

Notting Hill Housing Trust
**Report and
financial statements**

2015 – 2016

contents

chairman's report	5
strategic report	9
independent auditors' report to the members	31
financial statements	35
notes to the financial statements for the year ended 31 March 2016	41

Registered Office and Head Office

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

Registrations

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

board members and senior staff

Vice President **Lionel Morrison OBE**

Board members



Board Chairman
Paul Hodgkinson CBE



Vice Chairman
Debra Yudolph



Chief Operating Officer
Andy Belton



Bukky Bird



Linde Carr



Chief Executive
Kate Davies



Sue Hunt



Alastair Moss



Group Finance Director
Paul Phillips



Karen Richardson
(Appointed 16 September 2015)



Samantha Tennakoon
(Appointed 16 September 2015)



James Wardlaw

Sophie Warner and **Mohan Yogendran** served on the Board during the year. Both resigned on 16 September 2015.

Executive Board



Chief Executive
Kate Davies



Group Finance Director
Paul Phillips



Group Development Director
John Hughes



Chief Operating Officer
Andy Belton



Group Corporate Services Director
Andrew Muir



Group Director of Housing
Mark Vaughan

Andrew Nankivell Secretary

advisors and bankers

Independent auditors

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

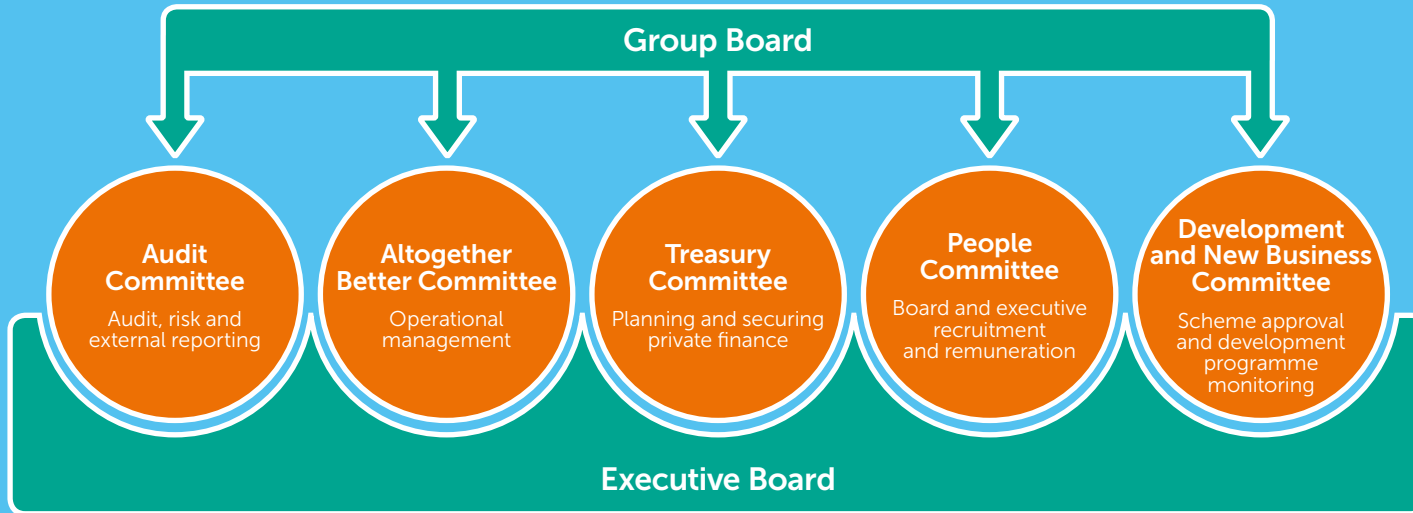
Principal solicitors

Devonshires
30 Finsbury Circus
London EC2M 7DT

Principal bankers

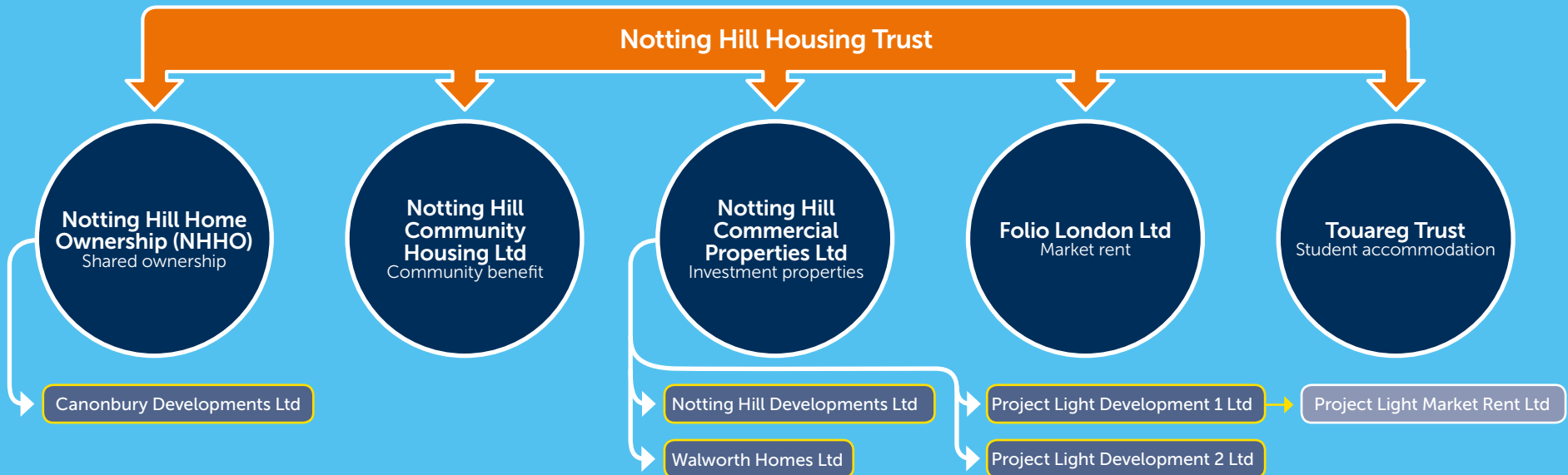
Barclays Bank plc
Business Banking
Floor 28
1 Churchill Place
London E14 5HP

governance structure



key* legal entities in the Notting Hill Housing Group

*Key entities in terms of properties managed or active development. A full list of entities is available on page 79.



chairman's report

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



chairman's report

