

Registered Society Number:16558R
Registered Provider Number:L0035

Notting Hill Housing Trust

REPORT AND FINANCIAL STATEMENTS **31 MARCH 2018**

NOTTING HILL HOUSING TRUST

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NOTTING HILL HOUSING TRUST

BOARD MEMBERS, SENIOR STAFF, ADVISORS AND BANKERS

Notting Hill Housing Trust Board

Notting Hill Housing Trust amalgamated with Genesis Housing Association on 3 April 2018. The information below relates to the Board that was in place during the period 1 April 2017 to 3 April 2018.

The Board of Notting Hill Genesis is responsible for these Financial Statements.

Board

Chairman	Paul Hodgkinson CBE (resigned 3 April 2018)
Vice Chairman	Debra Yudolph (resigned 3 April 2018)
Other Members	Bukky Bird (resigned 3 April 2018)
	Linde Carr (appointed to Notting Hill Genes Board 3 April 2018)
	Jane Hollinshead (appointed 25 May 2017)
	Sue Hunt (resigned 3 April 2018)
	Alastair Moss (resigned 13 September 2017)
	Alex Phillips (appointed 13 September 2017)
	Richard Powell (appointed 25 May 2017)
	Karen Richardson (resigned 24 May 2017)
	Samantha Tennakoon (resigned 24 May 2017)
	James Wardlaw appointed to Notting Hill Genes Board 3 April 2018)
	Kate Davies appointed to Notting Hill Genes Board 3 April 2018)
	Paul Phillips (resigned 3 April 2018)
	Andy Belton (resigned 3 April 2018)

Secretary

Andrew Nankivell

Executive Board

Chief Executive	Kate Davies
Group Finance Director	Paul Phillips
Chief Operating Officer	Andy Belton
Group Development Director	John Hughes
Group Director of Commercial Services	Mark Vaughan
Group Director of Housing	Annemarie Fenlon (resigned 3 April 2018)
Group Corporate Services Director	Andrew Muir (resigned 3 April 2018)

NOTTING HILL HOUSING TRUST

BOARD MEMBERS, SENIOR STAFF, ADVISORS AND BANKERS (continued)

Notting Hill Genesis Board at 30 July 2018

Board

Chairman	Dipesh J Shah OBE (appointed 3 April 2018)
Senior Independent Director	James Wardlaw (appointed 3 April 2018)
Other Members	Stephen Bitti (appointed 3 April 2018)
	Jenny Buck (appointed 3 April 2018)
	Linde Carr (appointed 3 April 2018)
	Jane Hollinshead (appointed 3 April 2018)
	Bruce Mew (appointed 3 April 2018)
	Alex Phillips (appointed 3 April 2018)
	Richard Powell (appointed 3 April 2018)
	Eugenie Turton (appointed 3 April 2018)
	Kate Davies (appointed 3 April 2018)
	Elizabeth Froude (appointed 3 April 2018)

Executive Board

Chief Executive	Kate Davies (appointed 3 April 2018)
Deputy Chief Executive	Elizabeth Froude (appointed 3 April 2018)
Chief Operating Officer	Andy Belton (appointed 3 April 2018)
Group Director of Housing	Carl Bryne (appointed 3 April 2018)
Group Development Director	John Hughes (appointed 3 April 2018)
Group Finance Director	Paul Phillips (appointed 3 April 2018)
Group Director of Regeneration and Strategic Asset Management	Jeremy Stibbe (appointed 3 April 2018)
Group Corporate Services Director	Vipul Thacker (appointed 3 April 2018)
Group Director of Commercial Services	Mark Vaughan (appointed 3 April 2018)

NOTTING HILL HOUSING TRUST

BOARD MEMBERS, SENIOR STAFF, ADVISORS AND BANKERS (continued)

Registered office and head office

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Registrations

Registered Society Number: 16558R
Registered Provider Number: L0035
A charity exempt from registration
Regulated by the Regulator of Social Housing

NOTTING HILL HOUSING TRUST

CHAIRMAN'S REPORT

The year ended 31 March 2018 was Notting Hill Housing Trust's final year ahead of amalgamating with Genesis Housing Association, to form Notting Hill Genesis and as chair of the new organisation I am delighted to introduce this report.

Both Notting Hill Housing (NHH) and Genesis Housing (formerly Paddington Churches) were formed more than 50 years ago to meet West London's unique housing challenges. Today, we continue to provide low-cost homes for those who need them most, but our scope has spread to cover the whole of London and significant parts of South-East England.

Notting Hill Genesis is now one of the largest housing associations in the UK, with around 64,000 homes in management and ownership, with almost 90% of those in London. Half of these homes are general needs homes on social or affordable rents. We are also the largest provider of shared ownership homes in the country with around 10,000 homes in management.

As a merged organisation, our main purpose will be to work in and with communities to provide homes for lower-income households in London and the South East. Together, we will have the financial strength to invest in our social purpose; to have quality, affordable homes in thriving communities, to provide modern and valued services, and to create great places to live. We will build 400 more homes per year as a merged entity than we would or could have done separately.

Following our announcement of our intention to merge in July 2017, NHH's chair Paul Hodgkinson CBE, the Trust board and colleagues invested a significant amount of time and energy in creating a strong base from which to launch Notting Hill Genesis. I am delighted to be taking over as chair of the newly formed association, and I would like to express my gratitude to Paul and his team in preparing us for an exciting future.

I also wish to thank our customers for their engagement in our merger process. They have been patient with us and many have positively got involved in the consultations we ran, whatever their own view about the merger proposal itself. Ultimately, the merged organisation was conceived with our customers in mind. The Residents' Promise was put together with customers themselves. It articulates the vision behind Notting Hill Genesis' focus on improved outcomes and service. Our residents were and will remain a powerful voice as we move forward.

As Paul's tenure as chair of Notting Hill Housing Trust comes to an end and we say goodbye, it is entirely fitting that we celebrate the fact that Notting Hill Housing Trust has had a successful year.

Some of the metrics are as follows:

- A Surplus of £97m
- An Operating margin of 31%
- A Development programme delivered that 752 properties in the year
- Overall customer satisfaction of 70%
- An Operating cost per unit of £5,268
- 1% rent loss from empty homes

We have grown through our successful development programme, completing 752 and starting 1,037 homes with 10,114 properties in the development pipeline. In 2016/17, we were selected with our joint venture partner U&I as the preferred developer for the first Transport for London (TFL) scheme in Kidbrooke in the Royal Borough of Greenwich. This year, we were also successful in securing the second site at Landmark Court, within walking distance of London Bridge and Borough station, and the Northwood Station site that will deliver a total of 582 homes as part of the TFL framework.

NOTTING HILL HOUSING TRUST

CHAIRMAN'S REPORT (continued)

We have continued to invest substantial resources in improving our digital offer to those who wish to access our services online and to improve the effectiveness of our staff. During the year we have streamlined several key processes and started to pilot our online repairs platform to improve our customer experience when booking repairs with us. I look forward to rapid progress in gaining the benefits of digital technology which will come from merging the advances being made by Notting Hill Housing and Genesis.

The operating cost per unit this year is £5,268 up from £5,090 in 2016/17. The main reason for the increase is one off integration costs of £2.0m. We are committed to delivering value for money in all parts of our business. As we embark on our integration journey, Notting Hill Genesis plans to deliver £20m of recurring savings per annum by 2020/21.

Immediately following the merger, Standard and Poor's maintained the former Notting Hill Housing rating of A+ (negative outlook) for the newly merged Notting Hill Genesis. Subsequently, Standard and Poor's has just confirmed an updated rating for Notting Hill Genesis as A (negative outlook). This reflects changes in S&P's view of the sector and its outlook which has led to downgrades for a number of Registered Provider.

Over the last year, the housing crisis and social housing in particular have been in the news as never before and remain so through the Grenfell Inquiry. As of the date of this report, the full ramifications of the Grenfell tragedy for the way in which we develop new homes, have yet to be worked through, but nevertheless we remain totally committed to producing safe, new homes on a greater scale than would have been possible before the merger. Although the government has recently committed to investing in social housing, the external environment remains uncertain, especially in London where the housing market is less robust than previously.

Our aim is to provide homes for low income people in London and beyond. We created Notting Hill Genesis to improve our financial resilience, using the capacity generated to invest in new and existing homes. We will use our strength to influence decision taking in our residents' interest and to ensure that we provide quality services in the communities we serve.



Dipesh J Shah OBE
Chairman
30 July 2018

NOTTING HILL HOUSING TRUST

STRATEGIC REPORT

Principal activities of Notting Hill Housing Trust at 31 March 2018

The merger of Notting Hill Housing Trust (registration number 16558R) and Genesis Housing Association Limited (registration number 31241R) was undertaken as an amalgamation without dissolution under Part 9, Section 109 of the Co-operative and Community Benefit Societies Act 2014 on 3 April 2018. This is a legal process which means that the assets, liabilities, operations and future obligations of each entity come together and are transferred to the new society, Notting Hill Genesis (Registered Society Number 7746, Registered Provider Number 4880). The following strategic report focuses on the performance of Notting Hill Housing Trust and its subsidiaries over the year ended 31 March 2018 and refers to the future plans of Notting Hill Genesis.

Who are we?

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

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

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

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

Our Group's key strategic objectives focus on:

- Our residents and their homes
- Providing more new homes
- Our people and our work
- Closer partnerships
- Our financial strength

NOTTING HILL HOUSING TRUST

STRATEGIC REPORT (continued)

Performance against our key objectives

Strategic Theme	Key objective	Comment
Our residents and their homes	We will make the most of new technology to create smoother, simpler, faster and more cost effective systems. By automating key services we will make it easier and more convenient for customers to interact with us.	The Board approved a £7m investment in a programme (called WorkWise) to automate some of our key business processes such as handling repairs, managing voids and dealing with rent and service charges. Good progress has been made with the repairs pilot launching in March 2018 and all key areas have made significant progress in designing new and implementing new processes.
Our residents and their homes	Our homes will be safe and cost-effectively maintained	<p>99.87% of our properties with a gas supply have a valid gas safety certificate.</p> <p>We have completed 99% of the Fire Risk Assessments across our homes in 2017/18; 30% of the actions arising from the assessments have also been completed. At 31 March 2018, 258 high risk actions were outstanding and 159 at the point of signing.</p> <p>The repairs and maintenance costs per home have reduced by 2% from £1,944 in 2016/17 to £1,983 in 2017/18 mainly driven by catch up on delays in 2016/17 and delays in planned maintenance works.</p> <p>Housing management costs per unit have increased from £1,048 in 2016/17 to £1,093 in 2017/18 due to merger costs.</p>
Our residents and their homes	We will continue to offer a personal service to all those who need or prefer it.	At 31 March 2018 our overall customer satisfaction index was 70%. For rented social housing it was 76%; with supported housing on 89%; shared ownership on 58% and temporary housing on 66%. We are working on a resident promise following merger consultation feedback.
Providing more new homes	We will produce a range of housing types to help support mixed communities.	We have a strong pipeline of tenures and we continue to deliver a range of housing types to suit all Londoners
Providing more new homes	All of our surpluses from private rented and for-sale housing will be reinvested in providing good quality homes for those who could not otherwise afford them.	<p>We have let building contracts worth £784m which will add to economic activity in London.</p> <p>We have created a Community Benefit Society with the intention of providing homes for low-income working Londoners, without the need for Government subsidy. 110 properties were purchased by the society in the year.</p>
Providing more new homes	Our target is to build at least 1,400 homes per year.	<p>We have an overall strong pipeline of land identified for development and we expect to meet our long-term average growth aspirations.</p> <p>In the year, we acquired plots for 1,009 homes, started to build 1,037 and completed 752. We have 10,114 properties in our development pipeline.</p>

NOTTING HILL HOUSING TRUST

STRATEGIC REPORT (continued)

Performance against our key objectives (continued)

Strategic Theme	Key objective	Comment
Our people and our work	We will make work easier and more rewarding for our staff by creating a strong digital offer for our residents.	We have created the WorkWise programme which is delivering automated and efficient processes and new ways of working. Good progress has been made on delivery of the programme.
Our people and our work	We will have a skilled and talented workforce and we commit to developing our staff so we can promote people internally whenever possible.	87% of staff say that NHH is a good employer and we have been awarded Investors in People Gold. NHH has created an emerging leaders programme to support staff to transition into management. 43 individual staff benefitted from course of study grants in 2017/18
Closer partnerships	We will work closer with key local authorities.	We have a presence in all 32 London boroughs and are actively developing in 12 of them. We are major regeneration partners with Greenwich, Haringey, Harrow and Southwark. We also have a 15-year partnership agreement on extra care provision in Islington.
Closer partnerships	We will be open to joint ventures and much closer long-term relationships with blue-chip private - sector partners.	2,882 properties are currently being delivered via joint ventures. We have three joint ventures with Telford Homes Plc delivering approximately 1,000 homes.
Closer partnerships	We will approach other like-minded housing associations to discuss a formal partnership or merger.	We successfully completed an amalgamation with Genesis Housing Association on 3rd April 2018.
Our financial strength	We will use our surplus to be financially strong, resilient and independent so we are sustainable for the future. We will achieve this by securing surpluses of at least £500m by 2022 to finance our investment.	We generated a surplus of £96.9m in the second year of our five-year strategy, which requires £100m per year to meet the target of £500m by 2022. 2016/2017 delivered a surplus of £142.2m. The cumulative position is £239.1m, £39.1m above target.
Our financial strength	We will continue to provide new homes, spending at least £1.5bn by 2022	We spent £576.3m on property development in the year. This is above our target of £300m.
Our financial strength	We want investors to choose to partner with us.	We successfully accessed the capital markets in October 2017 by issuing a £400m bond.

