

Table 2 - Breakdown of social housing cost per unit

		Notting Hill Genesis		
	2017/18 Peer group	2017/18 Actual	2018/19 Actual	2019/20 Budget
Management	1,484	1,978	1,747	1,616
Service charges	687	894	1,006	933
Maintenance	846	856	1,090	823
Major repairs	1,394	1,196	1,203	1,275
Other (mainly landlord rents)	459	1,560	1,670	1,372
Total	**4,870**	**6,484**	**6,716**	**6,019**

Chart A Unit operating costs – social housing
Year ending 31 March 2019



from the 2017/18 cost base. Chart A provides further analysis of this metric for NHG from 2015 to 2020.

Further VFM metrics

From 2019/20 onwards, each business within NHG will also have an individual key metric which it will report to the board quarterly.

This will provide information on variance from target and enable businesses to take action, where possible, to improve performance.

A suite of KPIs are reported to the board each quarter, and for 2019/20 each metric links to a theme within the corporate strategy as follows:

- Financial strength
- Providing new homes
- Our residents
- Our homes
- Our people

Going concern

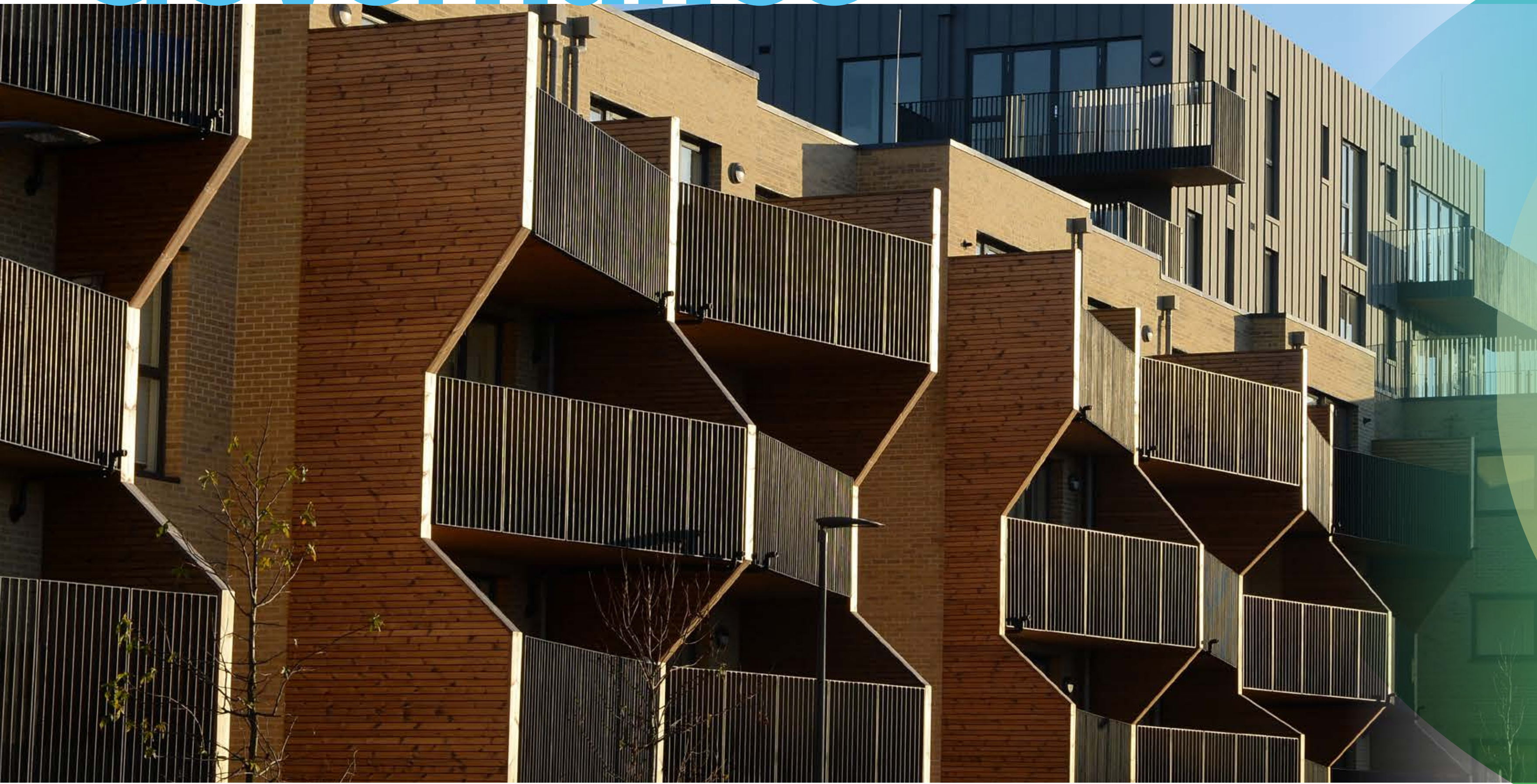
After making enquiries, the board has a reasonable expectation that the overall group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. For this reason, it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

Key risks and uncertainties

The board has identified the following risks to the delivery of NHG's plans.

Risk	Comments	Mitigation
Declining sales	A large part of NHG's development programme relates to low-cost home ownership and outright sale. NHG's ability to deliver this will be adversely affected if there is a lack of demand for the resulting homes at the right price.	NHG keeps the level of work in progress and completed unsold homes under review. Appraisal assumptions allow for falls in value and delays in sales.
Changes in government policy, legislation and regulation	The external political situation is volatile and NHG works with a wide range of public bodies.	NHG continues to monitor the evolving political landscape closely. In addition, NHG continues to stress test business plans with changing scenarios and reviewing uncommitted development sites.
Failure to comply with health and safety standards	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, NHG has reviewed its fire prevention measures with a view to complying with any recommendations made by both the fire authorities and the government. NHG continues to monitor this area closely. All new schemes are fitted with carbon monoxide detectors and all new towers over six floors will be fitted with appropriate sprinkler systems.
Liquidity risk	NHG needs to maintain sufficient liquidity at an affordable price to meet its commitments.	NHG has in place a treasury policy which includes a liquidity policy that the board monitors closely. The policy is approved annually by the board and is prepared jointly with our treasury advisors.
Governance	Effective decision-making and strong controls are crucial for maintaining NHG into the future.	NHG has an experienced, skilled board consisting of non-executive and executive members. There are regular skill reviews and appraisals as well as reflection on governance good practice.
Failure to integrate systems and processes post amalgamation	Inadequate integration could lead to poor value for money, degradation in service delivery and ineffective controls.	NHG is undertaking a measured integration programme closely monitored by a central team with clear accountability of output.

Governance



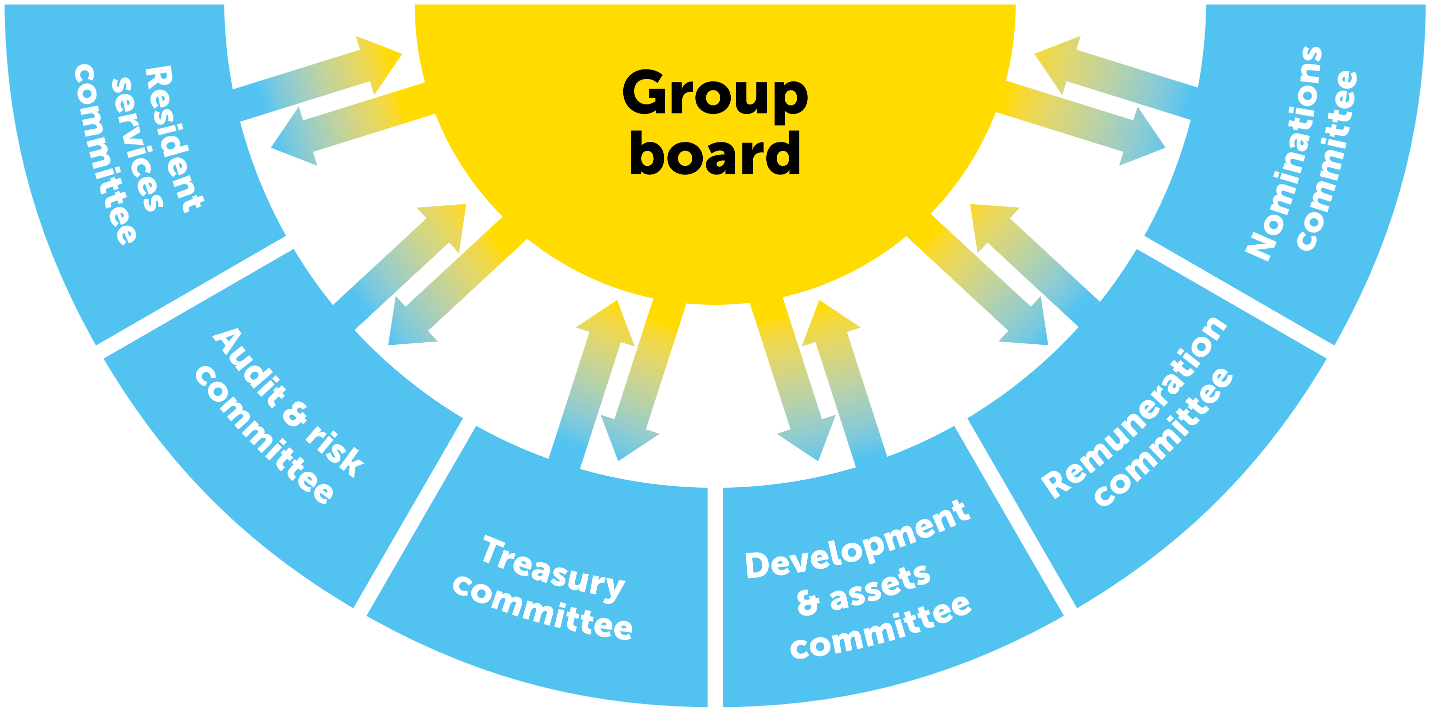
Grahame Park, London Borough of Barnet

The board and committees

Notting Hill Genesis ("NHG") is governed by a board ('the board'). The NHG board has nine non-executive members plus two executives. Notting Hill Home Ownership (NHHO) and Springboard II (SB2) have separate boards ('NHHO board' and 'SB2 board'), which consists of nine non-executive members plus two executives with the meetings taking place concurrently with the NHG board. Details of all board members, who are drawn from a range of backgrounds, are set out on the next page.

The board delegates some of its responsibilities to committees, each of which 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.

There are six main functional committees within NHG: the residents services committee, the audit and risk committee, the treasury committee, the development and assets committee, the remuneration committee and the nominations committee.



Notting Hill Genesis board members

James Wardlaw

Interim chair
Treasury committee

James has been a member of the Notting Hill Genesis board since it was formed in April 2018 and was on the former Notting Hill Housing board from September 2014.

Stephen Bitti

Resident services committee (Chair)

Stephen joined the Genesis Housing Association board in May 2017 and became a member of the Notting Hill Genesis board when it was formed in April 2018. He is a member of both Notting Hill Genesis and Notting Hill Home Ownership boards as well as being a tenant .

Linde Carr

Audit and risk committee
Resident services committee
Nominations committee

Linde joined the Notting Hill Housing board in September 2012 and became a member of the Notting Hill Genesis board when it was formed in April 2018. Linde is on the Notting Hill Genesis and Notting Hill Ownership boards as well as being a tenant.

Bruce Mew

Audit and risk committee (Chair)
Treasury committee

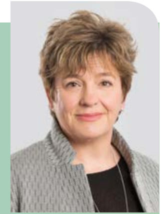
Bruce joined the Genesis board in July 2014 and became a member of the Notting Hill Genesis board when it was formed in April 2018. He is a member of the Notting Hill Genesis and Notting Hill Home Ownership boards.

Jenny Buck

Audit and risk committee
Development and assets committee
Remuneration committee
Nominations committee

Jenny joined the Genesis Housing Association board in May 2017 and became a member of the Notting Hill Genesis board when it was formed in April 2018. She is a member of the Notting Hill Genesis and Notting Hill Home Ownership boards, and chair of 'The Academy'.

Jane Hollinshead



Remuneration committee
Nominations committee

Jane joined the Notting Hill Housing board in May 2017 and became a member of the Notting Hill Genesis board when it was formed in April 2018. Jane is on the Notting Hill Genesis and Notting Hill Home Ownership boards.

Alex Phillips

Treasury committee (Chair)
Development and assets committee

Alex re-joined Notting Hill Housing board in September 2017 and became a member of the Notting Hill Genesis board when it was formed in April 2018. Alex is a member of the Notting Hill Genesis and Notting Hill Home Ownership boards.

Elaine Bucknor

Elaine joined the Notting Hill Genesis board in August 2018. She is currently Sky Plc's group chief information security officer, and a group director in its technology executive team.

She is also a non executive-director of ULS Technology plc.

Richard Powell

Development and assets committee (Chair)

Richard joined the Notting Hill Housing board in May 2017 and became a member of the Notting Hill Genesis board when it was formed in April 2018. Richard is a board member of Notting Hill Genesis and Notting Hill Home Ownership.

Kate Davies, chief executive and Paul Phillips, group director of finance, are both co-opted board members.

Resident services committee

The resident services committee is responsible for overseeing the provision of services to NHG's residents and other customers and monitoring resident engagement activities.

Audit and risk committee

The audit and risk committee oversees the work of the internal and external audit functions as well as the risk management framework and internal control framework for NHG. The committee reviews the audited financial statements for NHG and recommends them to the relevant boards for approval. Through the reports it receives, the audit and risk committee gains assurance that NHG has appropriate systems of internal control and complies with the regulator's expectations in this area.

Treasury committee

The treasury committee undertakes an annual review of NHG's treasury policy and hedging strategy. It also oversees NHG's treasury activities including, in particular, the strategy for sourcing of new finance and the approval of associated transactions.

Development and assets committee

The development and asset committee is responsible for overseeing the effective risk management, control and delivery of major development and reinvestment programmes and projects across NHG.

Remuneration committee

The remuneration committee determines the remuneration of the chief executive and members of the executive board and makes recommendations on allowances for board members.

Nominations committee

The nominations committee oversees the process for board member appraisal, reviews the process for board member appointment and reviews the structure, size and composition of the board including skills, knowledge and experience required.

The executive board ('the EB')

NHG is managed by the EB, headed by the chief executive and supported by the chief operating officer and deputy chief executive and group directors of finance, commercial services, development, regeneration and assets, central services and housing.

Executives and other staff have no interest in NHG'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 NHG.

Kate Davies
Chief Executive

Paul Phillips
Group Director of Finance

Andy Belton
Chief Operating Officer and Deputy Chief Executive

John Hughes
Group Director of Development

Carl Byrne
Group Director of Housing

Mark Vaughan
Group Director of Commercial Services

Vipul Thacker
Group Director of Central Services

Jeremy Stibbe
Group Director of Regeneration and Assets

Resident involvement

Residents are actively encouraged to become involved in decision-making by NHG, which promotes mechanisms through which tenants can influence operations. At 31 March 2019, we had two tenant board members. There are clear reporting arrangements between resident groups and the board.