Paul Hodgkinson CBE
Chairman

Notting Hill Housing was formed just over 50 years ago to address the particular housing challenges of that time. We now own or manage nearly 32,000 properties within Greater London.

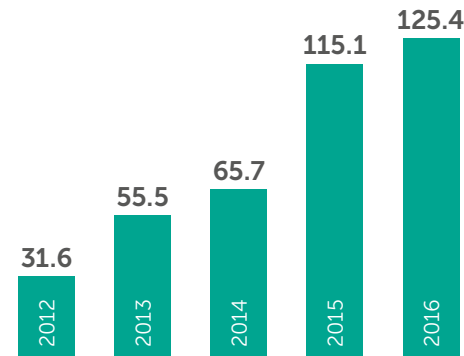
Despite recent changes in housing policy, including an intention to promote home ownership over renting and move the housing association sector away from grant funding altogether by 2018, we remain committed to our social purpose – to provide decent, affordable homes for Londoners – and to using our commercial skills to develop more homes.

We do this mainly by developing mixed tenure sites, in which we offer homes for private sale and undertake commercial rental activities so that we can provide shared ownership properties and affordable homes to let to new customers. Despite rising construction costs and the price of land for development, we started 750 homes in 2015/16 and finished 1,170, making us one of the biggest developers in London. At the end of March, we had 2,262 homes on site.

We are increasingly involved in partnerships and joint ventures to create larger schemes, including several with local boroughs to develop public sector land. We own properties in all 32 London boroughs and are actively developing in 21 of them. We have made progress with our major developments. Canada Water is now on site and scheme design is completed at the Aylesbury Estate. We are one of 13 developers and consortia chosen by Transport for London (TfL) to help create thousands of new homes on unused land owned by TfL.

In the absence of or reduction in Government support, financial resilience will become increasingly important. Indeed, several of our peers are merging to create larger and more resilient organisations. Our financial resilience comprises three key elements: our surpluses, our efficiency and our ability to borrow.