NOTTING HILL HOUSING TRUST

STRATEGIC REPORT (continued)

Performance against our key objectives (continued)

Key performance indicator	2017/18 performance	2017/18 target	2016/17 performance	2016/17 target
Rent collection rate over 12 months	100.4%	100.8%	100.0%	100.3%
Current tenant rent arrears	4.2%	3.9%	5.0%	5.0%
Rent loss due to voids	1.0%	1.1%	1.4%	1.1%
Number of voids as at 31 March 2018	337	300	323	302
Customer satisfaction overall	70%	75%	70%	76%
Number of ombudsman investigations	25	No target	20	No target
Number of maladministration findings by ombudsman	4	No target	5	No target
Percentage of homes with a valid gas certificate	99.87%	100%	99.98%	100%
Average overhead cost of developing a new home	£4,850	£5,211	£5,825	£5,311
Cost per square metre of homes constructed	£2,762	£2,519	£2,709	£2,176
Sale time to completion (weeks)	20.2	10	17.1	11
Plots acquired	1,009	1,400	3,091	1,400
Homes started	1,037	1,489	2,408	1,474
Homes completed	752	769	1,151	879

RISK AND UNCERTAINTIES

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

Risk	Comments	Mitigation
Downturn in the housing market	A large part of the Group's development programme relates to low-cost home ownership and outright sale. The Group's ability to deliver this will be adversely affected if there is a lack of demand for the resulting homes at the right price.	The Group keeps the level of work in progress and completed unsold homes under review. Appraisal assumptions allow for falls in value and delays in sales.
Health and Safety	The health and safety of our residents remains a key concern for us. In particular, fire safety and carbon monoxide poisoning.	Following the tragedy at Grenfell Tower the Group has reviewed its fire prevention measures with a view to complying with any recommendations made by both the fire authorities and the Government. The Group continues to monitor this area closely. All new schemes with a gas supply are fitted with carbon monoxide detectors and all schemes of five storeys and over will be fitted with appropriate sprinkler systems.
Interest rates	At the year end, the Group had £215.1m of variable rate borrowings, so each 1% increase in prevailing interest rates costs about £2.2m per annum. Of the Group's total debt, 85% is fixed, 13% is variable and 2% is inflation linked.	The Group has in place a treasury policy which sets out the limits of fixed, variable and inflation-linked debt as well as how to manage the exposure to other treasury risks. This is approved annually by the Board and is prepared jointly with our treasury advisors.
External political change	The UK's decision to leave the European Union has created uncertainty around investments, pensions, property sales and values and staff retention.	The Group continues to monitor the evolving political landscape closely. In addition the Group continues to stress test business plans with changing scenarios and reviewing uncommitted development sites.

NOTTING HILL HOUSING TRUST

STRATEGIC REPORT (continued)

FUTURE PROSPECTS

About Notting Hill Genesis

From April 2018, Notting Hill Genesis is now one of the largest housing associations in the UK, with around 64,000 homes in management and ownership and with almost 90% of those in London. Over half of these are general needs homes on social or affordable rents. We are also the largest provider of shared ownership homes in the country with around 10,000 homes in management.

Financially, the merger has brought together two substantial organisations to make a new and stronger group. We now have combined reserves of £3.1 billion and borrowing facilities of about £4 billion. 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.

We have agreed our business plan for the new organisation. The business plan is based on the following principles:

- Financial strength
- Places where residents want to live
- Services and support that our residents want
- Focusing on our core and heartland areas
- Making the best use of our homes through either investment or replacement
- Efficiency and value for money
- New homes for lower income households

GOVERNANCE

Notting Hill Housing Trust ("The Trust") was governed by a Board ("the Board") composed of nine non-executive members plus three executives. Notting Hill Home Ownership (NHHO) had a separate Board ("NHHO Board"), chaired by Debra Yudolph, which consists of seven non-executive members and three executives, with the meetings taking place concurrently with the Trust Board. Details of Board members, who are drawn from a range of backgrounds, are set out on page 1. The Notting Hill Genesis (NHG) Board from 3rd April 2018 has ten non-executive members plus two executives. The NHHO Board has five 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 page 2.

The Board delegates some of its responsibilities to committees, which each has a Group-wide remit. Each of these committees has clear terms of reference and delegated authority. They report back to the Board after each meeting, where their recommendations are considered and approved where appropriate.

There are five main functional committees within the Group: the Audit Committee, the Treasury Committee, the Residents Services Committee (formerly the Altogether Better Committee), the Development and Assets Committee (formerly the Development and New Business Committee), the Nominations Committee (formerly the People Committee) and the Remuneration Committee.

NOTTING HILL HOUSING TRUST

STRATEGIC REPORT (continued)

The Audit Committee

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

The Treasury Committee

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

The Residents Services Committee (formerly the Altogether Better Committee)

The Residents Services Committee is responsible for overseeing the provision of services to the Group's residents and other customers and monitoring resident engagement activities.

The Development and Asset Committee (formerly the Development and New Business Committee)

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

The Nominations Committee (formerly the People Committee)

The Nominations Committee oversees the process for Board member appraisal, reviews the process for Board member appointment and regularly reviews the structure, size and composition of the Board including skills, knowledge and experience required.

The Remuneration Committee

The Remuneration Committee determines the remuneration of the Chief Executive, members of the Executive Board and Board members. In addition it approves termination arrangements for members of the Executive Board.

The Executive Board ('the EB')

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

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

The Chief Executive and the EB members are on notice periods ranging from three to six months. Details of Board and EB remuneration are shown in note 30. Board members, senior staff and committee members are insured against personal liability when acting on behalf of the Group.

NOTTING HILL HOUSING TRUST

STRATEGIC REPORT (continued)

Tenant Involvement

Tenants are actively encouraged to become involved in decision-making by the Group, which promotes mechanisms through which tenants can influence operations. At 31 March 2018, we had a tenant Board member and a leaseholder Board member. From 3 April 2018, we have two tenant Board members. There are clear reporting arrangements between resident groups and the Board.

Code of Governance

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

Employees

The strength of the Group lies in the quality of all its employees. Our ability to meet our objectives and commitments to tenants in an efficient and effective manner depends on their contribution. The Group is committed to equal opportunities and in particular we support the recruitment of disabled people and the retention of employees who become disabled whilst in the employment of the Group. The Group has received recognition from the Department for Education for establishing policies of positive promotion of employment opportunities for candidates and employees with disabilities. The Group holds Investor in People Gold Standard.

VALUE FOR MONEY (VFM)

NHHT is committed to continuously improving VFM for our customers in all aspects of our business.

Going forward, plans will be delivered within Notting Hill Genesis. The merger has a VFM basis with the delivery of 400 extra homes and savings of £20m each year from 2020/21.

Our VFM reporting and analysis is now focused on the seven key metrics which are used for comparison across the sector. Performance is summarised in the table below.

The peer group used is the G15 group of large London RPs, which for 2016/17 comprised 13 members. Some of the metrics have been redefined by the regulator and the benchmarking figures have been shown on the new basis where possible. Please note that for 2018/19, the forecast measures have been shown for Notting Hill Genesis based on the foundation plan or budget.

Performance on delivery of new homes and investment in existing homes is good and improving. 511 social homes were delivered in the year, 67 non-social homes and 174 outright sales making a total of 752 homes. New supply on non-social housing forecasts a significant increase, reflecting a number of major market rent developments.

NOTTING HILL HOUSING TRUST

STRATEGIC REPORT (continued)

Key Metrics

	2016/17 Peer Group	2016/17 Group Rank	2016/17 Actual - NHHT	2017/18 Actual - NHHT	2018/19 Forecast - NHG
1 – Reinvestment % Considers the investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held.	5.50%	7	5.75%	6.71%	11.43%
2 – New supply delivered % The number of new social housing and non-social housing homes that have been acquired or developed in the year as a proportion of total social housing and non-social housing homes owned at period end.					
A. New supply delivered (Social housing homes)	1.75%	3	2.80%	1.64%	2.49%
B. New supply delivered (Non-social housing homes)	11.53%	7	9.81%	12.68%	27.97%
3 – Gearing % Assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance.	41.5%	8	40.64%	48.23%	52.55%
4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover % A key indicator for liquidity and investment capacity. Measures the level of surplus generated compared to interest payable.	176%	1	297%	211%	150%
After adjusting for merger related costs				214%	
5 - Headline social housing cost per unit The headline social housing cost per unit as defined by the Regulator	£4,199	9	£5,090	£5,268	£6,295
6 – Operating Margin % Demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business.					
A. Operating Margin (social housing lettings only)	34.60%	4	35.85%	33.41%	30.21%
Operating Margin General Needs only	35.60%	3	40.84%	37.81%	
B. Operating Margin (overall)	32.40%	5	35.37%	31.00%	27.07%
After adjusting for impairment and merger costs				32.58%	n/a
7 – Return on capital employed (ROCE) % Compares the operating surplus to total assets less current liabilities. An assessment of the efficient investment of capital resources.	4.10%	4	4.70%	3.20%	2.40%
After adjusting for impairment and merger costs				3.45%	

NOTTING HILL HOUSING TRUST

STRATEGIC REPORT (continued)

VFM (continued)

In 2017/18, several of the financial metrics were impacted by the one off, non-cash impairment adjustment of £8m to the operating surplus. Interest payments were also higher as a result of loan breakage costs of £2.6m advance of the merger.

Breakdown of Social Housing Cost per Unit

Cost per home (£)	2016/17 Peer Group	2016/17 Peer Group Rank	Notting Hill Housing		
			2016/17 Actual	2017/18 Actual	2018/19 Budget
Management	1,008	5	1,048	1,093	1,014
Service charges	619	7	735	756	723
Maintenance	766	10	884	946	916
Major repairs	1,197	5	1,060	1,037	967
Other (mainly landlord rents)	609	11	1,364	1,436	1,524
Total	4,199	9	5,091	5,268	5,144

The forecast figures above are based on the budget for 2018/19.

The Notting Hill Housing ranking of 9 shows an improvement on the previous year of 14, but in comparing to our peers, it should be noted that Notting Hill Housing has a portfolio of temporary housing stock which brings with it landlord rent costs of £22m. These costs reward the landlords for ownership rather than management and increase our total cost per unit by £794. We also have supported housing activities with costs of £21.7m. Finally, Notting Hill Housing stock is almost exclusively in London. This is estimated to increase costs by around 18% relative to those operating elsewhere, using factors issued by the Regulator.

It was expected that costs would reduce in 2017/18. Planned cost reductions were achieved but were more than offset by several one-off factors. These include merger costs of £2.2m and additional maintenance costs incurred assessing the impact on our stock of lessons learned from the Grenfell fire.

The budget for 2018/19 for Notting Hill shows expected savings on 2017/18 of £123 per unit, and the consolidated cost per unit for Notting Hill Genesis of £5,144 incorporates the integration savings built into the Notting Hill Genesis budget for 2018/19.

Return on assets

The Asset and Investment strategy continued in the year. A total of 107 homes were sold as well as a piece of land and an office property which was no longer required.

We are aware that returns from the commercial operations are lower than would be expected. This will be addressed as part of the transition to a merged operation which will see the whole Notting Hill Genesis portfolio managed together using a commercial focus. The same applies to temporary accommodation and supported housing.

NOTTING HILL HOUSING TRUST

STRATEGIC REPORT (continued)

VFM (continued)

Further information

Stakeholders can find more information on VFM at Notting Hill Genesis on our website. This includes the VFM strategy and further detail within the financial statements, the corporate strategy and the Annual Standards Report.

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 private registered provider (PRP) and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the PRP 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 PRP and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from April 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the PRP and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and its subsidiaries included in the consolidation, together with the disclosure of the principal risks and uncertainties they face.

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

INTERNAL CONTROL

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

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

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which is embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with Turnbull principles.

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

NOTTING HILL HOUSING TRUST

STRATEGIC REPORT (continued)

Identification and evaluation of key risks

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

Monitoring and corrective action

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

Control environment and control procedures

The Board retains responsibility for a defined range of matters covering strategic, operational, financial and compliance issues, including treasury strategy and large new investment projects. The Board has adopted and disseminated to all employees a code of conduct for employees. This sets out the Group's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, and fraud prevention and detection.

Information and financial reporting systems

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

Fraud

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

Anti-bribery policy statement

We seek to maintain the highest standards of ethics and integrity in the way we conduct our business. We recognise that bribery and corruption, in all its forms, is illegal and unacceptable. Our bribery policy statement has been integrated into our code of conduct and our gifts and hospitality policy, adopted by the Board, signed by the Chairman and Chief Executive and made available on our corporate website. We expect our business partners to adopt a similar approach to bribery or corruption and make this a condition for new contracts awarded.

Audit assurance

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

An audit plan was agreed by the Audit Committee for 2017/18 and was completed. The internal auditors have direct access to the Audit Committee. The Audit Committee met four times during the financial year and considered internal control and risk at each of its meetings.

NOTTING HILL HOUSING TRUST

STRATEGIC REPORT (continued)

Audit assurance (continued)

The Group has appointed PricewaterhouseCoopers LLP as external auditors. The Group receives a memorandum from the external auditors identifying any internal control weaknesses that may have come to their attention in the course of their duties. This letter is considered by the Audit Committee and the Board.

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

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

INVESTMENT FOR THE FUTURE

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

To achieve this, the Board has approved a land bank of up to £250m. This has enabled advantage to be taken of low prices and maximise investment/ acquisition opportunities across London. At the year end, the Group had invested £141.3m in undeveloped sites.

FINANCIAL REVIEW

Going concern

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 obligations of Notting Hill Housing Trust have transferred to the new society, Notting Hill Genesis. The activities of Notting Hill Housing Trust will continue to operate under the name of Notting Hill Genesis. Notting Hill Housing Trust will continue to exist as the sponsoring employer with respect to the pension schemes for the legacy Notting Hill Housing Trust employees. After making enquiries and considering the business plan of Notting Hill Genesis, as the ultimate parent of Notting Hill Housing Trust, the Board has a reasonable expectation that Notting Hill Genesis has adequate resources to allow Notting Hill Housing Trust 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 Housing Trust continues to adopt the going concern basis in the financial statements.

Property Valuation

	Rental social housing	Shared ownership housing	Market rent	Total 2018	Total 2017
	£m	£m	£m	£m	£m
Cost (excluding depreciation and social housing grant)	2,559.1	573.9	232.3	3,365.3	3,230.9
Net book value	2,468.7	561.9	299.7	3,330.3	3,235.5
Value					
- on a vacant possession basis	9,527.7	2,311.6	442.1	12,281.4	11,947.3
- on market value subject to tenancy basis	4,728.2	680.5	299.7	5,708.4	5,530.9
- on an existing use for social housing basis	2,144.4	680.5	N/A	-	-

Housing properties are held at either cost or deemed cost in the balance sheet. At 31 March 2018, the Board is of the opinion that the value of the completed housing properties owned by the Group compared to their cost is as detailed in the table above.

NOTTING HILL HOUSING TRUST

STRATEGIC REPORT (continued)

INDEPENDENT AUDITORS AND AGM

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

So far as each Board member is aware, there is no relevant information needed by the Trust's auditors in connection with preparing their report of which the Trust's auditors are unaware.

Each Board member has taken all the steps that they ought to have taken as a Board member in order to make themselves aware of any relevant information needed by the Trust's auditors in connection with preparing their report and to establish that the Trust's auditors are aware of that information.