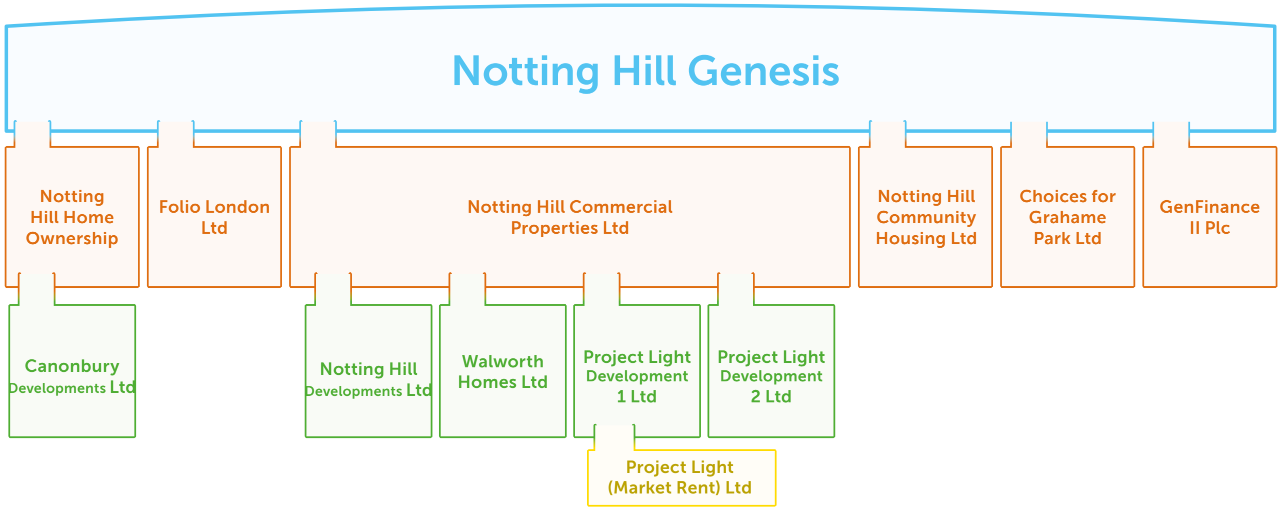
Code of governance

NHG 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 has been reviewed by board. NHG complies with all areas of the code, other than that the remuneration committee decides remuneration of the chief executive rather than making a recommendation to the board to decide. NHG is also compliant with the recently issued Wates principles for large private companies.

Employees

The strength of NHG 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. NHG is committed to equal opportunities and in particular we support the recruitment of disabled people and the retention of employees who become disabled whilst in the employment of NHG. NHG has received recognition from the Department for Education for establishing policies of positive promotion of employment opportunities for candidates and employees with disabilities. NHG is being assessed by Investors in People following the 2018 amalgamation. Notting Hill Housing held Investors in People gold standard and Genesis Housing Association held Investors in People silver standard.

Key legal entities in the Notting Hill Genesis Group



Activities at Notting Hill Genesis are carried out through a range of legal structures. The group is led by the parent, which is a charity, as well as being a registered provider of social housing. A number of limited companies and limited liability partnerships carry out the group's activities, which helps to mitigate risk. The key legal entities are listed above. The full list of subsidiaries and joint venture entities are disclosed in Note 33.

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 group and 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 UK 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, the Accounting Direction for Private Registered Providers of Social Housing in England 2019 and the Registered Social Landlords Determination of Accounting Requirements 2012. 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 NHG and its subsidiaries included in the consolidation, together with the disclosure of the principal risks and uncertainties they face.

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

Internal controls

The board has overall responsibility for establishing and maintaining the whole system of internal control for NHG 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 NHG'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 NHG 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 NHG's activities. The executive board regularly considers and receives reports on significant risks facing NHG 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 consideration of the viability of large new investment projects. The board has adopted and disseminated to all employees a code of conduct for employees. This sets out the NHG'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

Internal audit

KPMG LLP acted as internal auditors of both Notting Hill Housing and Genesis Housing Association prior to the merger in April 2018. KPMG LLP has continued as the internal auditors for the enlarged group. 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 and risk committee.

An audit plan was agreed by the audit and risk committee for 2018/19 and was completed. The internal auditors have direct access to the audit and risk committee independent of the EB. The audit and risk committee met four times during the financial year and considered internal control and risk at each of its meetings.

External audit

NHG and its subsidiaries appointed BDO LLP as external auditors following a tender exercise in 2018. NHG receives a report from the external auditors each year as part of the audit process. In this they convey details of any internal control weaknesses that may have come to their attention in the course of their duties. This letter is considered by the audit and risk committee and the board.

The audit and risk committee met with the internal and external auditors during the year without the presence of paid staff or executive directors.

The audit and risk committee conducts an annual review of the effectiveness of the

Group's 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 and risk committee makes an annual report to the board, which the board has received.

Independent auditors and AGM

Following a tender exercise in 2018 NHG and its subsidiaries appointed BDO LLP as its external auditors. The financial statements for the year ended 31 March 2019 are the first for which the enlarged group has been audited by BDO. NHG's auditor is reappointed on an annual basis, and BDO LLP has expressed its willingness to continue in office.

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 NHG's auditors in connection with preparing their report of which NHG'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 auditors in connection with preparing their report and to establish that the auditors are aware of that information

Statement of compliance

NHG has undertaken an assessment of compliance with the governance and financial viability standard as required by the Accounting Direction 2015. NHG 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 Housing Providers (SORP: 2018).

Kate Davies

Kate Davies
Chief Executive

Paul Phillips

Paul Phillips
Group Director of Finance

Registered Society Number: 7746
Registered Provider Number: 4880

Group highlights for the year ended 31 March

	2019 £m	2018 £m
Consolidated statement of comprehensive income		
Total turnover	670.6	695.6
Income from lettings	468.8	469.4
Depreciation & amortisation of housing properties	49.0	53.4
Operating surplus	205.9	233.2
Surplus after interest and tax	107.2	136.7
Surplus before housing sales, joint ventures and fair value investments	136.5	160.2
Consolidated statement of financial position		
Tangible fixed assets, at cost	7,552.8	7,269.6
Housing assets, at cost	6,595.3	6,426.9
Net current assets	548.4	415.7
Indebtedness	3,471.0	3,267.7
Total reserves	3,251.6	3,174.6
Total funding	8,182.2	7,748.1
Accommodation managed at year-end		
General rented housing	34,201	34,883
Supported housing	4,026	4,229
Temporary housing	3,718	3,609
Student accommodation	839	839
Market rent accommodation	2,747	1,963
Key worker accommodation	1,183	1,342
Total rented housing	46,714	46,865
Shared ownership housing	8,846	9,270
Leasehold in management	7,915	5,774
Total housing	**63,475**	**61,909**

	2019 %	2018 %
Statistics		
Surplus before tax as % of turnover	15.7	20.0
Surplus before tax as % of income from lettings	22.5	29.7
Operating margin as % of turnover	30.7	33.5
Operating margin as % of turnover before sales, joint ventures and fair value movements	25.5	29.9
Operating margin as % of Social Housing lettings	22.8	27.1
Rent losses (voids and bad debts as % of rent and service charges receivable)	2.2	1.7
Rent arrears (gross arrears as % of rent and service charges receivable)	8.0	7.4
Gearing (total loans as % of housing properties at cost)	52.6	50.8
Net debt as a % of all assets at market value	17.6	17.5
Interest cover (surplus before interest payable, depreciation and amortisation of housing properties as % of interest payable)	181.4	202.1

Independent auditors' report to the members

City Park West, Chelmsford

Independent auditors' report to the members of Notting Hill Genesis

Opinion

We have audited the financial statements of Notting Hill Genesis ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2019, which comprise the consolidated and Association Statement of comprehensive income, the consolidated and Association Statement of reserves, the consolidated and Association Statement of financial position, the consolidated Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2019 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 2019.

Basis for opinion

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

Conclusions relating to going concern

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

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Net realisable value of housing properties developed for sale

As detailed in note 15 to the financial statements, the group's has £104.5m of completed properties held for sale, £196.1m of landbank sites and £366.8m of under construction properties held for sale.

Properties under construction are required to be carried at the lower of cost and net realisable value. Management has performed an assessment of their realisable value using the support of external valuations, along with a consideration of costs to date against forecasts and estimates of costs to complete.

For all completed properties, management has performed an assessment of their realisable value by comparing the sales price of properties sold during the year and subsequent to the end of the financial year against forecast.

Due to the level of judgement involved in estimating both sales proceeds and costs to complete we consider the recognition of properties developed for sale at the lower of cost and net reliable value to be a key judgement and a risk for the audit.

Our response to the risks identified:

Having obtained management's assessment of the net realisable value of properties developed for sale, we tested this on a sample basis.

Our samples were chosen from the populations of items that represented developments under construction, landbank sites and completed developments at year-end. For developments under construction, including landbank sites, our sample was determined by the value of costs incurred to date for each scheme and their anticipated gross profit margin.

For a sample of completed properties we agreed the amounts involved to supporting documentation where the property was sold post year-end. Where the property was not yet sold we obtained third-party housing market information to confirm that properties were held at the lower of cost and net realisable value.

For a sample of properties under development we obtained details of the expected costs to complete from the scheme budget for that development and agreed a sample of the budgeted contracted cost of the development to the latest contract documentation. We examined supporting documentation for anticipated sales proceeds and we compared the incurred expenditure to the balance sheet date to the estimated amount at that date.

We also assessed the accuracy of cost forecasting by performing test of controls relating to the creation, approval, monitoring and amendment to development budgets, validation of key assumptions and by looking at outturn costs compared to budget on a sample of schemes that completed in the year.

Sensitivity analysis was performed to determine the point at which a rise in costs to complete would result in a material misstatement with consideration of the possibility of this outcome occurring, based solely on current factors including the status of its construction, contractual arrangements and testing undertaken to validate the accuracy of costs to complete.

Key observations

Our work identified no factual misstatements or inappropriate application of judgement or estimation and we have concluded that relevant information has been appropriately reported taking account of reasonable assumptions.

Impairment of housing properties and investment properties

As summarised in note 1 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 amounts of assets or cash-generating units for which impairment is indicated to their recoverable amount.

Due to the level of judgement involved in identifying indicators of impairment and the subsequent estimation of recoverable amounts, whether through sale or use, we consider the impairment of housing properties to be a significant risk of material misstatement and therefore a key audit matter.

Our response to the risks identified:

We obtained management's assessment of impairment, as presented to the Board of Notting Hill Genesis. This assessment set out their determination of indicators of impairment as guided by paragraph 14.6 of the Social Housing SORP.

For completed housing properties held for letting we obtained a summary of voids in the year and determined the basis of each void. Other indicators of potential impairment were also assessed, including replacement cladding obligations and other remediations.

For completed shared ownership properties the gross profit margin from staircasing sales in the year was determined with no indicator of impairment.

In relation to housing properties under construction four schemes were identified as budgeted to generate a negative net present value (NPV), although on the basis that their depreciated replacement cost, as a measure of Value in Use – Service Potential, exceeds their carrying value the schemes have not been impaired.

Within investment properties under construction two schemes were identified as budgeted to generate a significant negative net present value. However, both schemes were impaired in the prior year with latest forecasts not indicating further impairment.

For one further scheme where planning has not been granted we evidenced ongoing discussions with the GLA and the London borough supporting the development and considered the feasibility of proposals to generate a positive return. Land and pre-planning costs of £10m continue to be held within the Group balance sheet.

We considered the appropriateness of key assumptions adopted by Management when calculating NPV and DRC as well as the reliability of development budgets produced by Management.

Key observations

Our work identified no factual misstatements or inappropriate application of judgement or estimation and we have concluded that relevant information has been appropriately reported taking account of reasonable assumptions.

Recognition and measurement of liabilities related to the Social Housing Pension Scheme and related presentation and disclosure

As disclosed in note 28 and in the accounting policies a method for the determination of sufficient information for full defined benefit accounting has been determined and information to facilitate inclusion of the share of assets and liabilities on the balance sheet has been provided to the Group. The policy and note explain the accounting treatment applied in respect of:

- De-recognising the previously recognised SHPS deficit reduction liability
- Recognising the Association's share of the assets and liabilities of SHPS
- The value of the assets and liabilities recognised
- The effect on the opening and closing balances

This was a key audit matter because of the effect of this adjustment on the financial statements, including disclosures, the level of judgement and estimation involved in the determination of amounts to recognise, the timeliness of the provision of relevant information and level of audit attention given to these changes.

Our response to the key audit matter

Our specific audit testing in this regard included:

- A determination of whether the accounting entries had been made in accordance with the requirements of the revised FRS 102. Our work included specific consideration of the related disclosures. We assessed the following against the requirements of the standard in this respect:
  - » The updated SHPS-related accounting policies
  - » The disclosure concerning the early adoption of new requirements
  - » The reporting of key judgements and estimates and
  - » The discussion of the accounting implications of the change of approach to calculation of the SHPS liability within the pension note.
- Securing appropriate audit evidence in respect of SHPS-related accounting entries

and disclosures from a number of key sources including:

» The Scheme Trustee

» Control assurance providers

» An auditor's pension and actuarial expert

Our work in respect of each involved assessing suitability of work derived from other sources as audit evidence and covered both the opening and year-end positions.

- Performing testing, on a sample basis, of certain inputs to the SHPS online valuation tool which were derived from the Association's records and considered the appropriateness of assumptions used in calculating the outputs at each of the relevant dates.

Key observations

Our work identified no factual misstatements or inappropriate application of judgement or estimation and we have concluded that relevant information has been appropriately reported taking account of reasonable assumptions.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £107m which represents 1.25% of total assets.

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation, impairment and the net profit/loss on first tranche sale properties. The specific materiality level that we applied was £12.4m, which is 5.0% of adjusted operating profit.

We used gross assets and adjusted operating profit as our chosen benchmarks to determine materiality and for specific materiality as these are considered to be the areas of the financial statements of greatest interest to the principal users of the financial statements and the areas which will have greatest impact on investor and lender decisions.

Materiality for the parent entity was set at £94m with a specific materiality set at £7.5m.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 58% of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality. We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £2.0m for areas considered using financial statement materiality and £0.25m for areas considered using specific materiality, which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting component in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

Extent to which the audit is capable of detecting irregularities

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error.

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Association's compliance with laws and regulations that have a direct impact on the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations application to a registered social housing provider in England. We also considered the risks of non-compliance with the other requirements imposed by the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the group financial statements

We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries of the board and of management and enquiries of third parties, where information from that third party has been used by the Association in the preparation of the financial statements.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

Classification of components

A full scope statutory audit was carried out for each subsidiary that we considered to be a significant component of the group.