Surplus £m

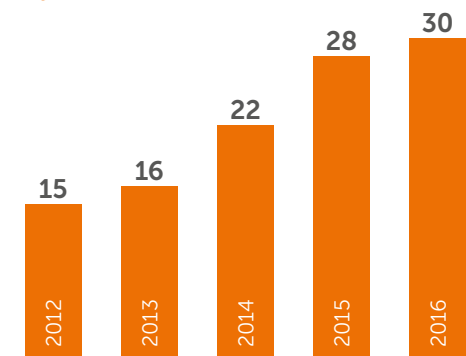


2012 - 2014 not restated for the impact of FRS102

In 2015/16, we made a surplus of £125.4 million, a 9% increase on the previous year, primarily due to the higher value of homes developed for sale and strong revenues as shared ownership customers purchased more equity in their homes. Conversely, our project pipeline has slowed up and rental projections have fallen, which means that future projects will depend on the London market remaining buoyant. Our surpluses are re-invested in developing new homes because we do not pay any dividends.

We are committed not simply to cutting costs, but to improving

Margin %



how we deliver housing services. We have steadily reduced costs per home over the last five years and aim to lower these by a further 16% over the next five years. Improvements have been developed by teams across all businesses rather than by creating a central cost-cutting project and will be implemented over the life of the plan. This means we can both embed the savings and better avoid adverse effects on customer service and satisfaction levels. The work is supported by a new Transformation team and by new property maintenance contracts, which are enabling better partnership working

Homes completed or acquired

1,580 536 925 1,060 1,170

Homes managed

27,135 27,170 28,418 29,573 30,660

in 2012 in 2013 in 2014 in 2015 in 2016

Vacant possession value of property portfolio
£11.5 billion

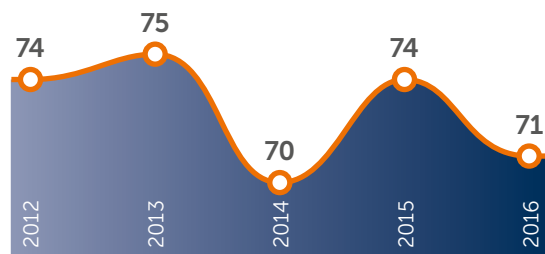
AA- outlook stable
Standard and Poor's

A2 outlook negative
Moody's

with our suppliers, improving service levels and co-operation.

We continuously reshape our teams to achieve cost and delivery efficiency, but are also committed to maintaining the way of working that underpins our culture. Being awarded gold status by Investors in People (IiP) this year has reinforced that we 'practise what we preach', and are careful to ensure good succession and recruitment of the right kind of colleagues for the future. We are keen to ensure efficiency and maintain service standards.

Overall customer satisfaction %



The Homes and Communities Agency (HCA), our regulator, reaffirmed our ratings for viability and governance at V1 and G1 – the highest possible – following an in-depth assessment process in autumn 2015.

The UK's decision to leave the European Union has created uncertainty in the economy and financial markets. Our ratings agencies, Moody's and Standard and Poor's (S&P) have downgraded the UK's sovereign rating. As a result, Notting Hill Housing Group's ratings have changed to A2 outlook negative (Moody's) and AA- outlook stable (S&P). The Board and executive team

at Notting Hill Housing are continuing to monitor the external political environment closely.

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

On behalf of the Board, I would like to express my gratitude to the entire staff

Our development programme delivered **1,170** properties in the year. We have **6,900** properties in the pipeline to be delivered in the next five years.

We achieved our highest ever **surplus** of **£125.4m** in 2015/16. Our operating margin has improved from 15% in 2012 to 30% in 2016.

Our overall customer satisfaction has decreased from 74% in 2015 to **71%** in 2016. We have more **work to do to improve** our customer satisfaction, in particular with our leasehold customers.

Paul Hodgkinson CBE
Board Chairman



**The Boardwalk,
Hounslow, 2015**

strategic report

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

Who are we?

Notting Hill Housing provides almost 32,000 homes across London. The majority of these are at a lower rent for people who cannot afford a full market rent. In addition, we provide shared ownership properties, homes at market rent and accommodation with additional support for those who need it, as well as units for outright sale on the private market. We are a major developer of housing in London.