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

STATEMENT OF COMPLIANCE

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

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



Dipesh Shah OBE
Chairman



Kate Davies
Chief Executive

Community benefit society number: 16558R

Registered provider number: L0035

NOTTING HILL HOUSING TRUST

STRATEGIC REPORT (continued)

Group Highlights - five year summary

For the year ended 31 March	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Group statement of comprehensive income					
Total turnover	371.1	411.7	415.4	402.8	299.1
Income from lettings	228.1	222.6	215.2	199.6	184.2
Depreciation & amortisation of housing properties	29.7	25.8	28.7	23.7	16.7
Operating surplus	113.8	145.6	142.7	143.9	86.8
Surplus after interest and tax	96.9	142.2	125.4	115.1	65.7
Surplus before housing sales	39.5	56.4	36.9	31.4	9.4
Group statement of financial position					
Tangible fixed assets, at cost	3,329.4	3,149.7	3,034.3	2,940.4	2,535.9
Net current assets	318.7	308.3	319.5	221.1	218.3
Indebtedness	1,677.4	1,336.3	1,297.6	1,252.4	1,206.6
Total reserves	2,356.9	2,253.8	2,106.8	1,982.0	1,874.9
Accommodation managed at year end					
Rented social housing	18,112	17,860	17,246	16,860	16,437
Supported housing	1,458	1,458	1,443	1,537	1,453
Temporary housing	1,877	1,902	2,090	1,830	1,999
Student accommodation	839	839	839	839	839
Market rent accommodation	962	905	786	770	665
Total rented housing	23,248	22,964	22,404	21,836	21,393
Shared ownership housing	5,498	5,357	5,198	5,285	4,980
Leasehold in management	3,834	3,534	3,058	2,452	2,045
Total housing	32,580	31,855	30,660	29,573	28,418

NOTTING HILL HOUSING TRUST

STRATEGIC REPORT (continued)

Group Highlights - five year summary (continued)

	2018	2017	2016	2015	2014
Statistics					
Surplus for the year as % of turnover	26%	35%	30%	29%	22%
Operating margin	31%	35%	34%	36%	29%
Operating margin- Social Housing lettings	34%	35%	35%	26%	27%
Surplus for the year as % of income from lettings	43%	64%	58%	58%	36%
Rent losses (voids and bad debts as % of rent & service charges receivable)	1%	1%	2%	1%	2%
Rent arrears	6%	7%	8%	8%	9%
Gearing (total loans as % of housing properties at cost)	50%	42%	43%	43%	48%
Interest cover (surplus before interest payable, depreciation and amortisation of housing properties as % of interest payable)	388%	449%	410%	436%	311%
Adjusted EBITDA as a % of turnover	44%	40%	41%	42%	32%
Surplus from social housing lettings over interest paid	150%	174%	124%	97%	93%
Net debt as a % of all assets at market value	27%	23%	23%	25%	26%

NOTTING HILL HOUSING TRUST

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOTTING HILL HOUSING TRUST

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Group's and of the Trust's affairs as at 31 March 2018 and of the Group's and the Trust's surplus and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 2015.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and trust statement of financial position as at 31 March 2018; the consolidated and trust statement of comprehensive income; the statement of changes in reserves; the consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Trust.

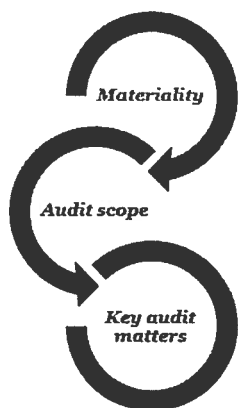
Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the Group or the Trust in the period from 1 April 2017 to 31 March 2018.

NOTTING HILL HOUSING TRUST

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOTTING HILL HOUSING TRUST (continued)

Our audit approach

Overview



- Overall Group materiality: £4.8 million, based on 5% of surplus before tax.
 - Overall Trust materiality: £2.1 million, based on 1% of total revenues.
-
- We conducted a full scope audit of the Trust and eleven trading entities and two joint ventures. The remaining entities within the Group were not significant from the perspective of the Group.
-
- Risk of fraud in revenue recognition (Group and Trust).
 - Impairment of land and property assets (Group and Trust).
 - Accounting for fire safety costs (Group and Trust).
 - Misstatement in derivatives and hedge accounting (Group and Trust).
 - Investment property valuation (Group and Trust).
 - Going concern (Group and Trust).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

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 which were contrary to applicable laws and regulations, including fraud. 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. We focused on laws and regulations that could give rise to a material misstatement in the Group and Trust financial statements, including, but not limited to, the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 2015. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators, review of correspondence with legal advisors, enquiries of management, and review of internal audit reports in so far as they related to 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 directors that represented a risk of material misstatement due to fraud.

NOTTING HILL HOUSING TRUST

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOTTING HILL HOUSING TRUST (continued)

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter

How our audit addressed the key audit matter

Risk of fraud in revenue recognition

Group and parent

See note 1 to the financial statements for the Group's and parent's disclosures of significant accounting policies relating to the recognition of revenue, and notes 2 and 3 for further information.

The three main sources of revenue for the Group are rental and service charge income, income from property sales, and other income.

We focused on these areas because there is a heightened risk as follows:

- rental and service charge income – the Group recognised £253.6m for the year ended 31 March 2018. The housing management system is used by the Group to record and track properties and tenancies, which are then recorded through journal entries on the general ledger. There is risk of a fictitious property or tenancy being set up on, amended or removed from the housing management system incorrectly resulting in a transaction recorded on the general ledger not being valid. There is also a risk of the application of inaccurate rent or rent weeks during the financial year. This consideration applies to social, student, market and commercial property rental income as well as service charge income.
- income from property sales – the Group recognised £101.1m for the year ended 31 March 2018. There is a risk of the recognition of property sales being recorded in the incorrect period around year-end in order to meet certain property sales targets.
- other income – the Group recognised £15.2m for the year ended 31 March 2018. This includes sales and marketing services, supporting people and care, and other income. The recognition of these income streams presents a higher risk as revenue may be deferred into the next year once the likely year-end position is known to be in line with expectation for the Group.

We evaluated and tested the accounting policies for revenue recognition against the requirements of FRS 102 and the Statement of Recommended Practice "Accounting by Registered Social Landlords" updated in 2014 (SORP).

We traced a sample of properties on the housing management system to the new property template, void form or property close form to check properties were set up, amended or removed appropriately.

We traced a sample of tenancies on the housing management system to the tenancy agreement, mutual exchange document, board minutes, solicitor letter, or notice to quit form to check tenancies were set up, amended or removed appropriately.

We performed data analytics over rental income and service charges to test the completeness and accuracy of the charges per the housing management system. We tested the reconciliation between the general ledger and the housing management system. We then sampled properties with unusual characteristics from the data analytics to check these were appropriate and not indicative of any misstatement.

Income from the sale of properties was tested by tracing sampled transaction to invoices, contracts or completion statements and cash received to determine that the sale was recognised in the correct period.

Other income was tested by tracing sampled transactions to underlying records, which comprised invoices and other third party supporting documentation, to determine whether the revenue was recognised in the correct period.

No material exceptions were noted from our testing.

NOTTING HILL HOUSING TRUST

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOTTING HILL HOUSING TRUST (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of land and property assets</p> <p>Group and Trust</p> <p>See note 1 to the financial statements for the Group's and Trust's disclosures of the related accounting policies, judgements and estimates relating to the impairment review undertaken, and notes 9 for further information including the determination of the cash generating unit and calculation of recoverable amount for social housing properties.</p> <p>Land and property assets are made up of the following balances:</p> <ul style="list-style-type: none">• £3,030.6m of housing properties held at cost less depreciation;• £263.6m of properties in the course of development as well as £298.8m of housing properties under construction measured at cost;• £165.5m of completed properties measured at the lower of cost or net realisable value; and• £249.5m of investment properties in the course of development. <p>All property assets are subject to an impairment review if an impairment trigger event occurs.</p> <p>Given the size of the Group's property portfolio, in particular the Group's development programme, careful monitoring of impairment exposure is necessary. The Group's development plans also carry financial risks where contractor or development issues are experienced and land is held without planning permission or approved scheme development appraisals, or where completed property assets held for sale remain unsold at the year end.</p> <p>The Group identified impairment relating to housing properties, properties (including investment properties) in the course of development for 2017/18.</p>	<p>We obtained the Group's impairment assessment for land and property assets. For schemes with impairment indicators, we obtained the most recent scheme appraisals to assess management's impairment assessment. We confirmed the inputs, assumptions and methodology used in these calculations were consistent with our expectations. This included a site visit and considering market data from similar developments.</p> <p>For properties completed and unsold at year end we traced individual properties sold after the year end and confirmed that the sale was profitable.</p> <p>No material exceptions were noted from our testing.</p>
<p>Accounting for fire safety costs</p> <p>Group and Trust</p> <p>See note 1 to the financial statements for the Group's and Trust's disclosures of the accounting policies, judgements and estimates, relating to the capitalisation of expenditure.</p> <p>The Group has undertaken a fire safety programme across its land and property assets during the year. At the year-end, this has included the removal of cladding from some buildings and other fire safety activities. As a result, the Group has incurred fire safety costs during the year.</p> <p>Consideration was needed as to whether such costs were capital in nature, and whether a legal or constructive obligation arose from the Group's actions, for example through communications to residents regarding the replacement of cladding on certain buildings.</p>	<p>We examined the nature of fire safety costs incurred during financial year. We tested a sample of the costs to examine and challenge whether they were accounted for appropriately.</p> <p>In order to assess the completeness of such costs, we examined the communications with residents and other stakeholders.</p> <p>No material exceptions were noted from our testing.</p>

NOTTING HILL HOUSING TRUST

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOTTING HILL HOUSING TRUST (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Misstatement in derivatives and hedge accounting</p> <p>Group and Trust</p> <p><i>See note 1 to the financial statements for the Group's and Trust's disclosures of the accounting policies, judgements and estimates, relating to the fair value of financial instruments, and note 37 for further information.</i></p> <p>The Group applies the recognition and measurement rules of IFRS 9 – <i>Financial instruments</i>, as permitted by FRS 102. The key assumptions in the measurement and valuation are with reference to market inputs. We considered the key areas of focus to be the:</p> <ul style="list-style-type: none">• accounting policies;• assumptions used to estimate the valuation of derivatives; and• disclosure of financial instrument transactions.	<p>We evaluated and tested the accounting policy for the valuation of financial instruments to check that it is consistent with the requirements of FRS 102.</p> <p>We evaluated and tested the accounting and hedge effectiveness for financial instruments against the requirements of IFRS 9.</p> <p>We also used treasury valuation experts to assess the reasonableness of the key assumptions and valuations of the Group's financial derivatives. The key assumptions used fall within the expected ranges.</p> <p>We tested a sample of valuations based on the assumptions available from the valuers and market data.</p> <p>We read the disclosures of the Group to check the disclosure of the key financial instruments and that they were compliant with FRS 102.</p> <p>No material exceptions were noted from our testing.</p>
<p>Investment property valuation</p> <p>Group and Trust</p> <p><i>See note 1 to the financial statements for the Group's and Trust's disclosures of the accounting policies, judgements and estimates, relating to the fair value of financial instruments, and note 10 for further information.</i></p> <p>The Group is required to hold completed investment properties at fair value.</p> <p>We have focused on this area due to the material nature of this balance, and the consequent impact on the financial statements were it to be materially misstated.</p> <p>As at the balance sheet date 31 March 2018, the Group's completed investment properties were valued at £354.1m.</p> <p>The specific areas of risk relate to:</p> <ul style="list-style-type: none">• accuracy and completeness of information on assets provided to management's valuation experts; and• the methodology, assumptions and underlying data used by the valuation expert.	<p>We obtained and read the relevant sections of the valuation reports performed by the Group's valuers. We used our own valuations expertise to evaluate and compare the assumptions and methodology applied in the valuation exercise to industry benchmarks.</p> <p>We checked that the valuer had a UK qualification, was part of an appropriate professional body and was independent of the Group.</p> <p>We tested the underlying data (upon which the valuation was based) for a sample of properties.</p> <p>No material exceptions were noted from our testing.</p>

NOTTING HILL HOUSING TRUST

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOTTING HILL HOUSING TRUST (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Going concern Group and Trust</p> <p>See note 1 to the financial statements for the group's and Trust's disclosures on the basis of preparation with respect to going concern.</p> <p>Following the merger as an amalgamation without dissolution on 03 April 2018 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, the assets, liabilities, operations and future obligations of Notting Hill Housing Trust have transferred to the new society, Notting Hill Genesis.</p> <p>The activities of Notting Hill Housing Trust will continue to operate under the name of Notting Hill Genesis. Notting Hill Genesis has assumed and indemnified all future costs, liabilities and obligations, and will settle them on behalf of the Notting Hill Housing Trust.</p> <p>As a result of the amalgamation without dissolution of Notting Hill Housing Trust, management assessed the future activities of Notting Hill Housing Trust and the new future plans of Notting Hill Genesis to prepare the financial statements on a going concern basis.</p>	<p>We performed the following procedures as part of our going concern assessment:</p> <ul style="list-style-type: none">• we read the disclosures set out on pages 6 and 17 and in note 1 to the financial statements;• read the documents relating to the amalgamation without dissolution of Notting Hill Housing Trust under Part 9, Section 109 of the Co-operative and Community Benefit Societies Act 2014 and considered the impact of the key terms of the amalgamation on the group and Trust;• considered management's future intentions to not dissolve Notting Hill Housing Trust as a result of its remaining activity as sponsor of a number of pension schemes; and• discussed the business plan of Notting Hill Genesis with management and considered the impact on the going concern status of the group and Trust. <p>Our findings in respect of our work on going concern are set out in the "Conclusions relating to going concern" section below.</p>

How we tailored the audit scope

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 structure of the Group and the Trust, the accounting processes and controls, and the industry in which they operate.

The Group comprises of the Trust and twelve trading entities, ten joint venture entities, and five dormant entities.

We scoped eleven trading entities and two joint ventures to audit for Group reporting purposes because they all required individual statutory audits.

For all the remaining entities, we performed Group level analytical over the out of scope components to re-examine our assessment that there were no significant risks of material misstatement within these.

The full scope audits by the Group and component team covered 100% of Group revenue and 100% of Group total assets.

NOTTING HILL HOUSING TRUST

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOTTING HILL HOUSING TRUST (continued)

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	<i>Group financial statements</i>	<i>Parent financial statements</i>
<i>Overall materiality</i>	£4.8 million.	£2.1 million.
<i>How we determined it</i>	5% of surplus before tax.	1% of total revenues.
<i>Rationale for benchmark applied</i>	Based on the benchmarks used in the Annual Report, surplus before tax is the primary measure used by the directors in assessing the performance of the Group, and is a generally accepted auditing benchmark for surplus orientated entities.	We believe that total revenues is the primary measure used by the directors in assessing the performance of the parent, and is a generally accepted auditing benchmark for entities with social objectives.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £9,080 and £4,360,500. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £242,250 (Group audit) and £106,300 (parent audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and parent'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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent's ability to continue as a going concern.