Audit work on all significant components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes. Individual component audits were carried out using component materiality levels appropriate to each particular entity and the materiality levels used ranged from 0% to 88% of overall financial statement materiality.

Other information

The board is responsible for the other information. Other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the statement of board's responsibilities statement set out on page 26, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board is responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other matters

BDO LLP were appointed by the board of Genesis Housing Association Limited in April 2017 to audit the financial statements for the year ended 31 March 2017 and subsequent financial periods. Subsequent to the merger of Genesis Housing Association and Notting Hill Housing Trust on 3 April 2018, and following a full tender in September 2018, we were appointed to audit the financial statements for the year ended 31 March 2019 and subsequent financial periods.

The period of total uninterrupted engagement, including the audit of Genesis Housing Association Limited, is 3 years, covering the years ending 31 March 2017 to 31 March 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the

Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP.

Phillip Cliftlands
Senior Statutory Auditor

For and on behalf of BDO LLP,
Statutory Auditor
London
United Kingdom

Date: 26 July 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial statements

Reynard Mills, London Borough of Hounslow

Consolidated and NHG statement of comprehensive income for the year ended 31 March 2019

	Notes	Group 2019 £m	Group 2018 restated £m	NHG 2019 £m	NHG 2018 restated £m
Turnover	2	670.6	695.6	561.6	543.9
Cost of sales	2	(110.7)	(120.9)	(97.5)	(65.3)
Operating costs	2	(423.4)	(414.5)	(372.1)	(383.1)
	2	**136.5**	**160.2**	**92.0**	**95.5**
Surplus on sale of assets		34.0	65.0	12.9	41.6
Share of joint venture deficit	33	(0.9)	-	-	-
Movement in fair value of investment properties	10	36.3	8.0	-	10.4
Gift aid receivable		-	-	15.4	54.8
Operating surplus		**205.9**	**233.2**	**120.3**	**202.3**
Interest receivable and similar income	5	1.3	1.5	31.4	21.8
Interest payable and similar charges	6	(109.0)	(127.9)	(116.9)	(134.0)
Gains in respect of financial derivatives	35	7.1	32.5	9.4	22.8
Surplus before taxation	**7**	**105.3**	**139.3**	**44.2**	**112.9**
Taxation	8	1.9	(2.6)	1.9	(2.6)
Surplus after taxation		**107.2**	**136.7**	**46.1**	**110.3**
Other comprehensive (expense)/income					
Movement in fair value of effective cash flow hedges	35	(4.8)	8.0	(4.6)	9.9
Pension creditor – SHPS DB	28	(14.6)	-	(14.6)	-
Actuarial (losses)/gains on defined benefit pension schemes	28	(9.3)	14.9	(9.3)	14.9
Other comprehensive (expense)/income total		**(28.7)**	**22.9**	**(28.5)**	**24.8**
Total comprehensive income for the year		**78.5**	**159.6**	**17.6**	**135.1**

The notes on pages 44 to 94 form part of these financial statements. All amounts relate to continuing activities.

Statement of changes in reserves

Group	Notes	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total £m	Minority interest £m
Balance at 1 April 2017		**1,933.7**	**1,136.1**	**(35.7)**	**3,034.3**	**0.2**
Prior year adjustments	36	(3.1)	(0.1)	(18.9)	(22.1)	-
Reclassification	36	-	(0.3)	-	(0.3)	-
Balance at 1 April 2017 – Restated		**1,930.6**	**1,135.7**	**(54.6)**	**3,011.9**	**0.2**
Surplus for year		136.7	-	-	136.7	-
Transfers to general reserves upon asset sale		7.9	(7.9)	-	-	-
Movement in effective cash flow hedges	35	-	-	8.0	8.0	-
Actuarial gains on defined benefit pension schemes	28	14.9	-	-	14.9	-
Deferred tax movements	8	-	3.0	0.1	3.1	-
Balance at 1 April 2018 – Restated		**2,090.1**	**1,130.8**	**(46.5)**	**3,174.4**	**0.2**
Surplus for the financial year		107.2	-	-	107.2	-
Transfers to general reserves upon asset sale		2.7	(2.7)	-	-	-
Minority interest repaid		-	-	-	-	(0.2)
Other comprehensive (loss)/income						
Movement in fair value of effective cash flow hedges	35	-	-	(4.8)	(4.8)	-
Actuarial losses on defined benefit pension schemes	28	(9.3)	-	-	(9.3)	-
Pension creditor – SHPS DB	28	(14.6)	-	-	(14.6)	-
Deferred tax movements	8	-	(0.5)	(0.8)	(1.3)	-
Balance at 31 March 2019		**2,176.1**	**1,127.6**	**(52.1)**	**3,251.6**	**-**

The notes on pages 44 to 94 form part of these financial statements. All amounts relate to continuing activities.

Statement of changes in reserves, continued.

NHG	Notes	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total £m
Balance at 1 April 2017		**1,541.7**	**1,054.7**	**(39.8)**	**2,556.6**
Prior year adjustments	36	(3.3)	(0.1)	(14.6)	(18.0)
Reclassification		-	(0.3)	-	(0.3)
Balance at 1 April 2017		**1,538.4**	**1,054.3**	**(54.4)**	**2,538.3**
Surplus for the year		110.3	-	-	110.3
Transfers to general reserves upon asset sale		5.2	(5.2)	-	-
Movement in fair value of effective cash flow hedges	35	-	-	9.9	9.9
Actuarial gains on defined benefit pension schemes	28	14.9	-	-	14.9
Balance at 1 April 2018		**1,668.8**	**1,049.1**	**(44.5)**	**2,673.4**
Surplus for the year		46.1	-	-	46.1
Transfers to general reserves upon asset sale		0.2	(0.2)	-	-
Other comprehensive (losses)/income					
Movement in fair value of effective cash flow hedges	35	-	-	(4.6)	(4.6)
Actuarial losses on defined benefit pension schemes	28	(9.3)	-	-	(9.3)
Pension creditor – SHPS DB	28	(14.6)	-	-	(14.6)
Balance at 31 March 2019		**1,691.2**	**1,048.9**	**(49.1)**	**2,691.0**

The notes on pages 44 to 94 form part of these financial statements. All amounts relate to continuing activities.

Consolidated and NHG statement of financial position as at 31 March 2019

	Notes	Group 2019 £m	Group 2018 restated £m	NHG 2019 £m	NHG 2018 restated £m
Tangible fixed assets					
Housing properties	9	6,595.3	6,426.9	5,498.6	5,516.9
Investment properties	10	891.7	776.0	294.8	335.7
Other fixed assets	11	65.8	66.7	65.1	65.6
Total tangible fixed assets		**7,552.8**	**7,269.6**	**5,858.5**	**5,918.2**
Investments					
Homebuy	12	28.2	29.3	-	-
Investments in subsidiaries	14	-	-	251.0	216.9
Investment in joint ventures	33	45.2	25.7	-	-
Other fixed asset investments	12	7.6	7.8	5.3	5.3
		7,633.8	7,332.4	6,114.8	6,140.4
Current assets					
Properties in the course of sale	15	667.4	496.4	184.1	67.3
Debtors falling due within one year	16	85.9	71.1	524.5	339.4
Debtors falling due after one year	17	26.7	24.3	563.1	466.2
Current asset investments	18	17.6	43.2	9.4	51.7
Cash at bank and in hand		133.0	158.2	87.4	102.4
		930.6	793.2	1,368.5	1,027.0
Current liabilities					
Creditors: Amounts falling due within one year	19	(382.2)	(377.5)	(353.3)	(352.3)
Net current assets		548.4	415.7	1,015.2	674.7
Total assets less current liabilities		8,182.2	7,748.1	7,130.0	6,815.1

	Notes	Group 2019 £m	Group 2018 restated £m	NHG 2019 £m	NHG 2018 restated £m
Creditors					
Amounts falling due after more than one year	20	4,651.6	4,319.1	4,198.4	3,917.8
Pension deficit liability	28	58.3	40.5	58.3	39.7
Derivative financial instruments	35	158.1	157.4	156.1	157.6
Deferred tax	8	51.8	50.5	-	-
		4,919.8	4,567.5	4,412.8	4,115.1
Provisions for liabilities and charges	22	10.8	6.0	26.2	26.6
Net assets		**3,251.6**	**3,174.6**	**2,691.0**	**2,673.4**
Capital and reserves					
Share capital	23	-	-	-	-
General reserves	24	2,176.1	2,090.1	1,691.2	1,668.8
Revaluation reserves	24	1,127.6	1,130.8	1,048.9	1,049.1
Cash flow hedge reserve	24	(52.1)	(46.5)	(49.1)	(44.5)
		3,251.6	3,174.4	2,691.0	2,673.4
Minority interest	24	-	0.2	-	-
		3,251.6	**3,174.6**	**2,691.0**	**2,673.4**

The notes on pages 44 to 94 form part of these financial statements. The financial statements were authorised and approved by the board on 24 July 2019 and signed on its behalf by

James Wardlaw
Interim Chair

Paul Phillips
Group Director of Finance

Andrew Nankivell
Company Secretary

Consolidated statement of cash flows for the year ended 31 March 2019

	Notes	Group 2019 £m	Group 2018 restated £m
Net cash (outflow)/inflow generated from operating activities	25	**(3.1)**	**143.9**
Cash flows from investing activities			
Purchase and construction of housing properties		(365.4)	(496.4)
Proceeds from the sale of housing properties		138.3	140.4
Social housing grant received		140.4	27.8
Purchase of other fixed assets		(7.7)	(15.7)
Purchase of fixed asset investments		(19.7)	(11.2)
Increase/(decrease) in cash on deposit		25.6	(9.0)
Interest received		1.3	1.5
Interest paid		(138.5)	(127.4)
Disposal of investment		0.3	-
Net cash flow from investing activites		**(225.4)**	**(490.0)**

	Notes	Group 2019 £m	Group 2018 restated £m
Cash flows from financing activities			
Loans received		413.9	549.7
Loans repaid		(210.6)	(151.7)
Breakage of derivative instruments		-	(17.0)
Minority interests		-	-
Net cash inflow from financing activities		**203.3**	**381.0**
Net (decrease)/increase in cash and cash equivalents		**(25.2)**	**34.9**
Cash and cash equivalents at 1 April		**158.2**	**123.3**
Cash and cash equivalents at 31 March		**133.0**	**158.2**

The notes on pages 44 to 94 form part of these financial statements. All amounts relate to continuing activities.

Notes to the financial statements for the year ended 31 March 2019

Woodberry Down, London Borough of Hackney

Note 1 - Accounting policies

Following the amalgamation without dissolution of Notting Hill Housing Trust and Genesis Housing Association Limited under Part 9, Section 109 of the Co-operative and Community Benefit Societies Act 2014 on 3 April 2018, the assets, liabilities, operations and future obligations of Notting Hill Housing Trust have transferred to the new society, Notting Hill Genesis. The activities of Notting Hill Housing Trust and Genesis Housing Association continue to operate under the name of Notting Hill Genesis.

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 Genesis (NHG) and Notting Hill Genesis group (the group).

The financial statements have been prepared on a going concern basis and 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 2018 (SORP 2018) and the Accounting Direction for Private Registered Providers of Social Housing 2019.

General information and legal status

Notting Hill Genesis is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered provider of social housing. It is a public interest entity.

Basis of preparation

The preparation of the financial statements in compliance with FRS102 requires management to exercise its judgement in applying the group's accounting policies and the use of certain critical accounting estimates. Areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are explained in the critical accounting judgements and estimation uncertainty section below.

Going concern

After making enquiries and considering the business plan of Notting Hill Genesis, the board has a reasonable expectation that the 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, Notting Hill Genesis continues to adopt the going concern basis in the financial statements.

Basis of consolidation

The consolidated financial statements are the result of the consolidation of the financial statements of NHG 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 expense and the equity of the jointly controlled entities.

Turnover and revenue recognition

Rent	Revenue is measured at the 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.
1st 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 NHG 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 NHG's and the group's statement of comprehensive income.
Other income	Other income relates to management fees for services provided to leaseholders, administration fees in relation to extension of leases. These are recognised on a receivable basis.

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 is disclosed across notes 2 and 3, and 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, segmental 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, Folio London and key worker. The CODM assess the performance of the operating segments based on a measure of adjusted earnings. These vary by segment and unit costs prevail in most areas. Other information provided to them is measured in a manner consistent with that in the financial statements.

Taxation

NHG 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, however the subsidiaries elect to distribute profits to the parent or other charitable group entities under a deed of covenant.

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 relevant timing difference.

Deferred tax has been recognised in relation to investment property that is measured at fair value using tax rates and allowances that would be expected to apply on the sale of the relevant 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 calculation of interest or applicable borrowings on development costs during the period of development of housing assets.

Other interest payable is charged to the statement of comprehensive income in the year it relates to using 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's employees and past employees are deferred members or pensioners of several pension schemes operated by the group. The assets of each pension scheme are held separately from those of the group. The pension schemes include the Social Housing Pension Scheme (SHPS DB), the Genesis Pension Scheme (GPS), the PCHA 2001 scheme (PCHA), the Local Government Pension Scheme (LGPS) and the Wandsworth Council Pension Fund (WCPF) (collectively, the "plans"). The group also participated in the Growth Plan until it settled its liability during the current year.

The group currently contributes to a number of defined contribution pension schemes for certain employees, the most significant of which are operated by the Social Housing Pension Scheme (the SHPS DC) and Aviva.

Contributions payable in respect of the defined contribution schemes are recognised in the statement of comprehensive income.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

SHPS DB

The Group participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. This scheme is 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.

Previously, the administrator of the scheme was unable to allocate the scheme assets to individual employers, and hence was unable to determine the deficit attributable to each employer. As a result, SHPS DB has previously been accounted for as a defined contribution scheme, with a liability being recognised in respect of the present value of the contributions payable to fund the deficit. This is consistent with the accounting treatment required by FRS 102 for all schemes of this nature. The accounting for SHPS DB has however changed for the year ended 31 March 2019. The change has arisen as a result of a method of allocation being developed by the administrator of the scheme that allows each employer to recognise their share of assets and liabilities.

These financial statements present a period of transition, where the group is moving from one basis of accounting to another. The group has adopted the accounting treatment put forward by the Financial Reporting Council in Amendments to FRS 102: Multi-employer defined benefit plans ("Amendments to FRS102"), published in May 2019. Adopting the provisions contained within Amendments to FRS 102 results in no restatement of the comparatives and instead the change in accounting treatment being recorded as a separate movement through other comprehensive income.

See note 28 for more detail.

Wandsworth Council Pension Fund (WCPF)

The WCPF 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 Genesis Pension Scheme (GPS)

The GPS is a defined benefit scheme administered by a trustee fund holding the pension scheme assets to meet long-term pension liabilities. This report only refers to the defined benefit section of the scheme which is closed for future accrual. This is a separate trustee-administered fund holding the pension scheme assets to meet long-term pension liabilities. A full actuarial valuation was carried out as at 30 September 2016 and updated to 31 March 2018 by a qualified actuary, independent of the scheme's sponsoring employer.