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

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

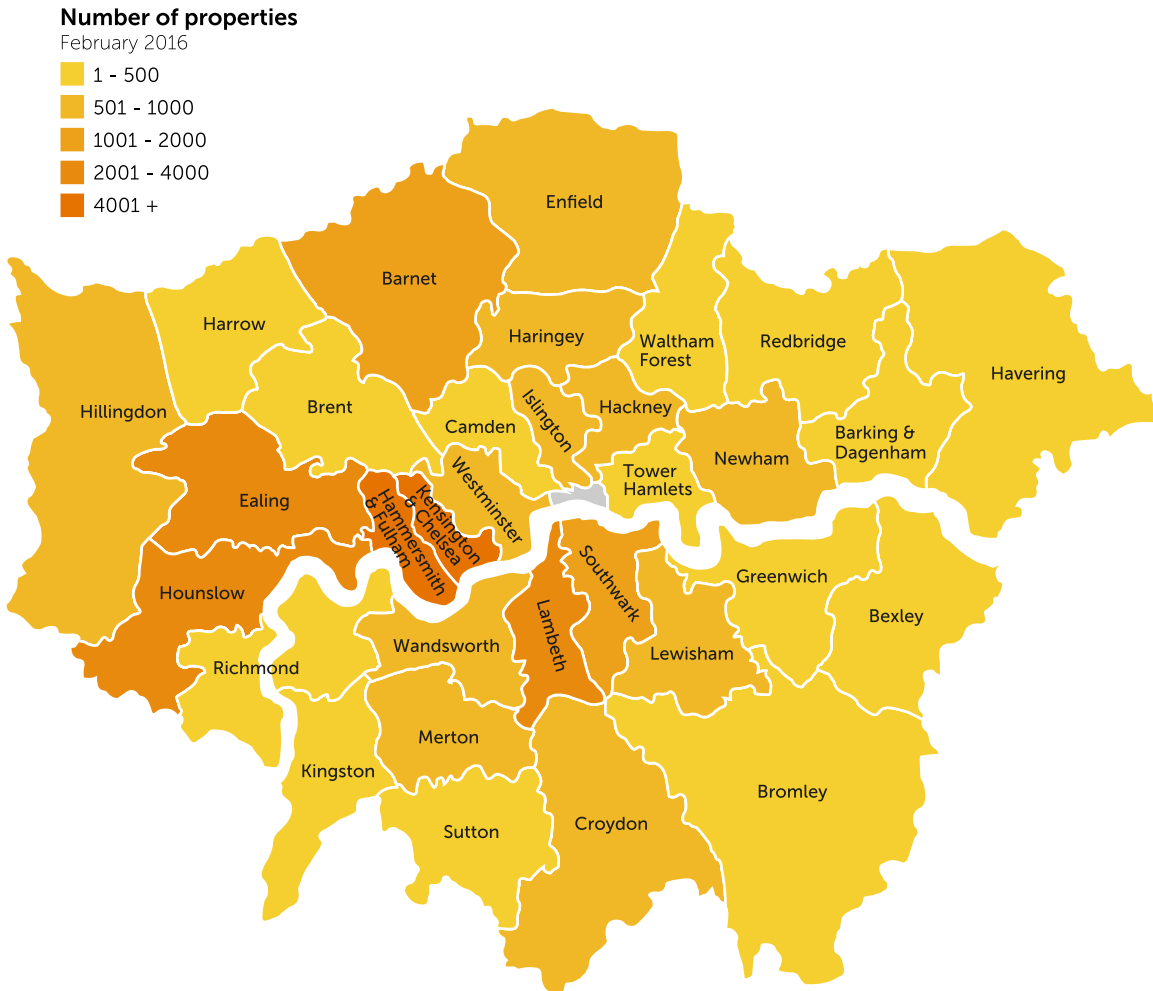
Our values - At Notting Hill Housing, we are motivated by the positive impact that good quality, affordable housing has on people's lives. We are inspired by what we do; we act with integrity and openness; we challenge and support each other; and we are united. We are independent, financially strong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