NOTTING HILL HOUSING TRUST

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOTTING HILL HOUSING TRUST (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Annual Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Annual Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Trust and their environment obtained in the course of the audit, we did not identify any material misstatements in the Annual Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 directors are responsible for assessing the Group's and the Trust'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 directors either intend to liquidate the Group or the Trust or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

NOTTING HILL HOUSING TRUST

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOTTING HILL HOUSING TRUST (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the Trust's members as a body in accordance with Section 87 (2) and Section 98(7) of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Co-operative and Community Benefit Societies Act 2014 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 23 April 2012 to audit the financial statements for the year ended 31 March 2012 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 March 2012 to 31 March 2018.

The engagement partner on the audit resulting in this independent auditors' report is Sotiris Kroustis.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 July 2018

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

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

NOTTING HILL HOUSING TRUST

CONSOLIDATED AND TRUST STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Group		Trust	
		2018 £m	2017 £m	2018 £m	2017 £m
Turnover	2	371.1	411.7	212.6	206.4
Cost of sales	2	(69.6)	(87.7)	(4.4)	(3.1)
Operating costs	2	(187.7)	(178.4)	(154.1)	(149.2)
Operating surplus	2	113.8	145.6	54.1	54.1
Surplus on disposal of assets	4	25.9	32.1	2.6	9.9
Gift aid receivable		-	-	51.3	43.1
Joint venture income	33	-	0.1	-	-
Surplus before interest		139.7	177.8	108.0	107.1
Interest receivable and similar income	5	1.3	1.3	19.5	16.5
Interest payable and similar charges	6	(51.1)	(45.7)	(55.6)	(46.7)
Gains in respect of financial derivatives	37	7.0	8.8	2.1	8.6
Surplus on ordinary activities before taxation	7	96.9	142.2	74.0	85.5
Taxation	8	-	-	-	-
Surplus for the financial year after taxation		96.9	142.2	74.0	85.5
Other comprehensive income					
Actuarial deficit		-	(0.2)	-	(0.2)
Cash flow hedges		-	-	-	-
- Change in value of hedging instrument		2.5	3.0	2.7	(1.3)
- Reclassification to profit and loss		0.6	0.8	0.6	0.8
Other comprehensive income total		3.1	3.6	3.3	(0.7)
Total comprehensive income for the year		100.0	145.8	77.3	84.8

The notes on pages 35 to 97 form part of these financial statements.

All amounts relate to continuing activities.

NOTTING HILL HOUSING TRUST

STATEMENT OF CHANGES IN RESERVES

Group	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total £m	Minority interest £m
Balance at 1 April 2016	1,405.3	718.1	(16.8)	2,106.6	0.2
Surplus for the year	142.2	-	-	142.2	-
Transfers to general reserves upon asset sale	4.9	(4.9)	-	-	-
Fair value measurement of derivatives	-	-	-	-	-
-Changes in value of hedging instrument	-	-	3.0	3.0	-
-Reclassification to profit and loss	-	-	0.8	0.8	-
Actuarial pension movements	(0.2)	-	-	(0.2)	-
Deferred tax	-	1.6	(0.4)	1.2	-
Revised balance at 1 April 2017	1,552.2	714.8	(13.4)	2,253.6	0.2
Surplus for the year	96.9	-	-	96.9	-
Transfers to general reserves upon asset sale	3.8	(3.8)	-	-	-
Fair value measurement of derivatives	-	-	-	-	-
-Changes in value of hedging instrument	-	-	2.5	2.5	-
-Reclassification to profit and loss	-	-	0.6	0.6	-
Deferred tax	-	3.0	0.1	3.1	-
Balance at 31 March 2018	1,652.9	714.0	(10.2)	2,356.7	0.2

Trust	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total £m
Balance at 1 April 2016	1,082.0	636.9	(15.3)	1,703.6
Surplus for the year	85.5	-	-	85.5
Transfers to general reserves upon asset sale	1.0	(1.0)	-	-
Fair value measurement of derivatives	-	-	-	-
Changes in value of hedging instrument	-	-	(1.3)	(1.3)
Reclassification to profit and loss	-	-	0.8	0.8
Actuarial pension movements	(0.2)	-	-	(0.2)
Revised balance at 1 April 2017	1,168.3	635.9	(15.8)	1,788.4
Surplus for the year	74.0	-	-	74.0
Transfers to general reserves upon asset sale	1.2	(1.2)	-	-
Fair value measurement of derivatives	-	-	-	-
-Changes in value of hedging instrument	-	-	2.7	2.7
-Reclassification to profit and loss	-	-	0.6	0.6
Balance at 31 March 2018	1,243.5	634.7	(12.5)	1,865.7

NOTTING HILL HOUSING TRUST

CONSOLIDATED AND TRUST STATEMENT OF FINANCIAL POSITION AS AT 31 March 2018

	Notes	Group		Trust	
		2018 £m	2017 £m	2018 £m	2017 £m
Tangible fixed assets					
Housing properties	9	3,329.4	3,149.7	2,415.0	2,371.8
Investment in properties	10	603.6	430.0	172.2	84.5
Other fixed assets	11	36.5	32.3	35.2	31.5
Total tangible fixed assets		3,969.5	3,612.0	2,622.4	2,487.8
Investments					
Homebuy	12	29.3	30.6	-	0.1
Investments in subsidiaries	14	-	-	216.0	207.8
Investment in joint ventures	33	25.6	16.7	-	-
		4,024.4	3,659.3	2,838.4	2,695.7
Current assets					
Properties in the course of sale	15	429.1	333.2	30.1	30.1
Debtors falling due within one year	16	35.5	21.9	271.4	198.5
Debtors falling due after one year	17	16.7	20.7	426.3	223.9
Current asset investment	18	0.7	0.7	0.7	0.7
Cash at bank and in hand		77.0	55.7	51.4	30.5
		559.0	432.2	779.9	483.7
Current liabilities					
Creditors: Amounts falling due within one year	19	(240.3)	(123.9)	(193.1)	(131.1)
Net current assets		318.7	308.3	586.8	352.6
Total assets less current liabilities		4,343.1	3,967.6	3,425.2	3,048.3
Creditors: Amounts falling due after more than one year	20	1,856.2	1,555.5	1,459.7	1,159.7
Pension deficit liability	28	20.9	23.9	20.9	23.9
Derivative financial instrument	37	54.9	67.8	52.9	62.9
Deferred tax	8	50.1	53.2	-	-
		1,982.1	1,700.4	1,533.5	1,246.5
Provisions for liabilities and charges	22	3.3	12.5	25.2	12.5
Defined benefit pension deficit	28	0.8	0.9	0.8	0.9

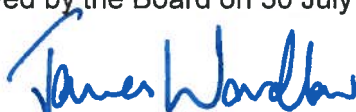
CONSOLIDATED AND TRUST STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018 (continued)

	Notes	Group		Trust	
		2018 £m	2017 £m	2018 £m	2017 £m
Capital and reserves					
General reserves		1,652.9	1,552.2	1,243.5	1,168.3
Revaluation reserves		714.0	714.8	634.7	635.9
Cash flow hedge reserve		(10.2)	(13.4)	(12.5)	(15.8)
		<hr/>	<hr/>	<hr/>	<hr/>
Minority interest		2,356.7 0.2	2,253.6 0.2	1,865.7 -	1,788.4 -
		<hr/>	<hr/>	<hr/>	<hr/>
		2,356.9	2,253.8	1,865.7	1,788.4
		<hr/>	<hr/>	<hr/>	<hr/>
Total funding		4,343.1	3,967.6	3,425.2	3,048.3
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

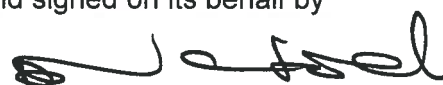
The notes on pages 35 to 97 form part of these financial statements. The financial statements on pages 30 to 97 were authorised and approved by the Board on 30 July 2018 and signed on its behalf by



Dipesh Shah OBE
Chairman



James Wardlaw
Senior Independent Director



Andrew Nankivell
Company Secretary

NOTTING HILL HOUSING TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Group 2018 £m	2017 £m
Net cash inflow from operating activities	25	21.8	161.6
Returns on investments and servicing of finance			
Interest received		1.3	1.3
Interest paid		(58.2)	(55.5)
Breakage of derivative fair value instrument		(1.8)	(8.7)
Joint venture income		-	0.1
		<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance		(58.7)	(62.8)
		<hr/>	<hr/>
Taxation		-	-
		<hr/>	<hr/>
Capital expenditure			
Purchase and construction of housing properties		(352.5)	(261.6)
Sale of housing properties		60.9	71.9
Social housing grant received		26.0	26.1
Purchase of other fixed assets		(8.8)	(4.3)
Fixed asset investment		(8.3)	8.2
		<hr/>	<hr/>
Net cash outflow from capital expenditure		(282.7)	(159.7)
		<hr/>	<hr/>
Financing			
Loans received		429.6	49.0
Loans repaid		(88.7)	(12.6)
		<hr/>	<hr/>
Net cash inflow from financing		340.9	36.4
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		21.3	(24.5)
Cash and cash equivalents at 1 April		55.7	80.2
		<hr/>	<hr/>
Cash and cash equivalents at 31 March		77.0	55.7
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 35 to 97 form part of these financial statements.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1 ACCOUNTING POLICIES

Statement of compliance

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

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

General information

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

Basis of preparation

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

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

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 will continue to operate under the name of Notting Hill Genesis. Notting Hill Housing Trust will continue to exist as the sponsoring employer with respect to the pension schemes for the legacy Notting Hill Housing Trust employees. After making enquiries and considering the business plan of Notting Hill Genesis, as the ultimate parent of Notting Hill Housing Trust, the Board has a reasonable expectation that Notting Hill Genesis has adequate resources to allow Notting Hill Housing Trust 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 Housing Trust continues to adopt the going concern basis in the financial statements.

Basis of consolidation

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

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

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

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

1 ACCOUNTING POLICIES (continued)

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 the Trust and the Group hold the support contract with the Supporting People Administering Authority and carry the financial risk, all the project's income and expenditure are included in the Trust's and the Group's statement of comprehensive income.
Other income	Other income relates to management fees for services provided to leaseholders, administration fees in relation to extension of leases. These are recognised on 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 reflects the Group's management and internal reporting structure. Segmental results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. As the Group has no material activities outside the UK, segment reporting is not required by geographical region. The chief operating decision-makers (CODM) have been identified as the Group's Executive Board. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments as Permanent Rented Housing, Home Options, NHHT Pathways, 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. See note 40.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

1 ACCOUNTING POLICIES (continued)

Taxation

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

Deferred taxation

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

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

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

Value added tax

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

Interest payable

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

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

Employee benefits

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

Pensions

The Group has closed two of the multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and The London Borough of Islington Pension Fund (LBIPF). It participates in the multi-employer defined benefit scheme with the Wandsworth Council Pension Fund (WCPF).

For the SHPS, sufficient information is not available to identify the share of underlying assets and liabilities belonging to individual participating employers. The statement of comprehensive income charge represents the employer contribution payable to the scheme for the accounting period. Contributions payable under the terms of the funding agreement for past deficits are recognised as a liability in the statement of financial position at the present value of the expected future cash flows for which there is a contractual obligation.

The 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.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

1 ACCOUNTING POLICIES (continued)

Pensions (continued)

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

Government grant

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

Grants received since transition in relation to newly acquired or existing housing properties are accounted for using the accrual model. Grant is carried as deferred income in the balance sheet and is amortised on a systematic basis over the useful life of the housing property structure, even if the fair value of the grant exceeds the carrying value of the structure in line with SORP 2014. No grant is recognised against other components.

When a housing property is sold which was partly funded by social housing grant (SHG) the grant becomes repayable and is transferred to a Recycled Capital Grant (RCGF) fund until it is either reinvested in a replacement property or repaid to the Regulator of Social Housing. 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 41.

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 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.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

1 ACCOUNTING POLICIES (continued)

Housing properties (continued)

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 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.

Deemed cost on transition to FRS102

The Group took the option to carry out a one-off valuation of the majority of social housing and shared ownership properties at the date of transition and to use that amount as deemed cost. To determine the deemed cost, the Group engaged independent valuation specialist Jones Lang LaSalle Ltd (JLL) to value the housing properties on an existing use value-social housing (EUV-SH) basis. Housing properties are subsequently be measured at cost.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

1 ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

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

Other fixed assets

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

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

Property impairment

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash-generating units for which impairment is indicated to their recoverable amounts. The Group defines a cash-generating unit as a scheme. The assessment of value in use may involve considerations of the service potential of the assets or cash-generating units. Details of properties where consideration has been given to service potential are detailed in note 9.

Revaluation reserve

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

Homebuy

Homebuy transactions are grants received from the Regulator of Social Housing 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.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

1 ACCOUNTING POLICIES (continued)

Gift aid

Charitable donations made between Group entities are shown in the financial statements at the value of the donation. Within the Group such transactions are eliminated. Gift aid payments are treated as distributions of reserves in the Group's subsidiaries.

Financial instruments

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

Interest rate swap financial instruments and hedging activities

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

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

The group designates interest rate swaps as a hedge of the 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.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

1 ACCOUNTING POLICIES (continued)

Interest rate swap financial instruments and hedging activities (continued)

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.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

1 ACCOUNTING POLICIES (continued)

Other financial liabilities

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

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

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

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

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

Critical accounting judgements and estimation uncertainty

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

Critical accounting estimates and assumptions

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

Useful economic lives of other fixed assets

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

Impairment of debtors

The 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 IFRS9 requirements.