These assets and liabilities are recorded in the statement of financial position, while contributions payable, net interest and actuarial gains and losses are recognised in the statement of comprehensive income.

PCHA 2001 Scheme (PCHA)

Genesis operates a defined benefit scheme in the UK which is closed for future accrual. This is a separate trustee-administered fund holding the pension scheme assets to meet long-term pension liabilities. A full actuarial valuation was carried out as at 30 September 2016 and updated to 31 March 2019 by a qualified independent actuary.

Local Government Pension Scheme (LGPS)

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earning. A full actuarial valuation was carried out as at 31 March 2016 and updated to 31 March 2019 by a qualified independent actuary.

Growth Plan

The group previously participated in another defined benefit scheme referred to as the Growth Plan. During the year the group settled its liability under the Growth Plan and exited the scheme. The cost in excess of the existing liability was recognised in the statement of comprehensive income.

The assets and liabilities of WCPF, GPS, PCHA 2001 and LGPS are recorded in the statement of financial position, while contributions payable, net interest and actuarial gains and losses are recognised in the Statement of Comprehensive Income.

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 2018. No grant is recognised against other components.

When a housing property is sold to a non-registered provider 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 Homes England or the Greater London Authority. 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 37.

Donated land

Land donated by local authorities and other government sources for development purpose is added to the cost of the asset at the fair value of the land at the time of the donation. The difference between the fair value of the land and the consideration paid is treated as a non-monetary grant and recognised as a gain in the statement of comprehensive income.

Properties held 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.

Reinvestment expenditure which replaces components is capitalised where the works increase the net rental stream over that expected at the outset. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance cost, or a significant extension in the life of the property. Where the works are either repair or replacement with no additional utility, the costs are charged to the statement of comprehensive income.

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, and are not depreciated.

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 to FRS102 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 (EUV-SH) basis. Housing properties are subsequently measured at cost.

Investment properties

Completed 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 statement of financial position 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 completed 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.

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 grants were received from the Housing Corporation 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.

Deed of covenant

Charitable donations distributed by subsidiary entities under a deed of covenant 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 recognise and measure its financial assets and liabilities in accordance with the Measurement and Disclosure requirements of sections 11 and 12 of FRS102 " Financial Instruments".

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 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.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity in cash flow hedge reserve. 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 method.

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 company 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 FRS102 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 to FRS102, the group 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 reviews contracts for performance and onerous provisions or contractual obligations for performance. If such provisions or obligations exist, the group recognises the liability as a provision.

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.

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

Group continuing activities – Year ended 31 March 2019	Turnover £m	Cost of Sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	468.8	-	(361.7)	107.1
Other social housing activities				
Development services	2.2	-	(9.8)	(7.6)
Sales and marketing services	-	-	(10.0)	(10.0)
Neighbourhood activities	0.9	-	(1.8)	(0.9)
First tranche shared ownership sales	43.5	(33.3)	-	10.2
Supporting people and care	11.4	-	(14.5)	(3.1)
Other income and expenditure	7.6	-	0.2	7.8
	65.6	(33.3)	(35.9)	(3.6)
Activities other than social housing activities				
Properties for sale	91.4	(77.4)	-	14.0
Charitable fundraising activities	0.2	-	(0.1)	0.1
Commercial rent properties	6.8	-	(3.5)	3.3
Student accommodation	7.2	-	(4.9)	2.3
Impairment	-	-	-	-
Market rent properties	30.6	-	(17.3)	13.3
	136.2	(77.4)	(25.8)	33.0
Total	**670.6**	**(110.7)**	**(423.4)**	**136.5**

Group continuing activities – Year ended 31 March 2018	Turnover £m	Cost of Sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	469.4	-	(342.1)	127.3
Other social housing activities				
Development services	4.9	(4.8)	(3.9)	(3.8)
Sales and marketing services	-	-	(7.8)	(7.8)
Neighbourhood activities	0.3	-	(0.6)	(0.3)
First tranche shared ownership sales	38.3	(25.1)	-	13.2
Supporting people and care	14.1	-	(15.0)	(0.9)
Other income and expenditure	8.1	-	(0.1)	8.0
	65.7	(29.9)	(27.4)	8.4
Activities other than social housing activities				
Properties built for sale	121.4	(91.0)	-	30.4
Charitable fundraising activities	0.4	-	(0.1)	0.3
Commercial rent properties	7.0	-	(2.1)	4.9
Student accommodation	6.1	-	(3.9)	2.2
Impairment	-	-	(24.6)	(24.6)
Market rent properties	25.6	-	(14.3)	11.3
	160.5	(91.0)	(45.0)	24.5
Total	**695.6**	**(120.9)**	**(414.5)**	**160.2**

Note 2 - Turnover, cost of sales, operating costs and operating surplus, continued.

NHG continuing activities – Year ended 31 March 2019	Turnover £m	Cost of Sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	417.3	-	(337.2)	80.1
Other social housing activities				
Development services	89.5	(88.0)	(4.4)	(2.9)
Sales and marketing	0.3	-	(2.0)	(1.7)
Neighbourhood activities	0.9	-	(1.8)	(0.9)
First tranche shared ownership sales	10.5	(9.5)	-	1.0
Supporting people and care	11.4	-	(14.5)	(3.1)
Other income and expenditure	10.6	-	-	10.6
	123.2	(97.5)	(22.7)	3.0
Activities other than social housing activities				
Commercial rent properties	4.4	-	(3.2)	1.2
Charitable fundraising activities	0.2	-	(0.1)	0.1
Market rent properties	16.5	-	(12.2)	4.3
Impairment write back	-	-	3.3	3.3
	21.1	-	(12.2)	8.9
Total	**561.6**	**(97.5)**	**(372.1)**	**92.0**

NHG continuing activities – Year ended 31 March 2018	Turnover £m	Cost of Sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	426.4	-	(322.3)	104.1
Other social housing activities				
Development services	12.1	(12.1)	(1.4)	(1.4)
Neighbourhood activities	0.3	-	(0.6)	(0.3)
First tranche shared ownership sales	9.8	(8.1)	-	1.7
Supporting people and care	14.1	-	(15.0)	(0.9)
Other income and expenditure	10.6	-	-	10.6
	46.9	(20.2)	(17.0)	9.7
Activities other than social housing activities				
Commercial rent properties	2.9	-	(1.4)	1.5
Private sales	53.2	(45.1)	-	8.1
Charitable fundraising activities	0.4	-	(0.1)	0.3
Market rent properties	14.1	-	(10.7)	3.4
Impairment	-	-	(31.6)	(31.6)
	70.6	(45.1)	(43.8)	(18.3)
Total	**543.9**	**(65.3)**	**(383.1)**	**95.5**

Note 3 - Income and expenditure from social housing lettings

Group – Year ended 31 March 2019	General needs housing £m	Shared ownership £m	Temporary housing £m	Key worker housing £m	Supported housing £m	Total £m
Income						
Rent receivable	242.5	44.1	70.6	10.1	28.0	395.3
Service charges receivable	17.9	17.9	-	0.6	16.8	53.2
Net rents receivable	260.4	62.0	70.6	10.7	44.8	448.5
Amortised government grants	8.1	1.0	-	-	2.1	11.2
Management fee	-	4.1	-	-	-	4.1
Other income	-	3.7	-	-	-	3.7
Other grants	1.2	-	0.1	-	-	1.3
Total income from social housing lettings	269.7	70.8	70.7	10.7	46.9	468.8
Expenditure						
Management	(44.8)	(17.4)	(10.3)	(4.1)	(17.5)	(94.1)
Service charges	(22.3)	(18.0)	(0.1)	(0.1)	(13.7)	(54.2)
Routine maintenance	(48.9)	(1.3)	(3.0)	(1.4)	(4.1)	(58.7)
Planned maintenance	(26.6)	-	(0.1)	(0.4)	(4.1)	(31.2)
Major repairs expenditure	(13.0)	(3.2)	-	-	(0.8)	(17.0)
Bad debts	(1.8)	(0.3)	(1.2)	-	(0.4)	(3.7)
Lease charges	-	-	(54.1)	-	-	(54.1)
Depreciation of housing properties	(42.0)	-	(0.2)	(1.6)	(4.9)	(48.7)
Operating costs on social housing lettings	(199.4)	(40.2)	(69.0)	(7.6)	(45.5)	(361.7)
Operating surplus on social housing lettings	**70.3**	**30.6**	**1.7**	**3.1**	**1.4**	**107.1**
Void losses	2.3	-	1.6	0.2	2.2	6.3

Note 3 - Income and expenditure from social housing lettings, continued.

Group – Year ended 31 March 2018	General needs housing £m	Shared ownership £m	Temporary housing £m	Key worker housing £m	Supported housing £m	Total £m
Income						
Rent receivable	247.5	37.0	74.9	10.7	29.0	399.1
Service charges receivable	19.1	16.2	0.1	0.6	17.4	53.4
Net rents receivable	266.6	53.2	75.0	11.3	46.4	452.5
Amortised government grants	5.0	2.0	0.6	0.3	0.9	8.8
Management fee	-	1.9	-	-	-	1.9
Other income	-	3.9	-	-	-	3.9
Other grants	1.0	0.2	0.3	-	0.8	2.3
Total income from social housing lettings	272.6	61.2	75.9	11.6	48.1	469.4
Expenditure						
Management	(54.5)	(16.6)	(11.1)	(4.8)	(17.1)	(104.1)
Service charges	(19.5)	(15.3)	(0.1)	-	(13.5)	(48.4)
Routine maintenance	(35.3)	(1.2)	(3.6)	(1.1)	(5.2)	(46.4)
Planned maintenance	(15.9)	(0.3)	-	(0.4)	(2.9)	(19.5)
Major repairs expenditure	(10.3)	(1.4)	-	-	(0.7)	(12.4)
Bad debts	(1.4)	(0.1)	(0.2)	(0.2)	(0.4)	(2.3)
Lease charges	(0.1)	-	(58.8)	-	(1.2)	(60.1)
Depreciation of housing properties	(38.3)	(3.5)	(0.1)	(1.8)	(5.2)	(48.9)
Operating costs on social housing lettings	(175.3)	(38.4)	(73.9)	(8.3)	(46.2)	(342.1)
Operating surplus on social housing lettings	**97.3**	**22.8**	**2.0**	**3.3**	**1.9**	**127.3**
Void losses	1.5	-	1.6	0.3	1.8	5.2

Note 3 - Income and expenditure from social housing lettings, continued.

NHG – Year ended 31 March 2019	General needs housing £m	Shared ownership £m	Temporary housing £m	Key worker housing £m	Supported housing £m	Total £m
Income						
Rent receivable	238.6	17.7	70.6	10.1	28.1	365.1
Service charges receivable	17.8	5.6	-	0.6	16.0	40.0
Net rents receivable	256.4	23.3	70.6	10.7	44.1	405.1
Amortised grants	8.1	0.8	-	-	2.1	11.0
Other grants	1.2	-	-	-	-	1.2
Turnover from social housing lettings	265.7	24.1	70.6	10.7	46.2	417.3
Expenditure						
Management	(44.8)	(11.6)	(10.3)	(4.1)	(17.5)	(88.3)
Service charges	(22.3)	(5.6)	(0.1)	(0.1)	(13.7)	(41.8)
Routine maintenance	(48.8)	-	(2.9)	(1.3)	(4.1)	(57.1)
Planned maintenance	(26.6)	-	(0.1)	(0.2)	(4.1)	(31.0)
Major repairs expenditure	(13.0)	(0.1)	-	-	(0.8)	(13.9)
Bad debts	(1.8)	-	(1.2)	-	(0.4)	(3.4)
Lease charges	-	-	(54.1)	-	-	(54.1)
Depreciation of housing properties	(40.8)	-	(0.2)	(1.7)	(4.9)	(47.6)
Operating costs on social housing lettings	(198.1)	(17.3)	(68.9)	(7.4)	(45.5)	(337.2)
Operating surplus on social housing lettings	**67.6**	**6.8**	**1.7**	**3.3**	**0.7**	**80.1**
Void losses	2.3	-	1.6	0.2	2.2	6.3

Note 3 - Income and expenditure from social housing lettings, continued.

NHG – Year ended 31 March 2018	General needs housing £m	Shared ownership £m	Temporary housing £m	Key worker housing £m	Supported housing £m	Total £m
Income						
Rent receivable	245.5	12.0	74.9	10.7	29.0	372.1
Service charges receivable	19.1	6.3	0.1	0.6	17.2	43.3
Net rents receivable	264.6	18.3	75.0	11.3	46.2	415.4
Amortised grants	5.0	1.9	0.6	0.3	0.9	8.7
Other grants	1.0	0.2	0.3	-	0.8	2.3
Turnover from social housing lettings	270.6	20.4	75.9	11.6	47.9	426.4
Expenditure						
Management	(53.8)	(13.2)	(11.3)	(4.8)	(17.1)	(100.2)
Service charges	(19.6)	(5.4)	(0.1)	-	(13.5)	(38.6)
Routine maintenance	(35.5)	(0.6)	(3.6)	(1.0)	(5.2)	(45.9)
Planned maintenance	(15.9)	(0.3)	-	(0.4)	(2.9)	(19.5)
Major repairs expenditure	(10.3)	-	-	-	(0.7)	(11.0)
Bad debts	(1.4)	(0.1)	-	(0.2)	(0.4)	(2.1)
Lease charges	(0.1)	-	(58.8)	-	(1.2)	(60.1)
Depreciation of housing properties	(37.8)	-	(0.1)	(1.8)	(5.2)	(44.9)
Impairment of housing properties	-	-	-	-	-	-
Operating costs on social housing lettings	(174.4)	(19.6)	(73.9)	(8.2)	(46.2)	(322.3)
Operating surplus on social housing lettings	**96.2**	**0.8**	**2.0**	**3.4**	**1.7**	**104.1**
Void losses	1.5	-	1.6	0.3	1.8	5.2

Note 4 - Surplus on disposal of assets

	2019			2018		
Group	Shared ownership £m	Other £m	Total £m	Shared ownership £m	Other £m	Total £m
Disposal proceeds	71.9	57.7	129.6	85.3	52.5	137.8
Social housing grant	(5.7)	7.2	1.5	(6.3)	(0.8)	(7.1)
Carrying value of fixed assets	(36.7)	(59.5)	(96.2)	(45.1)	(16.8)	(61.9)
Selling costs	(1.2)	0.3	(0.9)	(1.7)	(2.1)	(3.8)
At year ended 31 March	**28.3**	**5.7**	**34.0**	**32.2**	**32.8**	**65.0**