Our strategic priorities

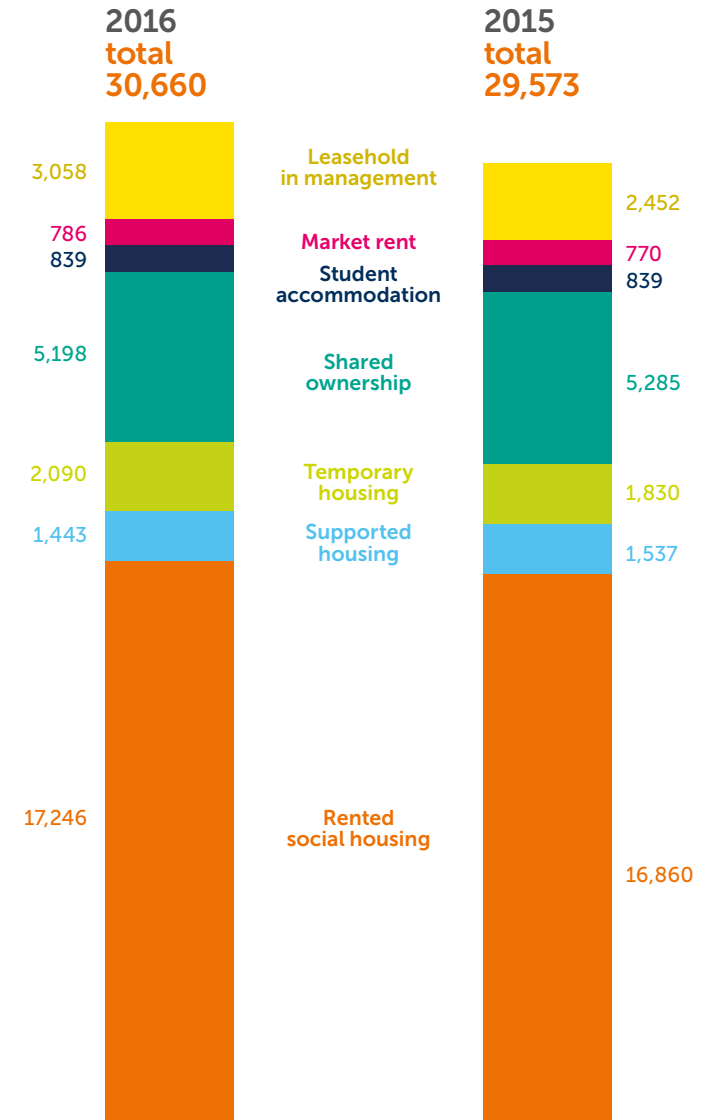


Where we operate

During the year the number of properties we own reached 31,735. We have 30,660 managed properties and own an additional 1,075 units, which are managed by others.



Our mix of housing properties under management



Strategy, objectives and performance

Our residents and their homes

We provide a range of good quality, affordable and well maintained homes. Each of our residents has a dedicated member of staff through our successful Altogether Better (A2B) service delivery model. We help with individual issues and needs through personal contact, a good repairs service and accessible information and services.

Key objective	Comment
Our residents will love where they live and feel that we treat them as an individual.	Our general needs tenant satisfaction increased to 80% and our supported housing tenants to 83% in the year. However, we have more work to do to increase satisfaction among our leaseholders and market rent customers who registered a fall in satisfaction in the year. Overall customer satisfaction has reduced to 71% due to the impact of the fall in leaseholder rates.
Our homes will be safe and cost-effectively maintained.	99.97% of our properties with a gas supply have a valid gas safety certificate. We have been working to gain access to the five properties with expired certificates. We have completed 100% of the Fire Risk Assessments across our homes in 2015/16; 48% of the actions arising from the assessments have also been completed. The repairs and maintenance costs per home have reduced by 28% from £3,353 in 2012/13 to £2,405 in 2015/16 mainly driven by savings on unit prices within our new contracts put in place from April 2015, and delays in planned maintenance works. Housing management costs per unit have also reduced from £902 in 2012/13 to £839 in 2015/16.
Our homes and Altogether Better services will best meet the needs of existing and future residents.	1,081 of our residents have been impacted by welfare reform. Working with the support of our welfare benefit advisors, we have reduced arrears for those affected from 9% to 8%.
We will be accessible and offer choice in how our residents can interact with us.	Nearly 2,000 customers use our customer app. We are forming a new digital strategy which includes work already underway to improve the resident account area on our website.