Investment property

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

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

1 ACCOUNTING POLICIES (continued)

Deemed cost valuation

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

Onerous contracts

The Group 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. Directly attributable management costs are allocated at 2.0% (2017:1.5%) of project acquisition and works costs to a maximum of costs incurred. Interest is capitalised up to the date of practical completion based on the weighted average cost of capital at a rate of 3.40% (2017: 3.89%), reviewed annually.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

2 TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

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)	228.1	-	(151.9)	76.2
Other social housing activities				
Development services	-	-	(3.6)	(3.6)
Sales and marketing services	1.1	-	(4.8)	(3.7)
Neighbourhood activities	0.3	-	(0.6)	(0.3)
First tranche shared ownership sales	28.5	(17.0)	-	11.5
Supporting people and care	7.9	-	(8.8)	(0.9)
Other income	4.9	-	-	4.9
Past service deficit	-	-	(0.1)	(0.1)
	42.7	(17.0)	(17.9)	7.8
Activities other than social housing activities				
Properties for sale	72.6	(52.6)	-	20.0
Charitable fund raising activities	0.4	-	(0.1)	0.3
Commercial rent properties	6.7	-	(1.3)	5.4
Student accommodation	6.2	-	(3.9)	2.3
Impairment	-	-	(7.1)	(7.1)
Market rent properties	14.4	-	(4.7)	9.7
Fair value movement on investment properties	-	-	(0.8)	(0.8)
	100.3	(52.6)	(17.9)	29.8
Total	371.1	(69.6)	(187.7)	113.8

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

2 TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS (continued)

Group continuing activities Year ended 31 March 2017	Turnover £m	Cost of Sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	222.6	-	(142.8)	79.8
Other social housing activities				
Development services	-	-	(2.7)	(2.7)
Sales and marketing services	1.4	-	(3.6)	(2.2)
Neighbourhood activities	0.3	-	(0.4)	(0.1)
First tranche shared ownership sales	69.4	(36.7)	-	32.7
Supporting people and care	7.2	-	(8.1)	(0.9)
Other income	5.3	-	-	5.3
Past service deficit	-	-	(0.7)	(0.7)
	83.6	(36.7)	(15.5)	31.4
Activities other than social housing activities				
Properties built for sale	72.0	(51.0)	-	21.0
Charitable fund raising activities	0.9	-	(0.3)	0.6
Commercial rent properties	4.1	-	(1.4)	2.7
Student accommodation	5.8	-	(2.3)	3.5
Impairment	-	-	(10.9)	(10.9)
Market rent properties	11.6	-	(5.2)	6.4
Fair value gains on investment properties	11.1	-	-	11.1
	105.5	(51.0)	(20.1)	34.4
Total	411.7	(87.7)	(178.4)	145.6

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

2 TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS (continued)

Trust continuing activities Year ended 31 March 2018	Turnover £m	Cost of Sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	191.2	-	(129.1)	62.1
Other social housing activities				
Development services	4.4	(4.4)	(1.0)	(1.0)
Neighbourhood activities	0.3	-	(0.6)	(0.3)
Supporting people and care	7.9	-	(8.8)	(0.9)
Other income	3.0	-	-	3.0
Past service deficit	-	-	(0.1)	(0.1)
	15.6	(4.4)	(10.5)	0.7
Activities other than social housing activities				
Commercial rent properties	2.5	-	(1.0)	1.5
Charitable fundraising activities	0.4	-	(0.1)	0.3
Market rent properties	2.9	-	(1.1)	1.8
Impairment	-	-	(6.9)	(6.9)
Fair value movement on investment properties	-	-	(5.4)	(5.4)
	5.8	-	(14.5)	(8.7)
Total	212.6	(4.4)	(154.1)	54.1

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

2 TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS (continued)

Trust continuing activities Year ended 31 March 2017	Turnover £m	Cost of Sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	188.1	-	(121.8)	66.3
Other social housing activities				
Development services	3.1	(3.1)	(0.6)	(0.6)
Neighbourhood activities	0.3	-	(0.4)	(0.1)
Supporting people and care	7.2	-	(8.1)	(0.9)
Other income	1.2	-	-	1.2
Past service deficit	-	-	(0.7)	(0.7)
	11.8	(3.1)	(9.8)	(1.1)
Activities other than social housing activities				
Commercial rent properties	2.6	-	(0.8)	1.8
Charitable fundraising activities	0.9	-	(0.3)	0.6
Market rent properties	2.6	-	(0.9)	1.7
Impairment	-	-	(15.6)	(15.6)
Fair value gains on investment properties	0.4	-	-	0.4
	6.5	-	(17.6)	(11.1)
Total	206.4	(3.1)	(149.2)	54.1

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

3 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

Group Year ended 31 March 2018	Rented Social Housing £m	Shared Ownership £m	Temporary Housing £m	Supported Housing £m	Total £m
Income					
Rent receivable	133.6	25.1	32.4	13.7	204.8
Service charges receivable	5.9	10.3	-	5.3	21.5
Net rents receivable	139.5	35.4	32.4	19.0	226.3
Amortised government grants	0.9	0.1	-	0.2	1.2
Other grants	0.3	-	0.3	-	0.6
Total income from social housing lettings	140.7	35.5	32.7	19.2	228.1
Expenditure					
Management	(15.3)	(6.5)	(5.1)	(3.6)	(30.5)
Service charges	(7.8)	(10.3)	(0.1)	(2.8)	(21.0)
Routine maintenance	(21.6)	(0.6)	(1.9)	(2.1)	(26.2)
Planned maintenance	(8.5)	-	-	(1.2)	(9.7)
Major repairs expenditure	(10.4)	(1.4)	-	(0.7)	(12.5)
Bad debts	(0.5)	-	-	(0.1)	(0.6)
Lease charges	-	-	(22.0)	-	(22.0)
Depreciation of housing properties	(23.4)	(3.5)	(0.1)	(2.4)	(29.4)
Operating costs on social housing lettings	(87.5)	(22.3)	(29.2)	(12.9)	(151.9)
Operating surplus on social housing lettings	53.2	13.2	3.5	6.3	76.2
Void Losses	0.8	-	0.4	0.5	1.7

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

3 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS (continued)

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

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

3 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS (continued)

Trust Year ended 31 March 2018	Rented Social Housing £m	Temporary Housing £m	Supported Housing £m	Total £m
Income				
Rent receivable	131.9	32.4	13.7	178.0
Service charges receivable	6.3	-	5.2	11.5
Net rents receivable	138.2	32.4	18.9	189.5
Amortised grants	0.9	-	0.2	1.1
Other grants	0.3	0.3	-	0.6
Turnover from social housing lettings	139.4	32.7	19.1	191.2
Expenditure				
Management	(14.9)	(5.1)	(3.6)	(23.6)
Service charges	(8.1)	(0.1)	(2.8)	(11.0)
Routine maintenance	(21.6)	(1.9)	(2.1)	(25.6)
Planned maintenance	(8.5)	-	(1.2)	(9.7)
Major repairs expenditure	(10.4)	-	(0.7)	(11.1)
Bad debts	(0.5)	-	(0.1)	(0.6)
Lease charges	-	(22.0)	-	(22.0)
Depreciation of housing properties	(23.0)	(0.1)	(2.4)	(25.5)
Operating costs on social housing lettings	(87.0)	(29.2)	(12.9)	(129.1)
Operating surplus on social housing lettings	52.4	3.5	6.2	62.1
Void Losses	0.8	0.4	0.5	1.7

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

3 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS (continued)

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

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

4 SURPLUS ON DISPOSAL OF ASSETS

	Group					
	2018			2017		
	£m Shared ownership	£m Other	£m Total	£m Shared ownership	£m Other	£m Total
Disposal proceeds	53.7	7.3	61.0	51.6	20.3	71.9
Social housing grant	(6.3)	(0.8)	(7.1)	(6.4)	0.8	(5.6)
Carrying value of fixed assets	(24.4)	(2.8)	(27.2)	(23.4)	(10.5)	(33.9)
Selling costs	(0.3)	(0.5)	(0.8)	(0.3)	-	(0.3)
Year-ended 31 March	22.7	3.2	25.9	21.5	10.6	32.1

	Trust					
	2018			2017		
	£m Shared ownership	£m Other	£m Total	£m Shared ownership	£m Other	£m Total
Disposal proceeds	0.1	5.9	6.0	-	22.7	22.7
Social housing grant	-	(0.8)	(0.8)	-	0.8	0.8
Carrying value of fixed assets	(0.3)	(1.8)	(2.1)	-	(13.6)	(13.6)
Selling costs	-	(0.5)	(0.5)	-	-	-
Year-ended 31 March	(0.2)	2.8	2.6	-	9.9	9.9

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(continued)

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Bank deposits	0.2	0.3	0.2	0.3
Intercompany	-	-	18.2	15.2
Interest on financial assets held at amortised cost	0.2	0.3	18.4	15.5
Interest on financial assets held at fair value	1.1	1.0	1.1	1.0
	1.3	1.3	19.5	16.5

6 INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Indexation on loans	0.6	0.5	0.6	0.5
Other loans	57.6	48.1	52.3	43.0
Interest on financial liabilities held at amortised cost	58.2	48.6	52.9	43.5
Interest paid on financial liabilities held at fair value	6.8	6.9	5.9	5.7
Less: interest capitalised on developments	65.0 (13.9)	55.5 (9.8)	58.8 (3.2)	49.2 (2.5)
	51.1	45.7	55.6	46.7
Interest is capitalised at	3.40%	3.89%	3.96%	4.00%

NOTTING HILL HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

7 SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Surplus on ordinary activities before taxation is stated after charging/crediting:				
Depreciation on housing properties	29.7	25.8	25.5	21.9
Depreciation on other fixed assets	3.1	2.8	3.1	2.7
Impairment	7.1	10.9	6.9	15.6
Rent on temporary housing leases (Less than 28 days)	22.0	22.8	22.0	22.8
Auditors' remuneration	£'000	£'000	£'000	£'000
Audit services (excluding VAT)	160.0	155.1	97.8	80.1
Non audit services (excluding VAT)	131.5	95.0	131.5	95.0

8 TAXATION

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Total tax reconciliation				
Surplus on ordinary activities before tax	96.9	142.2	74.0	85.5
Theoretical tax at UK corporation tax rate 19% (2017: 20%)	18.4	28.4	14.1	17.1
Charitable activities	(19.3)	(31.6)	(14.1)	(17.1)
Fixed asset differences	(0.1)	(2.4)	-	-
Other permanent differences	(1.2)	0.3	-	-
Chargeable (gains)/losses	(3.7)	0.5	-	-
Deferred tax not recognised	4.9	6.6	-	-
Effect of rate change on deferred tax	-	(2.2)	-	-
Joint venture taxable profits	0.7	0.4	-	-
Depreciation in excess of capital allowances	0.7	-	-	-
Capitalised interest adjustment	(0.4)	-	-	-
Total tax charge	-	-	-	-

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

8 TAXATION (continued)

Deferred tax

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Balance at 1 April	53.2	54.4	-	-
Deferred tax charged to revaluation reserve	(3.0)	(1.6)	-	-
Deferred tax charged to cash flow hedge reserve	(0.1)	0.4	-	-
Balance at 31 March	50.1	53.2	-	-

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 £3,269m (2017:£3,064m) compared with £3,329m (2017:£3,150m) shown above.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

9 HOUSING PROPERTIES (continued)

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 2017	2,487.8	64.8	559.4	112.1	3,224.1
Additions	0.6	101.4	0.3	126.5	228.8
Impairment	(0.5)	-	(0.1)	-	(0.6)
Works to existing properties	6.5	-	-	-	6.5
Properties completed	67.5	(67.5)	38.5	(38.5)	-
Disposals	(3.9)	-	(24.7)	-	(28.6)
Transfers	1.1	-	0.5	-	1.6
At 31 March 2018	2,559.1	98.7	573.9	200.1	3,431.8
Depreciation					
At 1 April 2017	65.6	-	8.8	-	74.4
Charge for the year	26.1	-	3.7	-	29.8
Disposals	(1.3)	-	(0.5)	-	(1.8)
At 31 March 2018	90.4	-	12.0	-	102.4
Net book value					
At 31 March 2018	2,468.7	98.7	561.9	200.1	3,329.4
At 31 March 2017	2,422.2	64.8	550.6	112.1	3,149.7
Historical cost at 31 March 2018	2,447.3	98.7	522.3	200.1	3,268.5
Historical cost at 31 March 2017	2,375.5	70.1	506.8	112.1	3,064.5

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

9 HOUSING PROPERTIES (continued)

Trust	Completed properties £m	Housing properties in the course of development £m	Total £m
At 1 April 2017	2,392.5	44.1	2,436.6
Additions	0.6	63.6	64.2
Works to existing properties	6.5	-	6.5
Impairment	(0.5)	-	(0.5)
Properties completed	34.7	(34.7)	-
Disposals	(3.8)	-	(3.8)
Transfer	1.0	-	1.0
At 31 March 2018	2,431.0	73.0	2,504.0
Depreciation			
At 1 April 2017	64.8	-	64.8
Charge for the year	25.5	-	25.5
Disposals	(1.3)	-	(1.3)
At 31 March 2018	89.0	-	89.0
Net book value			
At 31 March 2018	2,342.0	73.0	2,415.0
At 31 March 2017	2,327.7	44.1	2,371.8
Historical cost at 31 March 2018	2,337.0	73.0	2,410.0
Historical cost at 31 March 2017	2,297.9	44.1	2,342.0

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Housing Properties comprise:-				
Freeholds	3,228.0	3,048.3	2,374.1	2,330.9
Long leaseholds	101.1	101.1	40.6	40.6
Short leaseholds	0.3	0.3	0.3	0.3
	3,329.4	3,149.7	2,415.0	2,371.8

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2018 (continued)

9 HOUSING PROPERTIES (continued)

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Additions to properties include:				
Capitalised interest	13.9	9.8	3.2	2.5
Capitalised development salaries and overheads	8.2	5.6	2.0	0.6
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditure on works to existing properties				
	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Amounts capitalised	6.5	8.3	6.5	8.3
Amounts charged to income and expenditure account	12.5	11.6	11.1	11.6
	<hr/>	<hr/>	<hr/>	<hr/>
	19.0	19.9	17.6	19.9

10 INVESTMENT IN PROPERTIES

The market rent properties were valued at 31 March 2018 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 4.75% and 5.5% dependent on the scheme. The discount rate used is 8%.

The financial statements include commercial properties at open market value with vacant possession. These were valued by Dunphys Ltd, Savills, Jones Lang LaSalle, Tuckerman Chartered Surveyors, and Currell Chartered Surveyors. All valuers are members of the Royal Institute of Chartered Surveyors at 31 March 2018.