	2019			2018		
NHG	Shared ownership £m	Other £m	Total £m	Shared ownership £m	Other £m	Total £m
Disposal proceeds	24.7	57.8	82.5	31.7	51.1	82.8
Social housing grant	(1.2)	7.2	6.0	-	(0.8)	(0.8)
Carrying value of fixed assets	(15.4)	(59.1)	(74.5)	(21.0)	(15.9)	(36.9)
Selling costs	(1.0)	(0.1)	(1.1)	(1.4)	(2.1)	(3.5)
At year ended 31 March	**7.1**	**5.8**	**12.9**	**9.3**	**32.3**	**41.6**

Note 5 - Interest receivable and similar income

	Group		NHG	
	2019 £m	2018 £m	2019 £m	2018 £m
Bank deposits	0.5	0.4	0.4	2.5
Intercompany	-	-	30.2	18.2
Interest on financial assets held at amortised cost	0.5	0.4	30.6	20.7
Interest on financial assets held at fair value	0.8	1.1	0.8	1.1
	1.3	**1.5**	**31.4**	**21.8**

Note 6 - Interest payable and similar charges

	Group		NHG	
	2019 £m	2018 £m	2019 £m	2018 £m
Indexation on loans	0.2	0.6	0.2	79.0
Other loans	132.3	134.4	124.5	52.3
Interest on financial liabilities held at amortised cost	132.5	135.0	124.7	131.3
Interest paid on financial liabilities held at fair value	8.0	6.8	7.1	5.9
	140.5	141.8	131.8	137.2
Less: interest capitalised on developments	(31.5)	(13.9)	(14.9)	(3.2)
	109.0	**127.9**	**116.9**	**134.0**
Interest is capitalised at	4.12%	3.40%	4.16%	3.96%

Note 7 - Surplus on ordinary activities before taxation

Surplus on ordinary activities before taxation is stated after charging/crediting:	Group 2019 £m	Group 2018 £m	NHG 2019 £m	NHG 2018 £m
Depreciation on housing properties	49.0	53.4	47.6	49.2
Depreciation on other fixed assets	7.9	9.0	7.5	9.0
Impairment	-	24.6	(3.3)	31.6
Rent on temporary housing leases (less than 28 days)	54.1	60.1	54.1	60.1
Office rents	1.4	1.3	1.4	1.3
Hire of the other assets	0.5	0.5	0.5	0.5

Auditors' remuneration	£'000	£'000	£'000	£'000
Audit services	247.0	310.0	143.0	247.8
Non-audit services				
- Assurance in relation to bond issue	29.6	31.5	29.6	31.5
- Audit related assurance services	-	65.0	-	65.0
- Other assurance services	-	13.0	-	13.0
- Due diligence	-	145.0	-	145.0

Note 8 - Taxation

Total tax reconciliation	Group 2019 £m	Group 2018 £m	NHG 2019 £m	NHG 2018 £m
Surplus on ordinary activities before tax	105.3	139.3	44.2	112.9
Theoretical tax at UK corporation tax rate 19% (2018: 19%)	20.0	26.5	8.4	21.5
Capitalised interest	-	(0.4)	-	-
Charitable activities	(9.6)	(27.8)	(8.4)	(21.5)
Capitalised interest	(0.8)	-	-	-
Utilisation of tax losses	-	-	-	-
Benefit of wear and tear allowances	-	-	-	-
Differences between accounting profit and capital disposals for tax purposes	-	-	-	-
Tax refund/(charge)	1.9	(2.6)	1.9	(2.6)
Fixed asset differences	(0.1)	(0.1)	-	-
Expenses not deductible for tax purposes	-	-	-	-
Other permanent differences	(5.9)	(1.2)	-	-
Gift aid	-	-	-	-
Chargeable gains/(losses)	6.7	(3.7)	-	-
Deferred tax not recognised	(10.6)	4.9	-	-
Effect of rate change on deferred tax	-	-	-	-
Joint venture taxable profits	0.4	0.7	-	-
Land redemption relief	(0.1)	-	-	-
Depreciation in access of capital allowances	-	1.1	-	-
Capitalised interest adjustment	-	-	-	-
Total tax refund/(charge)	**1.9**	**(2.6)**	**1.9**	**(2.6)**

Deferred tax	Group 2019 £m	Group 2018 £m	NHG 2019 £m	NHG 2018 £m
Balance at 1 April	50.5	53.2	-	-
Deferred tax charged	-	0.4	-	-
Deferred tax charged to revaluation reserve	0.5	(3.0)	-	-
Deferred tax charged to cash flow hedge reserve	0.8	(0.1)	-	-
Balance at 31 March	**51.8**	**50.5**	**-**	**-**

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 £6,389m (2018:£6,181m) compared with £6,595m (2018:£6,427m) shown above.

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 2018	5,164.1	197.1	1,162.5	266.3	6,790.0
Prior year adjustment	(32.4)	(3.8)	0.6	-	(35.6)
Restated at 1 April 2018	5,131.7	193.3	1,163.1	266.3	6,754.4
Additions	-	140.2	-	155.0	295.2
Works to existing properties	16.6	-	-	-	16.6
Properties completed	101.5	(101.5)	107.2	(107.2)	-
Disposals	(61.6)	-	(37.1)	-	(98.7)
Transfers	(8.0)	4.9	-	-	(3.1)
Reclassification	143.3	-	(143.3)	-	-
At 31 March 2019	**5,323.5**	**236.9**	**1,089.9**	**314.1**	**6,964.4**
Depreciation					
At 1 April 2018	(344.3)	-	(12.0)	-	(356.3)
Prior year adjustment	28.8	-	-	-	28.8
Restated at 1 April 2018	(315.5)	-	(12.0)	-	(327.5)
Charge for the year	(49.0)	-	-	-	(49.0)
Disposals	3.8	-	0.5	-	4.3
Transfers	3.1	-	-	-	3.1
At 31 March 2019	**(357.6)**	**-**	**(11.5)**	**-**	**(369.1)**
Net book value					
At 31 March 2019	**4,965.9**	**236.9**	**1,078.4**	**314.1**	**6,595.3**
At 31 March 2018	4,816.2	193.3	1,151.1	266.3	6,426.9
Historical cost at 31 March 2019	4,826.0	236.9	1,012.2	314.1	6,389.2
Historical cost at 31 March 2018	4,630.4	193.3	1,090.7	266.3	6,180.7

Note 9 - Housing properties, continued.

NHG	Completed properties £m	Housing 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 2018	5,034.2	171.5	590.9	66.2	5,862.8
Prior year adjustment	(32.4)	-	0.6	-	(31.8)
Restated balance at 1 April 2018	5,001.8	171.5	591.5	66.2	5,831.0
Additions	-	52.6	-	33.1	85.7
Works to existing properties	16.6	-	-	-	16.6
Properties completed	67.2	(67.2)	12.9	(12.9)	-
Disposals	(61.6)	-	(15.2)	-	(76.8)
Transfer	135.3	4.9	(143.3)	-	(3.1)
At 31 March 2019	**5,159.3**	**161.8**	**445.9**	**86.4**	**5,853.4**
Depreciation					
At 1 April 2018	(342.8)	-	(0.1)	-	(342.9)
Prior year adjustment	28.8	-	-	-	28.8
Restated balance at 1 April 2018	(314.0)	-	(0.1)	-	(314.1)
Charge for the year	(47.6)	-	-	-	(47.6)
Disposals	3.8	-	-	-	3.8
Transfer	3.1	-	-	-	3.1
At 31 March 2019	**(354.7)**	**-**	**(0.1)**	**-**	**(354.8)**
Net book value					
At 31 March 2019	**4,804.6**	**161.8**	**445.8**	**86.4**	**5,498.6**
At 31 March 2018	4,687.8	171.5	591.4	66.2	5,516.9
Historical cost at 31 March 2019	4,680.0	161.8	417.8	86.4	5,346.0
Historical cost at 31 March 2018	4,518.8	171.5	569.7	66.2	5,326.2

	Group		NHG	
Housing properties comprise	**2019 £m**	**2018 £m**	**2019 £m**	**2018 £m**
Freeholds	5,894.9	5,834.0	4,456.6	4,481.7
Long leaseholds	696.7	589.1	1,033.5	1,014.0
Short leaseholds	3.7	3.8	8.5	21.2
	6,595.3	**6,426.9**	**5,498.6**	**5,516.9**

	Group		NHG	
Additions to properties include	**2019 £m**	**2018 £m**	**2019 £m**	**2018 £m**
Capitalised interest	31.5	13.9	14.9	3.2
Capitalised development salaries and overheads	7.8	8.2	2.2	2.0

	Group		NHG	
Expenditure on works to existing properties	**2019 £m**	**2018 £m**	**2019 £m**	**2018 £m**
Amounts capitalised	16.6	6.5	16.6	6.5
Amounts charged to income and expenditure account	17.0	12.4	13.9	11.0
	33.6	**18.9**	**30.5**	**17.5**

Note 10 - Investment properties

The market rent properties were valued at 31 March 2019 by Jones Lang LaSalle Limited, member of the Royal Institute of Chartered Surveyors. The properties were valued at open market value basis subject to tenancies. The properties were valued on a discounted cashflow 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 3.85% and 5.25% dependent on the scheme. The discount rate used is between 6% and 7%.

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 2019.

Impairment

Following the impairment of the market rent units of £6.5m at a scheme in 2018, this scheme was revalued upwards in 2019, resulting in a partial reversal of the previous impairment charge of £4.9m.

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 1 April 2018	372.1	321.4	693.5	82.2	6.8	89.0	782.5
Prior year adjustment	0.8	-	0.8	-	-	-	0.8
Restated valuation at 1 April 2018	372.9	321.4	694.3	82.2	6.8	89.0	783.3
Additions	-	76.1	76.1	-	1.8	1.8	77.9
Transfer to shared ownership and lettings	(0.8)	-	(0.8)	-	-	-	(0.8)
Completed properties	310.3	(315.2)	(4.9)	2.9	(2.9)	-	(4.9)
Transfer	-	14.0	14.0	(7.7)	-	(7.7)	6.3
Disposals	(0.3)	-	(0.3)	(1.3)	-	(1.3)	(1.6)
Revaluation of property	34.8	-	34.8	(0.9)	-	(0.9)	33.9
At 31 March 2019	**716.9**	**96.3**	**813.2**	**75.2**	**5.7**	**80.9**	**894.1**
Impairment							
At 1 April 2018	-	(6.5)	(6.5)	(0.8)	-	(0.8)	(7.3)
Provision for impairment	-	4.9	4.9	-	-	-	4.9
At 31 March 2019	**-**	**(1.6)**	**(1.6)**	**(0.8)**	**-**	**(0.8)**	**(2.4)**
Net book value							
At 31 March 2019	**716.9**	**94.7**	**811.6**	**74.4**	**5.7**	**80.1**	**891.7**
At 31 March 2018	372.9	314.9	687.8	81.4	6.8	88.2	776.0

Note 10 - Investment properties, continued.

NHG	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 2018	143.1	140.7	283.8	54.2	4.1	58.3	342.1
Prior year adjustment	0.8	-	0.8	-	-	-	0.8
Restated at 1 April 2018	143.9	140.7	284.6	54.2	4.1	58.3	342.9
Transfer	(0.8)	(61.4)	(62.2)	(7.7)	(1.0)	(8.7)	(70.9)
Additions	-	30.6	30.6	-	-	-	30.6
Disposals	-	-	-	(1.2)	-	(1.2)	(1.2)
Completed properties	84.9	(89.8)	(4.9)	2.2	(2.2)	-	(4.9)
Revaluation of property	1.0	-	1.0	(0.4)	-	(0.4)	0.6
At 31 March 2019	**229.0**	**20.1**	**249.1**	**47.1**	**0.9**	**48.0**	**297.1**
Impairment							
At 1 April 2018	-	(6.5)	(6.5)	(0.7)	-	(0.7)	(7.2)
Provision for impairment	-	-	-	-	-	-	-
Transferred to revalation of completed properties	-	4.9	4.9	-	-	-	4.9
At 31 March 2019	**-**	**(1.6)**	**(1.6)**	**(0.7)**	**-**	**(0.7)**	**(2.3)**
Net book value							
At 31 March 2019	**229.0**	**18.5**	**247.5**	**46.4**	**0.9**	**47.3**	**294.8**
At 31 March 2018	143.9	134.2	278.1	53.5	4.1	57.6	335.7

Note 11 - Other fixed assets

Group	Other land and buildings £m	Other tangible fixed assets £m	Total assets £m
Cost			
At 1 April 2018	57.5	65.0	122.5
Additions	0.5	7.1	7.6
Transferred from commercial properties	7.7	-	7.7
Reclassification	(1.0)	1.0	-
Disposals	(2.9)	(6.5)	(9.4)
At 31 March 2019	61.8	66.6	128.4
Accumulated depreciation			
At 1 April 2018	14.3	41.5	55.8
Charge for the year	2.0	5.9	7.9
Reclassification	1.7	(1.7)	-
Disposals	(0.3)	(0.8)	(1.1)
At 31 March 2019	17.7	44.9	62.6
Net book value			
At 31 March 2019	**44.1**	**21.7**	**65.8**
At 31 March 2018	43.2	23.5	66.7

NHG	Other land and buildings £m	Other tangible fixed assets £m	Total assets £m
Cost			
At 1 April 2018	57.5	62.0	119.5
Additions	0.5	7.1	7.6
Reclassification	(1.0)	1.0	-
Transferred from commercial properties	7.7	-	7.7
Disposals	(2.9)	(6.5)	(9.4)
At 31 March 2019	61.8	63.6	125.4
Accumulated depreciation			
At 1 April 2018	14.4	39.5	53.9
Charge for the year	2.0	5.5	7.5
Reclassification	1.7	(1.7)	-
Disposals	(0.3)	(0.8)	(1.1)
At 31 March 2019	17.8	42.5	60.3
Net book value			
At 31 March 2019	**44.0**	**21.1**	**65.1**
At 31 March 2018	43.1	22.5	65.6

Group other land and building	2019 Total £m	2018 Total £m
Freehold	44.0	39.6
Short leasehold	0.1	3.6
Total	**44.1**	**43.2**

NHG other land and building	2019 Total £m	2018 Total £m
Freehold	44.0	39.6
Short leasehold	0.1	3.6
Total	**44.1**	**43.2**

Note 12 - Investment in Homebuy, temporary housing activities and other fixed asset investments

Group	Homebuy loans to customers £m	Temporary housing cost of lease £m	Total £m
At 1 April 2018	29.3	-	29.3
Paid in year	(1.1)	-	(1.1)
At 31 March 2019	**28.2**	**-**	**28.2**

Other fixed asset investments

Other investments consists of listed investments and investments in asssociate

Group listed investments	2019 Cost £m	2019 Fair value £m	2018 Cost £m	2018 Fair value £m
Listed investments	0.6	0.7	0.9	0.9
Cash	1.6	1.6	1.6	1.6
Total	**2.2**	**2.3**	**2.5**	**2.5**
Investment in associate	-	5.3	-	5.3
Total	**-**	**7.6**	**-**	**7.8**
NHG investment in associate	-	5.3	-	5.3
Total	**-**	**5.3**	**-**	**5.3**

Investment in associate

The group owns 25% of the voting shares in LINQ Housing plc. The company was set up to purchase market rent properties from NHG and release funds on a 50-year lease. The other shareholders are LINQ Partners Limited (25%) and the balance is held by a Trust (both entities owned by third parties). The purpose of the Trust is to hold any future value for a social purpose should the structure collapse. NHG also owns 75% of the economic value. NHG manages these market rent properties. The agreement stipulates that on sale of the market rent properties, 75% of the cash is released to NHG and 25% is treated as deferred income and will be realised once the properties are sold by NHG.