Key performance indicators

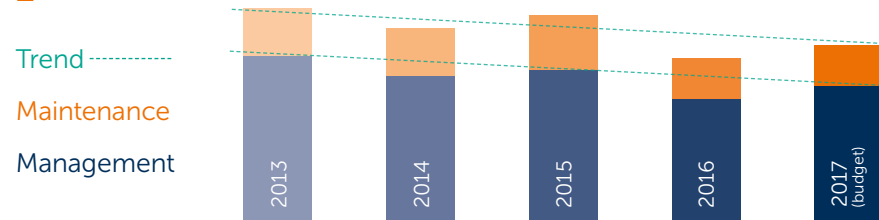
Indicator	2015-16 Performance	2015-16 Target	2014-15 Performance	2014-15 Target
Rent collection rate over 12 months	99.6%	100.3%	100.5%	100.4%
Current tenant rent arrears	5%	5%	5%	6%
Rent loss due to voids	1.2%	1.4%	1.3%	1.2%
Number of voids at 31 March	258	302	372	273
Customer satisfaction – overall	71%	75%	74%	75%
Number of Ombudsman investigations	16	0	18	0
Number of maladministration findings by Ombudsman	2	0	1	0
Percentage of homes with valid gas certificate	99.97%	100%	99.9%	100%

Rent collection fell just short of target, although our trend of rent arrears reduction continues.

Of 16 complaints from tenants that were referred to the Ombudsman, two were upheld, both for minor points which have now been rectified.

1,081
residents impacted
by welfare reform.
We have reduced arrears
for those affected from
9% to 8%.

Cost per home £

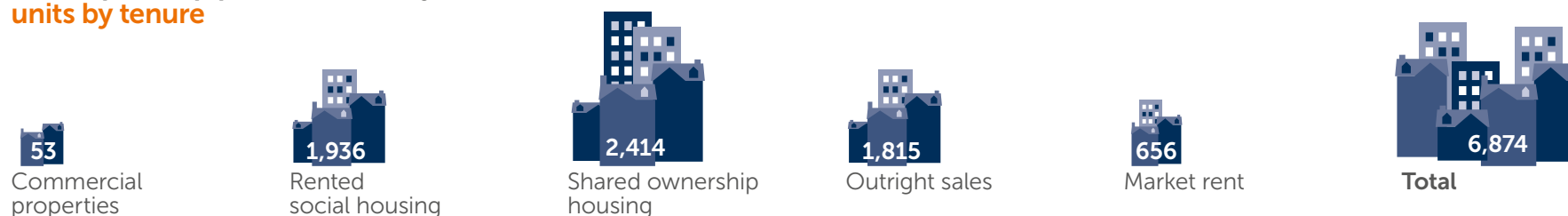


Providing more new homes

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

Key objective	Comment
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. For example, phase 1 of our site at Royal Albert Wharf will deliver 82 affordable rent, 72 shared ownership, 73 market rent and 123 private sale properties.
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. For every £90,000 we make through our commercial activity or by efficiency savings, we can provide an extra new home.	We have let building contracts worth £177m which will add to economic activity in London. We have created a Community Benefit Society with the intention of providing homes for low-income working Londoners, without the need for Government subsidy. The first properties purchased by this society were completed in April 2016.
Our target is to build at least 1,400 homes per year.	We have an overall strong pipeline of land identified for development and we expect to meet our long-term average growth aspirations. In the year, we acquired plots for 801 homes, started to build 750 and completed 1,170.

Development pipeline over five years units by tenure



Key performance indicators

Indicator	2015-16 Performance	2015-16 Target	2014-15 Performance	2014-15 Target
Average overhead cost of developing a new home	£5,348	£6,329	£4,610	£3,653
Cost per square metre of homes constructed	£2,386	£1,925	£1,567	£1,900
Sales time to completion (weeks)	9	10	9	11
Customer satisfaction with sales process	96%	85%	65%	85%
Plots acquired (excluding commercial units)	801	1,400	1,510	1,400
Homes started	750	2,569	1,198	1,325
Homes completed	1,170	1,321	1,060	1,711

Following changes announced by the Government in July 2015, we paused our start on sites to reassess scheme viability and to review our blend of tenures to reflect Government priorities. We are now continuing to let construction contracts and develop in line with our strategic priorities.

Plots acquired were below expectations as a site in Hounslow for 919 homes was delayed. Acquisition of the site should take place in early 2016/17.