Impairment

Following the recent impairment of the market rent units at a scheme, the Trust reviewed this as a potential impairment indicator. A review of similar market rent tenure development sites was undertaken to establish if any sites needed impairment. The valuation at the scheme indicated that the values had reduced by 7%. The values at the other sites were reduced in line with this indicator and the overall impairment was in the amount of £6.5m.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

10 INVESTMENT IN PROPERTIES (continued)

Group	Completed properties in market rent		Market rent		Completed properties in the course of development		Commercial properties in the course of development		Total	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Valuation 1 April 2017	263.3	119.3	382.6	48.5	0.3	48.8	431.4			
Additions	0.2	173.8	174.0	0.1	7.9	8.0	182.0			
Completed properties	39.8	(39.8)	-	5.5	(5.5)	-	-			
Transfer	(0.7)	-	(0.7)	(0.1)	-	(0.1)	(0.8)			
Disposals	(0.8)	-	(0.8)	(0.2)	-	(0.2)	(1.0)			
Revaluation of property	(1.5)	-	(1.5)	1.4	-	1.4	(0.1)			
At 31 March 2018	300.3	253.3	553.6	55.2	2.7	57.9	611.5			
Impairment										
At 1 April 2017	(0.6)	-	(0.6)	(0.8)	-	(0.8)	(1.4)			
Provision for impairment	-	(6.5)	(6.5)	-	-	-	(6.5)			
At 31 March 2018	(0.6)	(6.5)	(7.1)	(0.8)	-	(0.8)	(7.9)			
Net book value										
At 31 March 2018	299.7	246.8	546.5	54.4	2.7	57.1	603.6			
At 31 March 2017	262.7	119.3	382.0	47.7	0.3	48.0	430.0			

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

10 INVESTMENT IN PROPERTIES (continued)

Trust

	Completed properties in market rent the course of properties development £m	Market rent properties in the course of development £m	Sub total £m	Completed properties in the course of development £m	Commercial properties in the course of development £m	Sub total £m	Total £m
Valuation at 1 April 2017	50.3	-	50.3	34.9	-	34.9	85.2
Transfer	-	-	-	(0.1)	-	(0.1)	(0.1)
Additions	-	98.9	98.9	0.1	-	0.1	99.0
Completed properties	26.3	(26.3)	-	-	-	-	-
Revaluation of property	(6.0)	-	(6.0)	1.3	-	1.3	(4.7)
At 31 March 2018	70.6	72.6	143.2	36.2	-	36.2	179.4
Impairment							
1 April 2017	-	-	-	(0.7)	-	(0.7)	(0.7)
Provision for impairment	-	(6.5)	(6.5)	-	-	-	(6.5)
At 31 March 2018	-	(6.5)	(6.5)	(0.7)	-	(0.7)	(7.2)
Net book value							
At 31 March 2018	70.6	66.1	136.7	35.5	-	35.5	172.2
At 31 March 2017	50.3	-	50.3	34.2	-	34.2	84.5

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

11 OTHER FIXED ASSETS

Group	Other land and buildings £m	Other tangible fixed assets £m	Total assets £m
Cost			
At 1 April 2017	34.0	24.9	58.9
Additions	0.2	8.0	8.2
Transfers	(1.0)	-	(1.0)
At 31 March 2018	33.2	32.9	66.1
Accumulated Depreciation			
At 1 April 2017	7.4	19.2	26.6
Charge for the year	1.1	2.0	3.1
Transfers	(0.1)	-	(0.1)
At 31 March 2018	8.4	21.2	29.6
Net Book Value			
At 31 March 2018	24.8	11.7	36.5
At 31 March 2017	26.6	5.7	32.3

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

11 OTHER FIXED ASSETS(continued)

Trust	Other land and buildings £m	Other tangible fixed assets £m	Total assets £m
Cost			
At 1 April 2017	34.0	22.5	56.5
Additions	0.2	7.4	7.6
Transfers	(1.0)	-	(1.0)
At 31 March 2018	33.2	29.9	63.1
Accumulated Depreciation			
At 1 April 2017	7.4	17.6	25.0
Charge for the year	1.1	1.9	3.0
Transfers	(0.1)	-	(0.1)
At 31 March 2018	8.4	19.5	27.9
Net Book Value			
At 31 March 2018	24.8	10.4	35.2
At 31 March 2017	26.6	4.9	31.5

Group other land and building	2018 Total £m	2017 Total £m
Freehold	24.8	26.6
Total	24.8	26.6

Trust other land and building	2018 Total £m	2017 Total £m
Freehold	24.8	26.6
Total	24.8	26.6

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2018 (continued)

12 INVESTMENT IN HOMEBUY AND TEMPORARY HOUSING ACTIVITIES

Group	Homebuy loans to customers £m	Temporary housing cost of lease £m	Total £m
At 1 April 2017	30.5	0.1	30.6
Paid in year	(1.2)	-	(1.2)
Written off in the year	-	(0.1)	(0.1)
At 31 March 2018	29.3	-	29.3

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

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2018

(continued)

13 NUMBER OF DWELLINGS UNDER DEVELOPMENT AND IN MANAGEMENT

	Group		Trust	
	2018 No.	2017 No.	2018 No.	2017 No.
In the development programme				
Commercial property	63	77	-	-
General needs housing	2,004	1,986	2,004	1,986
Shared ownership housing	3,424	3,114	-	-
Outright sales	3,164	3,071	-	-
Market Rent	1,099	1,165	273	318
Intermediate market rent	360	260	-	-
	10,114	9,673	2,277	2,304
Rented social housing includes affordable housing units	830	1,082	830	1,082
The development programme includes homes on site	3,743	3,351	1,117	748
In management at the end of the year				
General needs housing	18,112	17,860	17,885	17,754
Shared ownership housing	5,498	5,357	31	35
Temporary housing	1,877	1,902	1,861	1,894
Market rent accommodation	962	905	196	151
Student accommodation	839	839	-	-
Supported housing and housing for older people	1,458	1,458	1,458	1,458
Leasehold in management	3,834	3,534	626	618
	32,580	31,855	22,057	21,910
Rented social housing includes affordable housing units	3,501	3,037	3,501	3,037
Owned but not managed				
General needs rented housing	267	267	267	267
Supported housing and housing for older people	529	530	529	530
Leasehold in management	-	29	-	-
Market rent accommodation	2	2	-	-
Shared ownership housing	11	108	11	-
	809	936	807	797

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

14 INVESTMENTS

	Trust	
	2018 £m	2017 £m
Cost		
At 1 April	207.8	151.6
Additions	16.4	60.9
Disinvestment in subsidiary	(8.2)	(4.7)
	216.0	207.8
At 31 March	216.0	207.8
Net book value		
At 31 March	216.0	207.8

As required by statute, the financial statements consolidate the results of Notting Hill Housing Trust and its subsidiaries at 31 March 2018 (see note 33). The Trust has the right to appoint members to the boards of all of its subsidiaries, thereby exercising control.

Notting Hill Commercial Properties had invested £657,000 as shares in Seward Street Developments LLP, a partnership with Mount Anvil PLC. This investment was made to fund the development of 107 private sale units and two commercial units. The company owns 75% of Seward Street Developments LLP. It is anticipated that Seward Street will be wound up in the year.

During the year the Trust provided management services for Canonbury Developments Limited, Notting Hill Home Ownership Limited, Notting Hill Developments Limited, Project Light Market Rent Limited, Folio London Limited, Notting Hill Commercial Properties Limited, Notting Hill Community Housing and Touareg Trust and charged them £5.6m (2017: £6.3m). The Board believe that the carrying value of the investment is supported by their underlying net assets.

15 PROPERTIES IN THE COURSE OF SALE

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Properties under construction				
First tranche	95.8	61.0	6.0	7.0
Outright sales	167.8	130.6	14.3	5.1
Completed properties				
First tranche	15.5	14.7	-	-
Outright sales	30.4	17.5	-	-
Landbank	119.6	109.4	9.8	18.0
	429.1	333.2	30.1	30.1
	429.1	333.2	30.1	30.1

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2018 (continued)

16 DEBTORS FALLING DUE WITHIN ONE YEAR

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Rental debtors	14.6	14.7	11.8	12.0
Less provision	(8.1)	(8.4)	(7.2)	(7.2)
	6.5	6.3	4.6	4.8
Trade debtors	7.2	1.9	1.7	0.3
Social Housing Grant receivable	2.5	0.2	1.5	0.2
Amounts receivable from local authorities	1.8	3.3	1.8	3.3
Amounts owed by subsidiary undertakings	-	-	76.0	43.2
Value added tax receivable	6.6	1.2	-	0.1
Stock transfer (see note 19)	2.0	2.0	2.0	2.0
Other debtors	4.2	2.5	3.2	2.6
Prepayments and accrued income	4.7	4.5	2.5	2.9
Intercompany short term investments	-	-	178.1	139.1
	35.5	21.9	271.4	198.5

17 DEBTORS DUE AFTER MORE THAN ONE YEAR

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Other long term debtors	1.6	2.9	1.2	1.3
Derivative instrument asset	15.0	17.8	14.1	18.7
Intercompany long term investments	-	-	411.0	203.9
	16.7	20.7	426.3	223.9

18 CURRENT ASSET INVESTMENTS

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Short term deposit	0.7	0.7	0.7	0.7
	0.7	0.7	0.7	0.7

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2018

(continued)

19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Housing loans (note 21)	81.9	6.2	78.7	4.5
Trade creditors	24.7	14.2	20.8	9.5
Amounts owed to Group undertakings	-	-	31.9	66.7
Other taxes and social security	3.5	1.9	3.4	0.9
Stock transfer (see note below)	2.0	2.0	2.0	2.0
Government grant	1.3	1.1	1.1	1.1
London Borough of Barnet surplus and deficit agreement	-	2.1	-	2.1
Other creditors	34.2	35.8	11.7	13.5
Accruals and deferred income	92.7	60.6	43.5	30.8
	240.3	123.9	193.1	131.1

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.

20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Housing loans (note 21)	1,595.5	1,330.1	1,333.8	1,040.0
Recycled capital grant fund	46.3	42.7	0.8	0.3
Disposal proceeds fund	3.2	2.9	3.2	2.9
Deferred government grant	181.9	149.2	121.9	116.4
Homebuy Grant	29.3	30.6	-	0.1
	1,856.2	1,555.5	1,459.7	1,159.7

At the end of 31 March 2018, £nil (2017: £nil) of grants were due for repayment to the Greater London Authority.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2018 (continued)

20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Deferred government grant

	Completed properties £m	Group Work in progress £m	Total £m	Completed properties £m	Trust Work in progress £m	Total £m
Opening balance at 1 April 2017	106.3	44.0	150.3	96.9	20.6	117.5
Grants received during year	-	28.5	28.5	-	5.5	5.5
Disposal	-	-	-	0.8	-	0.8
Transferred to completed schemes	6.8	(6.8)	-	4.7	(4.7)	-
Transferred to recycled capital grant	(0.4)	6.0	5.6	-	1.1	1.1
Recycled on disposal	-	-	-	(0.8)	-	(0.8)
Amortisation	(1.2)	-	(1.2)	(1.1)	-	(1.1)
Balance at 31 March 2018	111.5	71.7	183.2	100.5	22.5	123.0

Recycled capital grant fund

	Group Total £m	Trust Total £m
At 1 April 2017	42.7	0.3
Grants recycled	7.1	0.5
Interest accrued	0.8	-
Used to finance new provision	(5.5)	-
Homebuy redemption	1.2	-
At 31 March 2018	46.3	0.8

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2018

(continued)

20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Disposals proceeds fund

	Group Total £m	Trust Total £m
At 1 April 2017	2.9	2.9
Grants recycled	0.8	0.8
Used to finance new provision	(0.5)	(0.5)
	<hr/>	<hr/>
At 31 March 2018	3.2	3.2
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Homebuy

	Homebuy grants receivable £m	Group 2018 Temporary housing grant receivable £m	Total £m
At 1 April	(30.5)	(0.1)	(30.6)
Repaid in the year	1.2	0.1	1.3
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At 31 March	(29.3)	-	(29.3)
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	Trust 2018 Temporary housing grant receivable £m	Total £m
At 1 April	(0.1)	(0.1)
Written back in year	0.1	0.1
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	-	-
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NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(continued)

21 LOANS

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Secured loans and overdrafts	420.9	481.7	191.0	223.9
Unsecured loans and overdrafts	36.0	34.0	1.0	-
Public bonds	1,200.0	800.0	1,200.0	800.0
Non-recourse secured bank loans	20.5	20.6	20.5	20.6
Housing loans	1,677.4	1,336.3	1,412.5	1,044.5

Analysis of loan repayments

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Repayable on maturity				
- in less than five years	-	25.0	-	25.0
- within one year or on demand	73.8	-	73.8	-
- between one and two years	-	-	-	-
- within two and five years	7.8	-	-	-
- in five years or more	1,227.1	843.0	1,199.1	815.0
Repayable by annual instalments				
- within one year or on demand	8.1	6.2	4.9	4.5
- between one and two years	15.3	57.1	5.8	52.7
- within two to five years	24.7	43.6	9.2	13.7
- in five years or more	320.6	361.4	119.7	133.6
	1,677.4	1,336.3	1,412.5	1,044.5

Public secured bonds

The Group has made four public bond issues: £300m 5.250 % secured bonds due 2042, £250m 3.750% secured bonds due 2032 and £250m 4.375% secured bonds due 2054 and £400m 3.25% secured bonds due 2048.

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.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

21 LOANS (continued)

Unsecured loans

The Group has unsecured funding of £36.0m 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 17,835 with a value on a Market Value-Tenanted (MV-T) basis of £3,788m; for the Trust it is 13,089 with a value on a MV-T basis of £3,103m (2017: Group 15,579 and Trust 11,237).

The Group has pledged as collateral against potential liabilities on free standing derivatives 309 properties with a value on a MV-T basis of £46.0m (2017: 369 properties with a value of £49.3m) and for Trust 309 properties with a value on a MV-T basis of £46.0m (2017: 309 properties and a value of £46.0m).

The rate of interest on loans ranges from 0.500% to 8.375%. The final instalments fall to be repaid in the period 2016 to 2054.

At 31 March 2018 the Group had undrawn loan facilities of £575.2m (2017: £357.0m).

The Group loan balance of £1,677.4m has been netted off by loan arrangement fees of £18.6m which are written off over the term of each loan.

The Trust loan amount of £1,412.5m (2017: £1,044.5m) has been netted off by loan arrangement fees of £16.4m which are written off over the term of each loan.

As at the year end, £176.0m (2017: £180.0m) of the Group's variable debt had its interest rate hedged by stand-alone interest rate swaps. As at the year end £20.0m (2017: £13.0m) of the Group's fixed debt had its interest rate hedged by stand-alone swaps. As at the year end, ¥5bn (2017: ¥5bn) of the Group's debt has been hedged into £28m (2017: £28m) by a currency swap. Note 37 has an analysis of the anticipated contractual cash flows including interest payable for the Group's financial liabilities on an undiscounted basis. Interest is calculated on drawn debt held as at 31 March 2018.

22 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Short term leases total £m	Onerous contracts £m	Total £m
At 1 April 2017	1.1	11.4	12.5
Additional provisions	0.1	-	0.1
Release of provision	(0.3)	(9.0)	(9.3)
At 31 March 2018	0.9	2.4	3.3

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

22 PROVISIONS FOR LIABILITIES AND CHARGES(continued)

Trust	Short term leases total £m	Onerous contracts £m	Total £m
At 1 April 2017	1.1	11.4	12.5
Additional provisions	0.1	12.9	13.0
Release of provision	(0.3)	-	(0.3)
At 31 March 2018	0.9	24.3	25.2

During the year £100,000 (2017: £200,000) was set aside for future repairs and £300,000 (2017: £300,000) was used to carry out repairs to properties that were handed back during the year. All provisions are attributable to the Trust.