To date 181 market rent properties have been sold to LINQ Housing.

Statement of comprehensive income	Group and NHG 2019 £m	Group and NHG 2018 £m
75% of surplus for year	-	4.5
75% of turnover	-	42.7

Statement of financial position	Group and NHG 2019 £m	Group and NHG 2018 £m
25% of deferred income	6.0	6.0
25% of investment in associate	5.3	5.3

Note 13 - Number of dwellings under development and in management

	Group		NHG	
	2019 No.	2018 No.	2019 No.	2018 No.
In the development programme				
General needs housing	3,072	3,296	3,072	3,296
Shared ownership housing	4,716	5,098	-	-
Outright sales	4,838	3,909	-	-
Market rent	1,304	1,597	271	273
Intermediate market rent	429	409	49	49
	14,359	**14,309**	**3,392**	**3,618**
General needs housing includes affordable housing units	1,232	1,258	1,232	1,258
The development programme includes homes on site	4,704	3,743	1,573	1,117
In management at the end of the year				
General needs housing	34,201	34,883	34,021	34,883
Key worker accommodation	1,183	1,342	1,183	1,342
Shared ownership housing	8,846	9,270	3,193	4,060
Temporary housing	3,718	3,609	3,708	3,599
Market rent accommodation	2,747	1,963	2,739	1,954
Student accommodation	839	839	-	-
Supported housing and housing for older people	4,026	4,229	4,026	4,229
Leasehold in management	7,915	5,774	4,520	3,640
	63,475	**61,909**	**53,390**	**53,707**
General needs housing includes affordable housing units	4,549	3,501	4,549	3,501

	Group		NHG	
	2019 No.	2018 No.	2019 No.	2018 No.
Owned but not managed				
General needs rented housing	568	596	568	589
Supported housing and housing for older people	1,176	1,114	1,176	1,114
Market rent accommodation	2	8	2	8
Shared ownership housing	74	59	74	59
Leasehold in management	148	114	148	114
Temporary housing	15	13	15	13
	1,983	**1,904**	**1,983**	**1,897**

Note 14 - Investments

NHG	2019 £m	2018 £m
Cost		
At 1 April	216.9	208.7
Additions	34.1	16.4
Disinvestment in subsidiary	-	(8.2)
At 31 March	251.0	216.9
Net book value		
At 31 March	**251.0**	**216.9**

The financial statements consolidate the results of Notting Hill Genesis and its subsidiaries at 31 March 2019 (see note 33). NHG has the right to appoint members to the boards of all of its subsidiaries, thereby exercising control.

Notting Hill Commercial Properties has disinvested £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. The company owns 75% of Seward Street Developments LLP. It is anticipated that Seward Street will be wound up in the near future.

During the year NHG provided management services for Canonbury Developments Limited, Notting Hill Home Ownership Limited, Notting Hill Developments Limited, Project Light Market Rent Limited, Folio London Limited, Notting Hill Commercial Properties Limited, Notting Hill Community Housing, Touareg NHG and Walworth Homes Limited and charged them £6.4m (2018: £5.6m). The board believe that the carrying value of the investment is supported by their underlying net assets.

Note 15 - Properties in the course of sale

	Group		NHG	
	2019 £m	2018 £m	2019 £m	2018 £m
Properties under construction				
First tranche sales	104.0	125.7	40.1	35.8
Outright sales	262.8	181.2	68.9	25.4
Prior year adjustment	-	-	-	(9.4)
Completed properties				
First tranche	69.3	19.9	1.8	4.4
Outright sales	35.2	38.6	1.3	1.3
Landbank	196.1	131.0	72.0	9.8
	667.4	**496.4**	**184.1**	**67.3**

Note 16 - Debtors falling due within one year

	Group		NHG	
	2019 £m	2018 £m	2019 £m	2018 £m
Rental debtors	36.0	33.6	35.8	30.9
Less provision	(19.0)	(17.3)	(18.2)	(16.4)
	17.0	16.3	17.6	14.5
Trade debtors	13.4	12.0	4.6	5.1
Social housing grant receivable	-	2.5	7.6	1.5
Amounts receivable from local authorities	7.9	1.8	3.8	1.8
Amounts owed by subsidiary undertakings	-	-	113.3	88.6
Value added tax receivable	10.0	6.6	9.8	-
Stock transfer (see note 19)	2.0	2.0	-	2.0
Other debtors	23.9	14.4	11.0	6.9
Prepayments and accrued income	11.7	15.5	8.6	11.3
Intercompany short-term investments	-	-	348.2	207.7
	85.9	**71.1**	**524.5**	**339.4**

Note 17 - Debtors due after more than one year

	Group		NHG	
	2019 £m	2018 £m	2019 £m	2018 £m
Other long-term debtors	8.2	7.8	7.8	1.2
Derivative instrument asset	18.5	16.5	19.1	18.6
Intercompany long-term investments	-	-	536.2	446.4
	26.7	**24.3**	**563.1**	**466.2**

Note 18 - Current asset investments

	Group		NHG	
	2019 £m	2018 £m	2019 £m	2018 £m
Short-term deposit	17.6	43.2	9.4	51.7
	17.6	**43.2**	**9.4**	**51.7**

Note 19 - Creditors: amounts falling due within one year

	Group		NHG	
	2019 £m	2018 £m	2019 £m	2018 £m
Housing loans (note 21)	105.2	115.9	97.3	107.6
Trade creditors	16.5	32.4	22.9	28.0
Amounts owed to group undertakings	-	-	64.3	69.7
Other taxes and social security	2.0	4.7	2.0	4.3
Stock transfer (see note below)	2.0	2.0	2.0	2.0
Government grant	37.0	22.6	34.0	22.4
London Borough of Barnet surplus and deficit agreement	-	-	-	-
Other creditors	64.3	55.0	39.6	31.8
Accruals and deferred income	155.2	144.9	91.2	86.5
	382.2	**377.5**	**353.3**	**352.3**

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		NHG	
	2019 £m	2018 £m	2019 £m	2018 £m
Housing loans (note 21)	3,365.8	3,151.8	3,107.4	2,890.0
Recycled capital grant fund	29.3	74.8	14.3	29.3
Disposal proceeds fund	0.1	5.2	0.1	5.2
Deferred government grant	1,201.1	1,036.1	1,066.8	976.1
Homebuy grant	28.2	29.3	-	-
Other long-term creditor	27.1	21.9	9.8	17.2
	4,651.6	**4,319.1**	**4,198.4**	**3,917.8**

At the end of 31 March 2019, £nil (2018: £nil) 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 Completed properties £m	Group Work in progress £m	Group Total £m	NHG Completed properties £m	NHG Work in progress £m	NHG Total £m
Opening balance at 1 April 2018	913.9	131.5	1,045.4	902.9	82.4	985.3
Grants received during year	-	139.9	139.9	-	97.2	97.2
Disposal	-	-	-	(6.7)	-	(6.7)
Transferred to completed schemes	14.0	(14.0)	-	6.9	(6.9)	-
Transferred to recycled capital grant	(11.6)	46.0	34.4	-	-	-
Recycled on disposal	-	-	-	(4.3)	13.5	9.2
Amortisation	(10.4)	-	(10.4)	(10.2)	-	(10.2)
Payable to GLA	-	-	-	-	-	-
Intercompany transfer	-	-	-	-	-	-
Balance at 31 March 2019	**905.9**	**303.4**	**1,209.3**	**888.6**	**186.2**	**1,074.8**

Group Homebuy	Homebuy grants receivable £m	Temporary housing grant receivable £m	Total £m
At 1 April 2018	(29.3)	-	(29.3)
Repaid in the year	1.1	-	1.1
Written back in year	-	-	-
At 31 March 2019	**(28.2)**	**-**	**(28.2)**

Recycled capital grant fund	Group Total £m	NHG Total £m
At 1 April 2018	88.1	42.6
Grants recycled	9.6	4.6
Interest accrued	(0.1)	0.2
Used to finance new provision	(45.7)	(12.4)
Transferred from other group members	-	0.1
Payable	-	-
Homebuy redemption	1.2	-
At 31 March 2019	**53.1**	**35.1**

Disposals proceeds fund	Group Total £m	NHG Total £m
At 1 April 2018	6.9	6.9
Grants recycled	(0.7)	(0.7)
Used to finance new provision	(0.8)	(0.8)
Interest	-	-
At 31 March 2019	**5.4**	**5.4**

Note 21 - Loans

	Group		NHG	
	2019 £m	2018 £m	2019 £m	2018 £m
Secured loans and overdrafts	1,755.2	1,761.2	1,522.7	1,777.1
Unsecured loans and overdrafts	33.8	36.0	-	-
Public bonds	1,682.0	1,450.0	1,682.0	1,200.0
Non-recourse secured bank loans	-	20.5	-	20.5
Housing loans	**3,471.0**	**3,267.7**	**3,204.7**	**2,997.6**

Analysis of loan repayments	Group		NHG	
	2019 £m	2018 £m	2019 £m	2018 £m
Repayable on maturity				
- within one year or on demand	54.2	78.2	48.5	73.3
- between one and two years	2.0	-	2.1	-
- within two and five years	230.0	84.3	221.6	76.5
- in five years or more	2,104.8	1,632.0	2,076.9	1,604.1
Repayable by annual instalments				
- within one year or on demand	51.0	37.7	48.8	34.3
- between one and two years	40.7	45.4	38.4	36.0
- within two to five years	193.2	187.3	180.0	171.8
- in five years or more	795.1	1,202.8	588.4	1,001.6
	3,471.0	**3,267.7**	**3,204.7**	**2,997.6**

Public secured bonds

The group has made six public bond issues with an outstanding nominal value of £1.7bn: £250m 2.875% secured bonds due 2029, £250m 3.750% secured bonds due 2032, £250m 6.064% due 2039, £300m 5.250% secured bonds due 2042, £400m 3.25% secured bonds due 2048 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.

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.

Unsecured loans

The group has unsecured funding of £28.0m to finance housing development in a subsidiary. The term is 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.

Public secured bonds and secured loans are secured by fixed charges on individual properties. The number of charged properties for the group is 36,539 with a value on a market value-tenanted (MV-T) basis of £7.6bn; for NHG it is 32,440 with a value on a MV-T basis of £7.0bn (2018: group 17,835 and NHG 38,777).

Free standing derivatives

The Group has pledged as collateral against potential liabilities on free standing derivatives 1,434 properties with a value on a MV-T basis of £369.0m (2018: 309 properties with a value of £46.0m) and for NHG 1,434 properties with a value on a MV-T basis of £369.0m (2018: 309 properties and a value of £46.0m).

Interest rates

The rate of interest on loans ranges from 1.03% to 10.7%. The final instalments fall to be repaid in the period 2019 to 2056.

Loan balances

At 31 March 2019 the group had undrawn loan facilities of £642.8m (2018: £893.8m).

The group loan balance of £3,471.0m (2018:£3,267.7m) has been netted off by loan arrangement fees of £19.6m which are written off over the term of each loan.

Interest rate swaps

As at the year end, £398.0m (2018: £404.9m) of the group's variable debt had its interest rate hedged by stand-alone interest rate swaps. As at the year-end £42.0m (2018: £42.0m) of the group's fixed debt had its interest rate hedged by stand-alone swaps. As at the year end, ¥5bn (2018: ¥5bn) of the group's debt has been hedged into £28m (2018: £28m) by a currency swap. Note 35 contains an analysis of the anticipated contractual cash flows including interest payable for the group's financial liabilities on an undiscounted basis.

Note 22 - Provisions for liabilities and charges

Group	Short-term leases total £m	Onerous contracts £m	Other provisions £m	Total £m
At 1 April 2018	1.1	2.4	-	3.5
Reclassification	0.3	-	-	0.3
Prior year adjustment	-	-	2.2	2.2
Balance at 1 April 2018	1.4	2.4	2.2	6.0
Additional provisions	0.8	-	4.2	5.0
Release of provision	(0.2)	-	-	(0.2)
At 31 March 2019	**2.0**	**2.4**	**6.4**	**10.8**

NHG	Short-term leases total £m	Onerous contracts £m	Total £m
At 1 April 2018	2.0	24.3	26.3
Reclassification	0.3	-	0.3
Balance at 1 April 2018	2.3	24.3	26.6
Additional provisions	-	-	-
Release of provision	(0.4)	-	(0.4)
At 31 March 2018	**1.9**	**24.3**	**26.2**

During the year, £0.8m (2018: £1.5m) was set aside for future repairs and £0.2m (2018: £0.7m) was used to carry out repairs to properties that were handed back during the year. All provisions are attributable to NHG.

During the year, £nil (2018: £12.9m) was set aside in NHG to pay extra costs on a development scheme. In the group the onerous contracts provision is recognised instead as an impairment of outright sales properties in the course of development.

During the year, £4.2m (2018: £2.2m) of other provisions was set aside in respect of the existing principal development agreement.

Note 23 - Called up share capital

	2019 £	2018 £
At 1 April	155	149
Issued during year	-	15
Redeemed during year	(6)	(9)
At 31 March	**149**	**155**

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

Note 24 - Reserves

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

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

The cash flow hedge reserve is used to record transactions arising from the group's cash flow hedging arrangements.

The minority interest is related to Mount Anvil's Group's interest in Seward Street LLP.

Note 25 - Reconciliation of operating surplus to net cash (outflow)/inflow from operating activities

Group	2019 £m	2018 £m
Operating surplus	205.9	233.2
Surplus on sale of properties	(34.0)	(65.0)
Fair value gains on investment	(36.3)	(8.0)
Fair value losses on financial instruments	3.0	1.8
Depreciation	56.9	58.1
Impairment charge	-	24.6
Amortisation of loan set-up costs	2.5	0.9
Other assets written off/(credited)	8.4	(0.5)
Joint venture deficit	(0.9)	-
(Increase) in properties in the course of sale	(176.6)	(89.0)
(Increase) in debtors	(10.9)	(5.7)
(Decrease) in creditors	(21.6)	(5.8)
Corporation tax	0.5	(0.7)
Net cash (outflow)/inflow from operating activities at 31 March	**(3.1)**	**143.9**

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

Group	2019 £m	2018 £m
Decrease/(increase) in cash	25.2	(34.9)
Cash flow from decrease in liquid resources	25.6	(9.0)
Cash flow from increase in debt and lease finance	203.3	341.2
Non cashflow changes	-	0.2
Total changes in net debt for the year	254.1	297.5
Net debt at 1 April	3,066.3	2,768.8
Net debt at 31 March	**3,320.4**	**3,066.3**

Note 27 - Analysis of debt

	1 April 2018 £m	Cash flow £m	Non cash £m	31 March 2019 £m
Cash at bank and in hand	158.2	(25.2)	-	133.0
Current asset investment	43.2	(25.6)	-	17.6
Loans				
Short-term loans	(115.9)	10.7	-	(105.2)
Long-term loans	(3,151.8)	(214.0)	-	(3,365.8)
Net debt	**(3,066.3)**	**(254.1)**	**-**	**(3,320.4)**

Note 28 - Pensions

The group's employees and past employees are deferred members or pensioners of several pension schemes operated by the group. These include the Social Housing Pension Scheme (SHPS DB), the Genesis scheme, the PCHA 2001 scheme, the LGPS scheme and the Wandsworth Council Pension Fund (WCPF) (collectively, the "plans"). The group also participated in the Growth Plan until it settled its liability during the current year. Further information on all of these defined benefit schemes is given below.

The group currently contributes to a number of defined contribution pension schemes for certain employees, the most significant of which are operated by the Social Housing Pension Scheme (the SHPS DC) and Aviva.

SHPS DB

The group participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. This scheme is 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.

Previously, the administrator of the scheme was unable to allocate the scheme assets to individual employers, and hence was unable to determine the deficit attributable to each employer. As a result, SHPS DB has previously been accounted for as a defined contribution scheme, with a liability being recognised in respect of the present value of the contributions payable to fund the deficit. This is consistent with the accounting treatment required by FRS 102 for all schemes of this nature. The accounting for SHPS DB has however changed for the year ended 31 March 2019. The change has arisen as a result of a method of allocation being developed by the administrator of the scheme that allows each employer to recognise their share of assets and liabilities.

These financial statements present a period of transition, where the group is moving from one basis of accounting to another. The group has adopted the accounting treatment put forward by the Financial Reporting Council in Amendments to FRS 102: Multi-employer defined benefit plans ("Amendments to FRS102"), published in May 2019. Adopting the provisions contained within Amendments to FRS 102 results in no restatement of the comparatives and instead the change in accounting treatment being recorded as a separate movement through other comprehensive income.

Other pension schemes

The following pensions are defined benefit schemes in the UK which are closed to future accrual. There is a separate trustee-administered fund holding the pension scheme assets to meet long term pension liabilities. In most cases, a full actuarial valuation is carried out on a periodic basis, which is then updated by a qualified actuary, independent of the scheme's sponsoring employer, as at 31 March 2019. Where this is not the case, this is stated below. Each of the valuations have been updated to show the defined benefit obligation

Name of scheme	Date of last full actuarial valuation	Deficit per valuation	Agreed contributions per annum	Period of commitment for contributions
Genesis Pension Scheme	30 September 2016	£17,222,000	£1,660,000 (increasing by 3% each year)	8 years and 6 months from 31 March 2018
PCHA 2001 Pension Scheme	30 September 2016	£12,715,000	£1,606,000	7 years from 31 March 2018
LGPS Pension Scheme	31 March 2016	£1,725,000	19.2% of payroll	1 April 2016 to 31 March 2019
Wandsworth Council Pension Fund (WCPF)	31 March 2016	£559,000	26.6% of payroll plus £31,000-£33,000	1 April 2016 to 31 March 2019

at the reporting date. Where applicable for certain schemes the group has agreed to pay the scheme expenses, the Pension Protection Fund (PPF) levies and group life premiums which are paid separately.

Growth Plan

The group previously participated in another defined benefit scheme referred to as the Growth Plan. During the year the group settled its liability under the Growth Plan and exited the scheme. The cash payment in excess of the accrual resulted in an expense of £188k.

Further disclosures on the plans

As permitted by section 28 of FRS 102, the group has aggregated the financial information in respect of the defined benefit schemes (the "plans") in which it participates for presentation purposes:

Pension scheme liabilities recognised in the statement of financial position:

	2019 £'000	2018 £'000
Pension obligations recognised as defined benefit schemes	58,913	18,840
Pension obligations recognised as defined contribution schemes	-	20,867
Net pension scheme liabilities	**58,913**	**39,707**

Principal actuarial assumptions at the financial position date (expressed as a range):

	2019	2018
Discount rate	2.31-2.40%	2.55-2.60%
Inflation (RPI)	2.30-3.29%	3.19-3.20%
Inflation (CPI)	2.29-2.30%	2.19-2.20%
Salary growth	3.29-4.30%	3.19-4.20%
Allowance of commutation of pension for cash at retirement	75% of max	75% of max

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

Life expectancy at age 65	2019 (years)
Male retiring in 2019	20.5 - 23.4
Female retiring in 2019	23.2 – 24.8
Male retiring in 2039	22.3 – 25.0
Female retiring in 2039	24.9 – 26.6

Amounts recognised in the income statement

	2019 £'000	2018 £'000
Net interest on defined benefit liability	1,272	897
Current service cost	92	93
Expenses paid	280	311
Past service cost – plan amendments/curtailments	618	-
Other costs	188	-
Total expenses	**2,450**	**1,301**

Amounts recognised in the other comprehensive income statement:

	2019 £'000	2018 £'000
Actual return on the assets held in the plans	10,670	4,722
Return on assets included in net interest	(5,697)	(2,643)
Asset gain	4,973	2,079
Effects of changes in assumptions underlying the present value of the plans' liabilities	(15,198)	5,120
Experiences gains arising on the plans' liabilities	940	6,895
Actuarial (loss)/gain recognised	**(9,285)**	**14,094**

Please note that the prior year comparatives contain financial information relevant to all defined benefit schemes with the exception of the Social Housing Pension Scheme. The current year contains information relating to all schemes, including the transition adjustment for SHPS DB in accordance with the May 2019 amendments to FRS 102.

Note 28 - Pensions, continued.

Reconciliation of movements on the defined benefit obligation:

	2019 £'000
Defined benefit obligation at the start of the period	274,198
Current service cost	92
Interest cost	6,969
Contribution by members	19
Actuarial (gains)/losses due to scheme experience	(940)
Actuarial (gains)/losses due to changes in demographic assumptions	(1,217)
Actuarial losses/(gains) due to changes in financial assumptions	16,415
Past service cost – plan amendments/curtailments	618
Expenses	85
Unfunded pension payments	(4)
Benefits paid	(7,340)
Defined benefit obligation at the end of the period	288,895

Reconciliation of movements on the fair value of the plans' assets:

	2019 £'000
Fair value of the plans' assets at the start of the period	220,078
Interest income	5,697
Expenses	(195)
Contributions by members	19
Contributions by the employer	6,754
Experience gains/(losses) on plan assets	4,973
Unfunded pension payments	(4)
Benefits paid	(7,340)
Fair value of the plans' assets at the end of the period	229,982

As permitted by section 28 of FRS 102, the group have not presented comparative information for either of the above two reconciliations.

The fair values of each main class of assets held by the plans and the expected rates of return for the ensuing year are set out in the following table.

Categories of assets held as a percentage of the total assets by the plans are as follows:	2019 £'000	2018 £'000
Bonds	98,407	92,165
Equity	83,539	84,794
Property and infrastructure	14,606	12,496
Other	12,383	8,769
Absolute return	10,303	13,989
Alternative risk premia	6,867	4,343
Insurance linked securities	3,415	3,009
Cash	462	513
	229,982	**220,078**

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		NHG	
	2019 No.	2018 No.	2019 No.	2018 No.
Staff engaged in managing or maintaining housing stock	765	834	765	793
Staff providing other housing services	143	49	143	49
Staff engaged in developing or selling housing stock	147	152	147	119
Staff providing central administration services	378	380	378	380
Staff providing care and support	598	728	598	728
	2,031	**2,143**	**2,031**	**2,069**

Staff costs for the above persons	Group		NHG	
	2019 £m	2018 £m	2019 £m	2018 £m
Wages and salaries	72.4	73.3	68.3	69.4
Social security costs	7.3	7.0	7.0	6.6
Other pension costs	3.9	3.6	3.6	3.4
	83.6	**83.9**	**78.9**	**79.4**

Redundancy payments of £709,000 (2018: £535,000) were made during the year.

Salary range	2019 £'000	2018 £'000
Lowest paid employee	16	14
Highest paid employee	268	239

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

£'000	2019 No.	2018 No.
60-70	69	50
70-80	36	37
80-90	20	14
90-100	12	10
100-110	5	13
110-120	8	6
120-130	6	-
130-140	1	-
140-150	4	-
150-160	1	-
160-170	1	1
170-180	-	1
190-200	-	1
200-210	2	1
210-220	-	1
220-230	1	-
230-240	3	-
250-260	1	1
260-270	-	1
290-300	1	-

Note 30 - Board and executive directors' emoluments

The payments to current non-executive board members represents 0.01% (2018: 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.

The executive board members were either members of a defined contribution pension scheme or received a pension allowance.

The remuneration of the members of the board, the committee and the executive directors was:	2019 £'000	2018 £'000
Fees for members of the board	99	183
Fees for committee members	32	31
Management services of executive directors (including pension contributions and benefits in kind)	1,992	1,989
Remuneration for management services (excluding pension contributions) includes the amount paid to the highest paid director	268	239

Current non-executive board members at 31 March 2019	2019 £'000
James Wardlaw	14.2
Bruce Mew	12.5
Alexander Phillips	12.5
Jane Hollinshead	12.5
Richard Powell	12.5
Stephen Bitti	11.3
Linde Carr	9.0
Jenny Buck	9.0
Elaine Bucknor	6.0

Current executive board members	Salaries £'000	Car benefits £'000	Pension costs £'000	Bonus £'000	2019 Total £'000
Kate Davies, Chief executive	268	-	29	-	297
Paul Phillips, Group director of finance	208	-	22	-	230
Andy Belton, Chief operating officer	208	-	22	-	230
John Hughes, Group director of development	208	-	28	-	236
Jeremy Stibbe, Group director of regeneration and assets	198	-	11	-	209
Mark Vaughan Group director of commercial services	183	-	25	-	208
Carl Byrne, Group director of housing	158	-	7	-	165
Vipul Thacker, Group director of central services	148	-	11	-	159

The chief executive is a preserved 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 £136,000 was paid as loss of office payments (2018: £223,000).

Note 31 - Capital commitments

	Group		NHG	
	2019 £m	2018 £m	2019 £m	2018 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements:	897.3	1,166.6	187.7	594.1
Capital expenditure that has been authorised by the board but has not yet been contracted for:	203.5	116.1	44.1	18.4

Capital commitments will be funded by a combination of social housing grant of £78.4m, sales receipts of £833.7m and existing loan facilities of £179.9m. The capital commitments exclude land purchases.

Note 32 - Operating leases

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

	2019 £m	2018 £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	33.9	32.3

Other operating lease payments under non-cancellable operating leases for properties are set out below:

	2019 £m	2018 £m
Not later than one year	6.3	6.0
Later than one year and not later than five years	24.4	25.5
Later than five years	204.9	213.2

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 Genesis is incorporated in England under the Co-operative and Community Benefit Society Act 2014 and is required by statute to prepare group financial statements. NHG is a registered housing provider as defined by the Housing and Regeneration Act 2008 and is the ultimate parent.

Notting Hill Genesis 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 Genesis 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
- 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.

Entity name (subsidiaries)	Principal activity	Parent	Country of registration
Notting Hill Home Ownership Limited	Performs the activities of a registered provider	NHG owns one of eight shares and controls the board. The remaining seven shares are held in NHG for NHG.	England and Wales
Notting Hill Commercial Properties Limited	Develops and lets commercial properties	NHG – 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	NHG – 100% shares	England and Wales
Canonbury Developments Limited	Develops and sells properties	Notting Hill Home Ownership Limited – 100% shares	England and Wales
Presentation Market Rent Limited	Rents properties at market rents (dormant)	NHG – 100% shares	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	NHG – 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
Notting Hill Community Housing Limited	Rents properties at sub-market prices	NHG – 100% shares	England and Wales
Walworth Homes Limited	Develops and sells properties	Notting Hill Commercial Properties Limited – 100% shares	England and Wales
Touareg	Provides student accommodation	NHG is sole guarantee member and controls the board	England and Wales
Choices for Grahame Park Limited	Develops and sells properties	NHG – 100% shares	England and Wales
GenFinance Limited	Responsible for managing loan facilites	NHG – 100% shares	England and Wales
GenFinance 2 PLC	Incorporated for a £250 million bond issue.	NHG – 100% shares	England and Wales
European Urban St Pancras 2 Limited	Develops and sells property	NHG – 100% shares	England and Wales

Note 33 - Incorporation, subsidiaries and joint ventures, continued.

Entity name (subsidiaries)	Principal activity	Parent	Country of registration
Shenstone (SPSL) – Pathmeads Property Services Ltd	Develops and sells property	NHG – 100% shares	England and Wales
Springboard 2 Housing Association Limited	Registered provider; manages shared ownership properties	NHG – 100% shares	England and Wales
Genesis Purchasing Limited	Procures contracting and consulting services on behalf of the group	NHG – 100% shares	England and Wales
Genesis Oaklands Limited	Develops and sell property	NHG – 100% shares	England and Wales
Genesis Community Foundation Limited	A charity formed to run community and social regeneration projects	NHG – 100% shares	England and Wales
GenInvest Limited	Develops and sells properties	NHG – 100% shares	England and Wales
Stoke Quay New Homes Ltd	Develops and sells properties	NHG – 100% shares	England and Wales
Central Chelmsford Development Agency Ltd	Develops and sells properties	NHG – 100% shares	England and Wales

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

Notting Hill Commercial Properties Limited had a joint venture investment in Seward Street Development LLP, registered in England and Wales. It was discontinued in the year.

Notting Hill Commercial Properties Ltd also has a joint venture investment in Brenley Park LLP, Chobham Farm North LLP, Spray Street Quarter LLP, Armada 1 Development LLP, Gallions 2A Developments LLP, Gallions 2B Development LLP, TLD Kidbrooke LLP, Kidbrooke Partnership LLP and Rainham and Beam Park Regeneration LLP.

The group's investment in joint venture projects amounted to £45.2m (2018: £25.7m). Details of these investments are shown below.

A deficit of £0.9m (2018:£nil) was incurred on joint venture activities during the year.

The contingent liability is limited to the amount invested.