During the year £12.9m (2017: £8.5 m) was set aside to pay extra costs on a development scheme in the Trust. In the Group the onerous contracts provision is recognised instead as an impairment of outright sales properties in the course of development.

23 CALLED UP SHARE CAPITAL

	2018 £	2017 £
At 1 April	89	91
Issued during year	13	7
Redeemed during year	(1)	(9)
At 31 March	101	89

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

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.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

25 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group	
	2018 £m	2017 £m
Operating surplus	113.8	145.6
Fair value gains on investment	0.8	(11.1)
Depreciation	32.9	28.7
Impairment charge	7.1	10.9
Amortisation of loan set up costs	0.9	0.6
Joint venture deficit	-	-
(Increase) in properties and other assets in the course of sale	(117.6)	(23.9)
(Increase)/decrease in debtors	(11.1)	8.8
(Decrease)/increase in creditors	(5.0)	2.0
Net cash inflow from operating activities at 31 March	21.8	161.6

26 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Group	
	2018 £m	2017 £m
(Increase)/decrease in cash	(21.3)	23.9
Cash flow from decrease in liquid resources	-	0.6
Cash flow from increase in debt and lease finance	340.9	36.4
Non cashflow changes	0.2	2.3
Total changes in net debt for the year	319.8	63.2
Net debt at 1 April	1,279.9	1,216.7
Net debt at 31 March	1,599.7	1,279.9

27 ANALYSIS OF DEBT

	1 April 2017 £m	Cash flow £m	Non cash £m	31 March 2018 £m
Cash at bank and in hand	55.7	21.3	-	77.0
Current asset investment	0.1	-	-	0.7
Loans				
Short term loans	(6.2)	(75.7)	-	(81.9)
Long term loans	(1,330.1)	(265.2)	(0.2)	(1,595.5)
Changes in net debt	(1,279.9)	(319.6)	(0.2)	(1,599.7)

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(continued)

28 PENSION OBLIGATIONS

With effect from 1 January 2014, all active membership of defined benefit pension schemes was ceased with the exception of one employee who is a member of the Wandsworth Council Pension Fund (WCPF). Some of the Group's employees and past employees are deferred members or pensioners of the Social Housing Pension Scheme (SHPS) defined benefit section. Further information on SHPS and WCPF 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 SHPS and Aviva.

SHPS

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

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

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

Social Housing Pension Scheme (Group and Trust)

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

Deficit contributions from ALL employers

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

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

28 PENSION OBLIGATIONS (continued)

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

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

This data is for information purposes only.

Total present values of liabilities

	Year Ending 2018 (£000s)	Year Ending 2017 (£000s)
Reconciliation of opening and closing liabilities		
Liabilities at the start of the year	23,920	25,655
Unwinding of the discount factor (interest expense)	297	496
Deficit contribution paid	(3,048)	(2,937)
Remeasurements - impact of any change in assumptions	(302)	706
Liabilities at the end of the year	20,867	23,920

Present values of provisions

	Year Ending 2018 (£000s)	Year Ending 2017 (£000s)
Reconciliation of opening and closing liabilities		
Liabilities at the start of the year	23,725	25,449
Unwinding of the discount factor (interest expense)	294	492
Deficit contribution paid	(3,026)	(2,916)
Remeasurements - impact of any change in assumptions	(299)	700
Provision at end of year	20,694	23,725

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(continued)

28 PENSION OBLIGATIONS (continued)

Contributions to pension schemes

Group	2018		2017	
	Rate	£m	Rate	£m
SHPS (defined benefit)	10.0% -10.4%	-	10.0% -10.0%	-
SHPS (defined contribution)	1.5% - 13.5%	1.7	1.5% - 13.5%	1.6
London Borough of Richmond	16.0%	-	16.0%	-
Define contribution scheme	1.5% - 13.5%	0.4	1.5% -13.5%	0.4
		2.1		2.0

Trust	2018		2017	
	Rate	£m	Rate	£m
SHPS (defined benefit)	10.0% -10.4%	-	10.0% -10.4%	-
SHPS (defined contribution)	1.5% - 13.5%	1.5	1.5% - 13.5%	1.4
London Borough of Richmond	16.0%	-	16.0%	-
Define contribution scheme	1.5% - 13.5%	0.4	1.5% - 13.5%	0.4
		1.9		1.8

The Growth Plan

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

Growth Plan

Deficit contributions

Tier 1

£12.94m per annum

From 1 April 2016 to 30 September 2025: (payable monthly and increasing by 4.7% each year on 1st April)

Tier 2

£0.1m per annum

From 1 April 2016 to 30 September 2028: (payable monthly and increasing by 4.7% each year on 1st April)

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

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

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(continued)

28 PENSION OBLIGATIONS (continued)

Present values of liabilities

	Year Ending 2018 (£000s)	Year Ending 2017 (£000s)
Reconciliation of opening and closing liabilities		
Liabilities at the start of the year	195	206
Unwinding of the discount factor (interest expense)	3	4
Deficit contribution paid	(22)	(21)
Remeasurements - impact of any change in assumptions	(3)	6
Provision at end of year	173	195

Wandsworth Council Pension Fund (WCPF)

The WCPF is a multi-employer scheme, administered by the London Borough of Wandsworth under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2013 by a qualified independent actuary. The amounts recognised in the consolidated balance sheet are as follows:

Group	2018	2017
Year ended 31 March	(£000s)	(£000s)
Fair value of plan assets	3,302	3,209
Present value of funded retirement benefit obligations	(4,122)	(4,149)
Net liability	(820)	(940)

The cumulative actuarial (deficit) recognised in the statement of total recognised surpluses and deficits at 31 March 2018 was £33,000 (2017: £150,000). The charge to the income and expenditure account was £28,000 (2017 : £29,700).

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(continued)

29 EMPLOYEE INFORMATION

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

	Group		Trust	
	2018 No.	2017 No.	2018 No.	2017 No.
Staff engaged in managing or maintaining housing stock	400	396	359	345
Staff providing other housing services	29	28	29	28
Staff engaged in developing or selling housing stock	81	93	48	51
Staff providing central administration services	170	188	170	188
Staff providing care and support	282	255	282	254
	962	960	888	866

	Group		Trust	
	2018 £m	2017 £m	2018 £m	2017 £m
Staff costs for the above persons:-				
Wages and salaries	34.7	34.0	30.9	30.2
Social security costs	3.5	3.5	3.1	3.1
Other pension costs (see note 28)	2.1	2.0	1.9	1.8
	40.3	39.5	35.9	35.1

Redundancy payments of £312,000 (2017: £376,000) were made during year.

Salary range	2018 £'000	2017 £'000
Lowest paid employee	16	16
Highest paid employee	239	232

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2018

(continued)

29 EMPLOYEE INFORMATION(continued)

Group

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

£'000	2018 No.	2017 No.
60-70	36	32
70-80	22	17
80-90	10	7
90-100	5	5
100-110	8	6
110-120	6	5
120-130	-	1
140-150	1	-
150-160	-	1
160-170	1	1
170-180	1	1
180-190	-	2
190-200	1	1
200-210	1	-
210-220	1	-
250-260	-	1
260-270	1	-

30 BOARD AND EXECUTIVE DIRECTORS' EMOLUMENTS

The payments to current non-executive Board members represents 0.02% (2017: 0.02%) of turnover. Board members are appraised on an annual basis and there is an annual review of Board member payments.

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

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

	Group	
	2018 £'000	2017 £'000
The remuneration of the members of the Board, the Committee and the Executive Directors was:		
Fees for members of the Board	59	66
Fees for Committee members	31	27
Management services of Executive Directors (including pension contributions and benefits in kind)	1,364	1,163
Remuneration for management services (excluding pension contributions) includes the amount paid to the highest paid Director	239	232

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2018 (continued)

30 BOARD AND EXECUTIVE DIRECTORS' EMOLUMENTS (continued)

	Group	
	2018	2017
	£'000	£'000
Current Non-executive Board members at 31 March 2018		
Bukky Bird	1.6	5.5
Linde Carr	7.6	6.2
Paul Hodgkinson CBE (Chairman)	19.0	16.5
Sue Hunt	9.7	8.3
Alastair Moss	3.4	5.5
Alexander Phillips	4.1	-
Karen Richardson	1.0	8.3
Samantha Tennakoon	0.8	7.4
Debra Yudolph	11.4	8.3
James Wardlaw	7.5	-

	Salaries	Car Benefits	Pension costs	Bonus	2018 Total
	£'000	£'000	£'000	£'000	£'000
Executive Board members					
Kate Davies, Chief Executive	226	11	24	2	263
John Hughes, Group Development Director	170	8	23	2	203
Paul Phillips, Group Finance Director	165	8	18	2	193
Andrew Muir Group Corporate Services Director resigned 3 April 2018	145	-	20	2	167
Andy Belton, Chief Operating Officer	184	8	19	2	213
Mark Vaughan Group Director of Commercial Services	156	-	22	1	179
Annemarie Fenlon Group Director of Housing - resigned 3 April 2018	134	-	11	1	146
	1,180	35	137	12	1,364

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 no loss of office payments were made (2017: £nil).

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(continued)

30 BOARD AND EXECUTIVE DIRECTORS' EMOLUMENTS (continued)

	Salaries	Car Benefits	Pension costs	Bonus	2017 Total
	£'000	£'000	£'000	£'000	£'000
Executive Board members					
Kate Davies, Group Chief Executive	220	11	24	1	256
John Hughes, Group Director of Development and New Business	160	8	22	1	191
Paul Phillips, Group Finance Director	160	8	17	1	186
Andrew Muir Group Corporate Services Director	135	-	19	1	155
Andy Belton, Chief Operating Officer	160	8	22	1	191
Annemarie Fenlon, Group Director of Housing-appointed 2 February 2017	19	-	1	1	21
Mark Vaughan Group Director of Commercial Services	143	-	19	1	163
	997	35	124	7	1,163

31 CAPITAL COMMITMENTS

	Group		Trust	
	2018	2017	2018	2017
	£m	£m	£m	£m
Capital expenditure that has been contracted for but has not been provided for in the financial statements:	628.4	803.4	142.5	119.0
Capital expenditure that has been authorised by the Board but has not yet been contracted for:	116.1	261.5	18.4	137.9

Capital commitments will be funded by a combination of social housing grant of £22.6m, sales receipts of £915.9m and existing loan facilities of £503.3m. The capital commitments exclude land purchases.

32 OPERATING LEASES

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

	Group and Trust	
	2018	2017
	£m	£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	16.4	12.6

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

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(continued)

33 INCORPORATION, SUBSIDIARIES AND JOINT VENTURES

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

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

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

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

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

Company (Subsidiaries)	Principal activity	Parent	Country of registration
Notting Hill Home Ownership Limited	Performs the activities of a registered housing association	The Trust owns one of eight shares and controls the Board. The remaining seven shares are held in trust for the Trust.	England and Wales
Notting Hill Commercial Properties Limited	Develops and lets commercial properties	The Trust - 100% shares	England and Wales
Notting Hill Developments Limited	Develops and sells properties	Notting Hill Commercial Properties Limited - 100% shares	England and Wales
Folio London Limited	Rents properties at market rent	The Trust - 100% shares	England and Wales
Great Eastern Quay Limited	Investment company (dormant)	The Trust - 100% shares	England and Wales
Great Eastern Homes LLP	Develops and sells properties (dormant)	Jointly owned by Notting Hill Commercial Properties Limited and Great Eastern Quay Limited	England and Wales
Canonbury Developments Limited	Develops and sells properties	Notting Hill Home Ownership Limited	England and Wales
Arawak Developments Limited	Develops properties (dormant)	The Trust - 100% shares	England and Wales
Presentation Market Rent Limited	Rents properties at market rents (dormant)	The Trust - 100% shares	England and Wales

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

33 INCORPORATION, SUBSIDIARIES AND JOINT VENTURES (continued)

Seward Street Developments LLP	Develops and sells properties (dormant)	Notting Hill Commercial Properties Limited - 75% control	England and Wales
Goat Wharf Limited	Develops and sells properties	Notting Hill Home Ownership Limited - 100% shares	England and Wales
Igloo Insurance Protected Captive Cell NOT6	Provides insurance services	The Trust - 100% shares	Guernsey
Project Light Development 1 Limited	Develops and sells properties	Notting Hill Commercial Properties Limited - 100% shares	England and Wales
Project Light Development 2 Limited	Develops and sells properties	Notting Hill Commercial Properties Limited - 100% shares	England and Wales
Project Light Market Rent Limited	Rents properties at market rent	Project Light Development 1 Limited - 100% shares	England and Wales
Notting Hill Community Housing Limited	Rents properties at sub-market prices	The Trust - 100% shares	England and Wales
Walworth Homes Limited	Develops and sells properties	Notting Hill Commercial Properties Limited - 100% shares	England and Wales
Touareg Trust	Provides student accommodation	The Trust is sole guarantee member and controls the Board	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 below).

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

Seward Street Developments LLP commenced trading on 6 October 2010. It is accounted for as a subsidiary of the Group, as the Group share is 75%. The remaining 25% is owned by Mount Anvil plc, whose share is represented by a minority interest of £0.2m at 31 March 2018 (2017: £0.2m). 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 and Kidbrooke Partnership LLP.

The Group's investment in joint venture projects amounted to £25.6m (2017: £16.7m). Details of these investments are shown below.