Entity name (joint venture)	Nature of business	Share of capital commitment	Proportion of holding	Year ended	Assets 2019 £m	Liabilities 2019 £m	Assets 2018 £m	Liabilities 2018 £m
Chobham Farm North LLP	Development of 478 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation	Nil	50%	31 March	22.4	(22.4)	15.9	(15.9)
Kidbrooke Partnership LLP	To develop site adjacent to Kidbrooke Station. The scheme will comprise ten blocks	Nil	50%	31 March	13.1	(13.1)	6.3	(6.3)
Armada 1 South Developments LLP	To develop phase 1 of the Gallions Quarter sites	Nil	50%	31 March	8.7	(8.7)	(1.0)	1.0
TLD Kidbrooke LLP	To invest in the Kidbrooke scheme and provides business manager services to Kidbrooke LLP	Nil	99%	31 March	6.7	(6.7)	-	-
Spray Street Quarter LLP	To acquire and develop site in Woolwich Town Centre to construct 612 residential units and 8,770 square metres of non-residential space	Nil	50%	31 March	2.0	(2.0)	1.8	(1.8)
Gallions 2A Developments LLP	To develope phase 2 of the Gallions Quarter sites	Nil	50%	31 March	1.0	(1.0)	-	-
Gallions 2B Development LLP	To develop phase 3 of the Gallions Quarter sites	Nil	50%	31 March	0.9	(0.9)	12.3	(12.3)
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)
Triangle London Developments LLP	Established to bid for Transport for London sites	Nil	50%	31 May	0.1	(0.1)	0.1	(0.1)
KLA Twickenham LLP	Development of 280 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation	Nil	50%	31 March	-	-	-	-
Wandsworth Parkside LLP	Development of 159 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation	Nil	50%	31 March	-	-	-	-
Rainham and Beam Park Regeneration LLP	To develop 919 units in the London Borough of Havering	Nil	50%	31 March	-	-	-	-
					55.0	**(55.0)**	**35.5**	**(35.5)**

Note 34 - Transactions with related parties

At 31 March 2019 there were two board members who had tenancies with NHG. They are Linde Carr and Stephen Bitti. The tenancy agreements have 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 these tenants. In respect of Linde Carr, during the year, rents of £7,443 (2018: £7,594) were charged. A credit balance of £(642) was outstanding at year-end (2018:£nil). In respect of Stephen Bitti, during the year rents of £7,340 (2018:£7,331) were charged. A credit balance of £(6) was outstanding at the year-end (2018:£nil).

During the year NHHO charged Project Light Development 2 Limited, a subsidiary of Notting Hill Commercial Properties Limited, subsidiary of NHG £108,802 (2018:£125,000) in respect of administration costs. At the year ending 31 March 2019 the balance was £nil (2018:£nil).

During the year NHHO charged Chobham Farm North LLP, a joint venture of Notting Hill Commercial Properties Limited, subsidiary of NHG and Telford Homes Plc, £67,460 (2018:£62,600) in respect of administration costs. At the year ending 31 March 2019, £nil (2018: £nil) was owed to NHHO. During the year the joint venture sold £3,810,033 (2018:£8,721,000) properties in the course of construction to NHHO.

During the year NHHO charged Project Light Development 1 Limited, a subsidiary of Notting Hill Commercial Properties Limited, subsidiary of NHG £108,802 (2018:£nil) in respect of administration costs. At the year ending 31 March 2019, £nil (2018:£nil) was owed to NHHO.

During the year NHHO charged Armada 1 South Development LLP, a joint venture of Notting Hill Commercial Properties Limited, subsidiary of NHG and Telford Homes Plc £66,053 (2019:£nil) in respect of administration costs. At the year ending 31 March 2019 £nil (2018:£nil) was owed to NHHO. At 31 March 2019 the amount receivable from NHHO was £726,947 (2018:£nil). During the year the joint venture sold £7,091,263 (2018:£nil).

During the year NHHO charged Spray Street Quarter LLP, a joint venture of Notting Hill Commercial Properties Limited, subsidiary of NHG and St Modwen Developments Limited £1 (2018:£nil) in respect of administration costs. At the year ending 31 Mar 2019 £nil (2018:£nil) was owed to NHHO.

During the year NHHO charged Gallions 2A Developments LLP, a joint venture of Notting Hill Commercial Properties Limited, subsidiary of Notting Hill Genesis and Galiford Try Plc £137,629 in respect of administration costs (2018:£nil). At the year ending 31 March 2019 £15,985 (2018:£nil) was owed to the Association.

During the year NHHO charged Gallions 2B Development LLP, a joint venture of Notting Hill Commercial Properties Limited, subsidiary of Notting Hill Genesis and Telford Homes Plc £137,629 in respect of administration costs (2018:£nil). At the year ending 31 March 2019 £nil (2018:£nil) was owed to NHHO.

During the year NHHO charged Rainham and Beam Park Regeneration LLP, a joint venture of Notting Hill Commercial Properties Limited, subsidiary of Notting Hill Genesis and London Borough of Havering £508,532 (2018:£nil) in respect of administration costs. At the year ending 31 March 2019 £518,615 (2018:£nil) was owed to NHHO.

During the year NHG had invested the following amounts in the share capital of its non-regulated subsidiaries.

	2019 £m	2018 £m
Notting Hill Commercial Properties Limited	165.5	155.5
Great Eastern Homes Limted	-	-
Folio London Limited	83.8	59.7
Igloo Insurance Protected CaptiveCell NOT 6	0.7	0.7
Arawak Developments Limited	0.1	0.1
Pathmeads Property Services Limited	0.9	0.9
At 31 March	**251.0**	**216.9**

Note 34 - Transactions with related parties, continued.

During the year NHG had invested the following loans in its non regulated subsidiaries.

	2019 £m	2018 £m
Notting Hill Commercial Properties Limited	-	-
Notting Hill Developments Limited	65.9	41.1
Folio London Limited	209.8	133.5
Touareg NHG	22.1	22.1
Notting Hill Community Housing	55.0	2.0
Project Light Development 1 Limited	28.7	28.7
Project Light Development 2 Limited	27.5	21.4
Project Light Market Rent Limited	72.6	55.0
Canonbury Developments Limited	80.1	83.3
Genesis Oaklands Limited	23.7	10.8
Choices for Graham Park Limited	14.2	4.9
Genfinance 2 plc	1.5	1.5
GenFinance Limited	-	2.0
European Urban St Pancras 2 Limited	-	1.9
Genesis Purchasing Limited	-	11.5
At 31 March	**601.1**	**419.7**

Details of other transactions between NHG and its non-regulated subsidiaries during the year are shown here.

Other inter-company transactions	2019 £m	2018 £m
Excess cash (returned)	(49.6)	(21.8)
Purchases	0.8	(0.2)
Overhead recharges	(1.9)	(0.5)
Payroll	(1.2)	(1.0)
Interest	(8.2)	(3.8)
Disinvestment in subsidiaries	-	8.2
	(60.1)	**(19.1)**

The transactions relate to: Notting Hill Commercial Properties Limited, Notting Developments Limited, Canonbury Developments Limited, Folio London Limited, Touareg NHG, Goat Wharf Limited and Notting Hill Community Housing.

In accordance with the treasury policy, excess cash held by subsidiaries is invested in NHG to manage interest charges.

Purchases relate to invoices that are paid by NHG but relate to other group companies. They include temporary staff costs, utility bills and courier charges.

Overhead recharges are recharges made by NHG 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 relevant subsidiaries.

Note 35 - Financial instruments and risk management

Group	Financial assets at fair value		Financial assets at amortised cost	
	2019 £m	2018 £m	2019 £m	2018 £m
Financial assets that are debt instruments measured at amortised cost				
Current asset investments	-	-	17.6	43.2
Cash	-	-	133.0	158.2
Debtors	-	-	85.9	71.1
Debtors falling due after one year	-	-	8.2	7.8
Financial assets measured at fair value through the statement of comprehensive income				
Interest rate swaps fixed to float	12.3	11.3	-	-
RPI option	-	-	-	-
Designated currency hedge	6.2	5.2	-	-
Total	**18.5**	**16.5**	**244.7**	**280.3**

NHG	Financial assets at fair value		Financial assets at amortised cost	
	2019 £m	2018 £m	2019 £m	2018 £m
Financial assets that are debt instruments measured at amortised cost				
Current asset investments	-	-	9.4	51.7
Cash	-	-	87.4	102.4
Debtors	-	-	524.5	339.4
Debtors falling due after one year	-	-	544.0	447.6
Financial assets measured at fair value through the statement of comprehensive income				
Interest rate swaps fixed to float	19.1	18.6	-	-
RPI option	-	-	-	-
Designated currency hedge	-	-	-	-
Total	**19.1**	**18.6**	**1,165.3**	**941.1**

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.

Note 35 - Financial instruments and risk management, continued.

Group	Financial liabilities at fair value		Financial liabilities at amortised cost	
	2019 £m	2018 £m	2019 £m	2018 £m
Financial liabilities that are measured at amortised cost				
Trade and other payables	-	-	277.0	261.6
Public bonds	-	-	1,682.0	1,450.0
Loans and borrowings	-	-	1,789.0	1,817.7
Other long-term creditors	-	-	1,395.9	1,258.3
Financial liabilities that are measured at fair value through the statement of comprehensive income				
RPI swaps	(7.3)	(6.8)	-	-
Cancellable interest rate swaps	(2.6)	(2.7)	-	-
Interest rate swaps float to fixed	(11.6)	(12.1)	-	-
Designated interest rate hedges	(136.6)	(135.8)	-	-
Total	**(158.1)**	**(157.4)**	**5,143.9**	**4,787.6**

NHG	Financial liabilities at fair value		Financial liabilities at amortised cost	
	2019 £m	2018 £m	2019 £m	2018 £m
Financial liabilities that are measured at amortised cost				
Trade and other payables	-	-	256.0	244.7
Public bonds	-	-	1,682.0	1,200.0
Loans and borrowings	-	-	1,522.7	1,797.6
Other long term loans	-	-	1,149.3	1,067.5
Financial liabilities that are measured at fair value through the statement of comprehensive income				
RPI swaps	(7.3)	(6.9)	-	-
Cancellable interest rate swaps	(2.6)	(2.8)	-	-
Interest rate swaps float to fixed	(11.6)	(12.1)	-	-
Designated interest rate hedges	(134.6)	(135.8)	-	-
Total	**(156.1)**	**(157.6)**	**4,610.0**	**4,309.8**

A comparison of the book value to the fair value of the group's long-term borrowings at 31 March	2019		2018	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Current portion of long-term debt	105.3	105.3	115.7	115.7
Long-term debt	3,365.7	3,365.7	3,152.0	3,152.0
	3,471.0	**3,471.0**	**3,267.7**	**3,267.7**

Gains in respect of financial derivatives held at fair value through the statement of comprehensive income	Group		NHG	
	2019 £m	2018 £m	2019 £m	2018 £m
Gains in respect of financial derivatives	7.1	32.5	9.4	22.8
	7.1	**32.5**	**9.4**	**22.8**

A comparison of the book value to the fair value of NHG's long-term borrowings at 31 March	2019		2018	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Current portion of long term debt	350.6	350.6	107.5	107.5
Long term debt	2,854.1	2,854.1	2,890.1	2,890.1
	3,204.7	**3,204.7**	**2,997.6**	**2,997.6**

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 surpluses, grant and borrowings. The group's interest rate management ensures that a minimum of 50% of its drawn funds should be fixed on a long-term basis.

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 FRS102 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 denominated in a foreign currency) or a highly probable forecast transaction and that transaction could affect profit or loss, the hedging relationship is designated as a cash flow hedge.

The tables above indicate the periods in which cash flows associated with cash flow hedging instruments are expected to occur.

The key assumption used in valuing the foreign currency interest derivatives is the Pound Sterling versus Japanese Yen 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.

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.

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 £1m increase in interest cost.

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, 84% 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 tables above also show analysis of the expected contracted cash flows payable for the group's financial liabilities on an undiscounted basis. For the purposes of these tables, 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.

Note 36 - Prior year adjustments

Following the merger of Notting Hill Housing and Genesis Housing Association in April 2018, a number of prior year adjustments were identified. The prior year adjustments are each explained below.

	2018	
Restated total comprehensive income	**Group £m**	**NHG £m**
Total recognised surpluses per UK GAAP	116.7	93.8
Change in depreciation arising from a reduction in the opening asset value	3.1	3.1
Changes arising from adopting sections 11 and 12 of FRS102 for the new entity and group	16.3	11.4
Elimination of surplus arising from the sale of a site from Genesis Housing Association to Notting Hill Housing before amalgamation	(3.7)	-
Change in estimated useful life of components	1.2	1.2
Reclassification of social housing properties to commercial properties	0.8	0.8
Recognition of a sale that occured in previous years	2.3	-
Restated total comprehensive income after prior year adjustments	**136.7**	**110.3**

Included in the above prior year adjustments, are £4.2m of merger accounting adjustments. The merger accounting adjustments relate wholly to the change in estimated useful life of components.

Note 36 - Prior year adjustment, continued.

Statement of changes in reserves

Group	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Minority interest £m	Total £m
Balance at 1 April 2017	1,933.7	1,136.3	(35.7)	0.2	3,034.5
Change in asset value arising from a reduction in the opening asset value	(11.2)	-	-	-	(11.2)
Changes arising from adopting sections 11 and 12 of FRS102 for the new entity and group	5.1	-	(18.9)	-	(13.8)
Change in estimated useful life of components	3.0	-	-	-	3.0
Reclassification of provisions to reserves	-	(0.4)	-	-	(0.4)
Revised balance at 31 March 2017	**1,930.6**	**1,135.9**	**(54.6)**	**0.2**	**3,012.1**

NHG	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total £m
Balance at 1 April 2017	1,541.7	1,054.7	(39.8)	2,556.6
Change in asset value arising from a reduction in the opening asset value	(11.2)	-	-	(11.2)
Changes arising from adopting sections 11 and 12 of FRS102 for the new entity and group	4.9	-	(14.6)	(9.7)
Change in estimated useful life of components	3.0	-	-	3.0
Reclassification of provisions to reserves	-	(0.4)	-	(0.4)
Revised balance at 31 March 2017	**1,538.4**	**1,054.3**	**(54.4)**	**2,538.3**

Included in the above prior year adjustments, are £4.2m of merger accounting adjustments. The merger accounting adjustments relate wholly to the change in estimated useful life of components.

Note 37 - Contingent liability

	Group		NHG	
	2019 £m	2018 £m	2019 £m	2018 £m
At 1 April	2,398.6	2,408.6	2,244.6	2.248.5
Reclassification	(867.3)	-	(867.3)	-
	1,531.3	2,408.6	1,377.3	2,248.5
Adjustment	-	(9.5)	-	(9.5)
Additions	11.0	9.2	10.8	9.0
Disposals	(5.8)	(9.7)	(1.4)	(3.4)
At 31 March	**1,536.5**	**2,398.6**	**1,386.7**	**2,244.6**

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

Reclassification relates to long term SHG liability included within the contingent liability.

Note 38 - Post balance sheet events

There have been no significant events between the year end date and the date of approval of these financial statements which would require adjustments to, or disclosure in, the financial statements.


44