Joint venture income of £nil (2017: £ 0.1m) was received during the year

The contingent liability is limited to the amount invested.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

33 INCORPORATION, SUBSIDIARIES AND JOINT VENTURES (continued)

Name	Nature of business	Share of capital commitment	Proportion of holding	Year ended	Assets Liabilities 2018		Assets Liabilities 2017	
					£m	£m	£m	£m
KLA Twickenham LLP	Development of 280 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation.	Nil	50%	31 March	-	-	-	-
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)
Chobham Farm North LLP	Development of 478 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation.	Nil	50%	31 March	15.9	(15.9)	18.6	(18.6)
Triangle London Developments LLP	Established to bid for Transport for London sites	Nil	50%	31 May	0.1	(0.1)	-	-
TLD Kidbrooke LLP	To invest in Kidbrooke scheme and provides business manager services to Kidbrooke LLP	Nil	50%	31 March	-	-	-	-
Kidbrooke Partnership LLP	To develop site adjacent to Kidbrooke Station. The scheme will comprise ten blocks.	Nil	50%	31 March	6.3	(6.3)	-	-
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	1.8	(1.8)	-	-
Armada 1 South Developments LLP	To develop phase 1 of the Gallions Quarter sites.	Nil	50%	31 March	(1.0)	1.0	-	-
Gallions 2A Development LLP	To develop phase 2 of the Gallions Quarter sites.	Nil	50%	31 March	-	-	-	-
Gallions 2B Development LLP	To develop phase 3 of the Gallions Quarter sites.	Nil	50%	31 March	12.3	(12.3)	-	-
					35.5	(35.5)	18.7	(18.7)

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2018 (continued)

34 TRANSACTIONS WITH RELATED PARTIES

At 31 March 2018 there was one member on the Board, Linde Carr, who had a tenancy with the Trust. The tenancy agreement had been granted on the same terms as for all other tenants, and the housing management procedures, including those relating to management of arrears, have been applied consistently to this tenant. During the year, rents of £7,594 (2017: £7,671) were charged, none of which was outstanding at year end (2017: nil). During the year there was one member on the Board, Alastair Moss, who had a lease with Notting Hill Home Ownership Limited (NHHO). The lease had been granted on the same terms as for all other leases and the housing management procedures, including those relating to management of arrears, have been applied consistently to this leaseholder. During the year, service charges of £2,719 (2017: £3,249) were charged, none of which was outstanding at year end (2017: nil). He resigned as a Board member on 13 September 2017.

During the year NHHO charged Project Light Development 2 Limited, a subsidiary of Notting Hill Commercial Properties Limited, subsidiary of Notting Hill Housing Trust £125,000 (2017 :£203,206) in respect of administration costs. At the year ending 31 March 2018 £nil (2017: £nil) was owed to NHHO.

During the year NHHO charged Chobham Farm North LLP, a joint venture of Notting Hill Commercial Properties Limited, subsidiary of Notting Hill Housing Trust and Telford Homes Plc £62,600 (2017:£50,500) in respect of administration costs . At the year ending 31 March 2018 £nil (2017: £nil) was owed to NHHO. During the year the joint venture sold £8,721,000 (2017:£ 8,729,000) properties in the course of constructions to NHHO.

:During the year NHHO charged Project Light Development 1 Limited, a subsidiary of Notting Hill Commercial Properties Limited, subsidiary of Notting Hill Housing Trust £125,000 (2017: £nil) in respect of administration costs At the year ending 31 March 2018 £nil (2017: £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 Notting Hill Housing Trust and Telford Homes Plc £101,900 (2017: £nil) in respect of administration costs. At the year ending 31 March 2018 £nil (2017: £ nil) was owed to NHHO. At 31 March 2018 the amount receivable from NHHO was £263,108 (2017: £ nil). During the year the joint venture sold £10,389,000 (2017: £nil) properties in the course of construction to NHHO.

During the year NHHO charged Spray Street Quarter LLP, a Joint venture of Notting Hill Commercial Properties Limited, subsidiary of Notting Hill Housing Trust and St Modwen Developments Limited £2 (2017: £nil) in respect of administration costs. At the year ending 31 March 2018 £nil (2017: £nil) was owed to NHHO.

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

	2018	2017
	£m	£m
Notting Hill Commercial Properties Limited	155.5	147.3
Great Eastern Homes Limited	-	8.2
Folio London Limited	59.7	51.5
Igloo Insurance Protected CaptiveCell NOT 6	0.7	0.7
Arawak Developments Limited	0.1	0.1
	<hr/>	<hr/>
At 31 March	216.0	207.8
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NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

34 TRANSACTIONS WITH RELATED PARTIES(continued)

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

	2018	2017
	£m	£m
Notting Hill Commercial Properties Limited	-	4.4
Notting Hill Developments Limited	41.1	52.3
Folio London Limited	133.5	83.5
Touareg Trust	22.1	21.6
Notting Hill Community Housing	2.0	-
Project Light Development 1 Limited	28.7	28.3
Project Light Development 2 Limited	21.4	11.9
Project Light Market Rent Limited	55.0	16.1
Canonbury Developments Limited	83.3	16.0
	<hr/>	<hr/>
At 31 March	387.1	234.1
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Details of other transactions between the Trust and its non-regulated subsidiaries during the year are shown here.

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

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

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

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

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

	2018	2017
	£m	£m
Other inter-company transactions		
Excess cash invested / (returned)	(21.8)	31.5
Purchases	(0.2)	(0.2)
Overhead recharges	(0.5)	(0.4)
Payroll	(1.0)	(0.9)
Interest	(3.8)	(2.6)
Disinvestment in subsidiaries	8.2	-
	<hr/>	<hr/>
	(19.1)	27.4
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NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

35 LEGAL STATUS

The Trust is a Registered Society under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a social landlord.

36 POST BALANCE SHEET

On 3 April 2018 Notting Hill Housing Trust amalgamated with Genesis Housing Association. The resulting registered provider is called Notting Hill Genesis and is the ultimate parent undertaking. See note 1 for further details.

37 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Group	Financial assets at fair value		Financial assets at amortised cost	
	2018 £m	2017 £m	2018 £m	2017 £m
Financial assets that are debt instruments measured at amortised cost				
Current asset investments	-	-	0.7	0.1
Cash	-	-	77.0	55.7
Debtors	-	-	35.5	21.9
Debtors falling due after one year	-	-	1.7	2.9
Financial assets measured at fair value through the statement of comprehensive income				
Interest rate swaps fixed to float	8.6	9.6	-	-
RPI option	1.4	1.2	-	-
Designated currency hedge	5.0	7.0	-	-
Total	15.0	17.8	114.9	81.2

Trust	Financial assets at fair value		Financial assets at amortised cost	
	2018 £m	2017 £m	2018 £m	2017 £m
Financial assets that are debt instruments measured at amortised cost				
Current asset investments	-	-	0.7	0.7
Cash	-	-	51.4	30.5
Debtors	-	-	271.4	223.9
Debtors falling due after one year	-	-	426.3	198.5
Financial assets measured at fair value through the statement of comprehensive income				
Interest rate swaps fixed to float	12.7	17.4	-	-
RPI option	1.4	1.3	-	-
Designated currency hedge	-	-	-	-
Total	14.1	18.7	749.8	453.6

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2018

(continued)

37 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

Group	Financial liabilities at fair value		Financial liabilities at amortised cost	
	2018 £m	2017 £m	2018 £m	2017 £m
Financial liabilities that are measured at amortised cost				
Trade and other payables	-	-	240.3	123.9
Public bonds	-	-	1,200.0	800.0
Loans and borrowings	-	-	395.5	529.4
Other long term creditors	-	-	331.7	308.2
Financial liabilities that are measured at fair value through the statement of comprehensive income				
RPI swaps	7.6	8.4	-	-
Cancellable interest rate swaps	6.5	13.1	-	-
Interest rate swaps float to fixed	16.1	32.0	-	-
Designated interest rate hedges	24.7	14.3	-	-
Total	54.9	67.8	2,167.5	1,761.5

Trust	Financial liabilities at fair value		Financial liabilities at amortised cost	
	2018 £m	2017 £m	2018 £m	2017 £m
Financial liabilities that are measured at amortised cost				
Trade and other payables	-	-	193.1	131.1
Public bonds	-	-	1,200.0	800.0
Loans and borrowings	-	-	133.8	244.5
Other long term loans	-	-	146.8	143.6
Financial liabilities that are measured at fair value through the statement of comprehensive income				
RPI swaps	7.6	8.4	-	-
Cancellable interest rate swaps	6.5	13.1	-	-
Interest rate swaps float to fixed	14.1	13.0	-	-
Designated interest rate hedges	24.7	28.4	-	-
Total	52.9	62.9	1,673.7	1,319.2

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

37 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Group

	2018		2017	
	Book value £m	Fair value £m	Book value £m	Fair value £m
A comparison of the book value to the fair value of the Group's long term borrowings at 31 March				
Current portion of long term debt	81.9	81.9	6.2	6.2
Long term debt	1,595.5	1,595.5	1,330.1	1,330.1
	1,677.4	1,677.4	1,336.3	1,336.3

Trust

	2018		2017	
	Book value £m	Fair value £m	Book value £m	Fair value £m
A comparison of the book value to the fair value of the Trust's long term borrowings at 31 March				
Current portion of long term debt	78.7	78.7	4.5	4.5
Long term debt	1,333.8	1,333.8	1,040.0	1,040.0
	1,412.5	1,412.5	1,044.5	1,044.5

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

37 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	Group 2018	2017	Trust 2018	2017
Gains in respect of financial derivatives held at fair value through the statement of comprehensive income	£m	£m	£m	£m
Gains in respect of financial derivatives	7.0	8.8	2.1	8.6
	7.0	8.8	2.1	8.6

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

The Group has entered into interest rate swap agreements to hedge exposure to the variability in cash flows attributable to movements in interest rates. This is documented in the treasury policy and allows the Group to enter into contracts where the Group agrees to pay interest at a fixed rate and receives interest at a floating rate. The interest rate swaps are designated as a hedge of the variable debt interest payments which are linked to changes in the benchmark interest rate (LIBOR) which is the quoted price in an active market. This method reflects the risk management objective of the hedging relationship that swaps a series of future variable cash flows to a fixed rate. The interest rate swap agreements which do not meet the hedging tests contained in IFRS9 are accounted for through the statement of comprehensive income.

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

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

37 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Group 2018	Debt	Interest on debt	Cashflows on derivative financial	Total
			instruments	
	£m	£m	£m	£m
0-1 year	81.8	58.3	5.3	145.4
1-2 years	15.3	56.5	4.6	76.4
2-5 years	32.6	169.9	11.5	214.0
Over 5 years	1,547.7	1,153.9	25.0	2,726.6
	1,677.4	1,438.6	46.4	3,162.4

Trust 2018	Debt	Interest on debt	Cashflows on derivative financial	Total
			instruments	
	£m	£m	£m	£m
0-1 year	78.6	54.8	4.0	137.4
1-2 years	5.8	52.3	3.5	61.6
2-5 years	9.2	156.9	9.0	175.1
Over 5 years	1,318.9	1,109.6	22.5	2,451.0
	1,412.5	1,373.6	39.0	2825.1

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018(continued)

37 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Group 2017	Debt	Cashflows on derivative financial instruments		Total
		Interest on debt		
	£m	£m	£m	£m
0-1 year	6.2	42.1	7.7	56.0
1-2 years	82.2	42.4	7.2	131.8
2-5 years	43.6	123.4	18.3	185.3
Over 5 years	1,204.3	859.1	36.6	2,100.0
	1,336.3	1,067.0	69.8	2,473.1

Trust 2017	Debt	Cashflows on derivative financial instruments		Total
		Interest on debt		
	£m	£m	£m	£m
0-1 year	4.5	40.9	4.8	50.2
1-2 years	95.0	40.8	4.4	140.2
2-5 years	8.0	116.1	11.3	135.4
Over 5 years	937.0	813.7	25.6	1,776.3
	1,044.5	1,011.5	46.1	2102.1

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018(continued)

37 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 interest foreign currency derivatives is the GBP:JPY forward exchange rates.

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

A cash flow hedge is accounted for as follows:

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

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 £1.0m 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, 92% 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 table, debt is defined as bank loans and bonds. Interest is calculated based on debt held as at 31 March.

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

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

37 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk

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

The Group recognises the risk whereby the inability of a provider of a credit facility, deposit taker, or interest rate swaps counterparty to fulfil its contractual obligations when they fall due, or reduction in creditworthiness, may result in a financial loss or liquidity problem for the Group. The Group therefore maintains a formal counterparty policy in respect of those organisations from which it draws funds on committed facilities, or with whom it may enter into interest rate swap transactions, or with whom funds may be deposited. The longer the maturity of the commitment period, interest rate swap or investment, the greater the counterparty credit risk, and hence the minimum credit quality requirements will be more stringent.

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(continued)

40 SEGMENTAL REPORTING

	2018 Year to date			Forecast at February £m	2017/18 Full year		2016/17 Actual £m
	Actual £m	Budget £m	Variance £m		Budget £m	Variance £m	
Net surplus of business activity							
Permanent Rented Housing	63.8	64.9	(1.1)	64.5	64.9	(0.4)	64.7
Home Options	4.5	4.9	(0.4)	4.9	4.9	-	5.5
NHHT Pathways	7.6	8.3	(0.7)	8.7	8.3	0.4	8.6
Home Ownership Sales	29.7	29.2	0.5	29.1	29.2	(0.1)	54.1
Home Ownership Lettings	19.4	21.0	(1.6)	19.0	21.0	(2.0)	19.2
Student Accommodation	2.5	3.3	(0.8)	2.8	3.3	(0.5)	3.6
Commercial Properties	3.6	2.6	1.0	2.7	2.6	0.1	2.8
Folio London	8.0	11.9	(3.9)	10.5	11.9	(1.4)	17.1
Key Worker	0.5	0.5	-	0.5	0.5	-	0.5
Surplus/(deficit) from operations	139.6	146.6	(7.0)	142.7	146.6	(3.9)	176.1
Community Engagement	(0.2)	(0.2)	-	(0.2)	(0.2)	-	-
Fundraising	0.4	0.2	0.2	0.2	0.2	-	0.7
Surplus from Asset Sales	25.9	8.3	17.6	25.7	8.3	17.4	32.1
Development	(5.4)	(1.3)	(4.1)	(1.8)	(1.3)	(0.5)	(11.4)
Business Support	(20.5)	(20.2)	(0.3)	(21.1)	(20.2)	(0.9)	(19.9)
Interest	(49.8)	(45.4)	(4.4)	(47.5)	(45.4)	(2.1)	(44.3)
Mark to Market	7.0	-	7.0	-	-	-	8.8
Joint Venture	(0.1)	-	(0.1)	-	-	-	0.1
Group Net Surplus/(Deficit)	96.9	88.0	8.9	98.0	88.0	10.0	142.2

NOTTING HILL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2018

(continued)

41 CONTINGENT LIABILITY

	Group		Trust	
	2018	2017	2018	2017
	£m	£m	£m	£m
At 1 April	1,203.0	1,206.4	1,041.9	1,040.0
Realised on disposal	(7.1)	(5.7)	(0.8)	(0.3)
Additions	1.2	2.3	1.4	2.2
At 31 March	1,197.1	1,203.0	1,042.5	1,041.9

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

Notting Hill Commercial Properties Limited has given a financial guarantee to TTL Kidbrooke Properties Limited and Kidbrooke Partnerships LLP of £5,100,000 with respect to the Kidbrooke Partnerships LLP joint venture Member's Agreement. No provisions are required to be recognised regarding this financial guarantee.