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

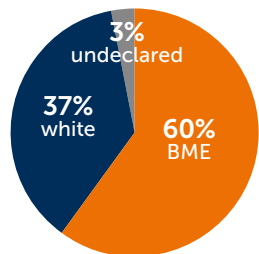
Our people and our work

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

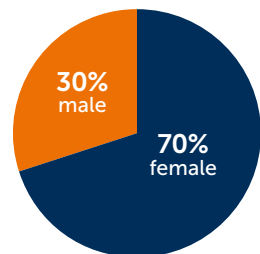
We set ourselves high standards and apply commercial discipline to every aspect of our business, with all of our businesses needing to make a surplus. We try to learn from others and from listening carefully to our staff and residents.

Key objective	Comment
We will have a skilled and talented workforce and we commit to developing our staff so we can promote people internally whenever possible.	83% of staff are satisfied with their job. We have recently been awarded Investors in People Gold. We have created an emerging leaders programme to support staff to transition into management.
We will make the most of technology to make it easier for staff to do their jobs.	We have created a Transformation programme which is delivering new ways of working along with office modernisation to support flexible working.

Staff composition ethnicity



Staff composition gender



10 of 12
emerging managers
on the 2015/16 programme are
now in management roles.

Closer partnerships

We can achieve more in partnership than we can alone and have always used partnerships to help us provide more affordable homes. Our merger with Presentation in 2010 gave us new opportunities and more influence in new areas of London.

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

Key objective	Comment
We will work closer with key local authorities.	We have a presence in all 32 London boroughs and are actively developing in 21 of them. We are major regeneration partners with Greenwich, Haringey, Harrow and Southwark. We also have a 15-year partnership agreement on extra care provision in Islington.
We will be open to joint ventures and much closer long-term relationships with blue-chip private-sector partners.	473 properties are currently being delivered via joint ventures. Our scheme at Canada Water in partnership with The Sellar Group will deliver more than 1,000 homes.
We will approach other like-minded housing associations to discuss a formal partnership or merger.	We have continued to explore potential partnerships to create a larger, more efficient and more influential organisation so that we can continue to meet our core purpose of providing more affordable homes.

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

Investors in People

Our financial strength

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

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

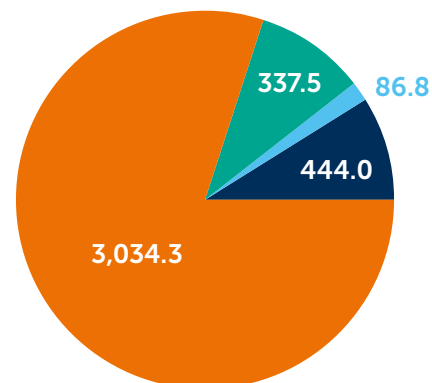
Key objective	Comment
We will use our surplus to be financially strong, resilient and independent so we are sustainable for the future. We will achieve this by securing surpluses of at least £500m by 2020 to finance our investment.	We have generated a surplus of £125.4m in the first year of our five-year strategy, which requires £100m per year to meet the target of £500m by 2020.
We will continue to provide new homes, spending at least £1.5bn by 2020.	We have spent £314m on property development in the year. This is above our target of £300m.
We want investors to choose to partner with us.	New facilities of £78m were agreed during 2015/16.
We aim to reduce our operating costs per unit by 10% by 2020. This was subsequently increased following the Chancellor's decision to reduce our rents.	There was a 21% reduction in operating costs in the year, driven by delays in major repairs. We expect to be on target for unit cost reductions of 16% by 2020.

The Board estimates the value of our housing properties to be more than £11.5 billion on a vacant possession basis.

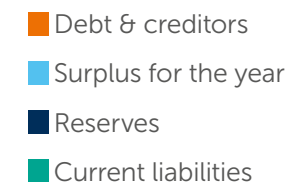
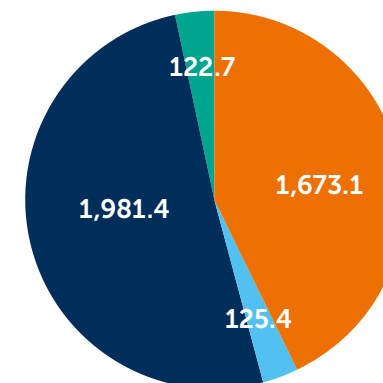
We regularly stress-test our financial plans to ensure we are resilient to changes in economic assumptions in relation to internal and external factors.

We had undrawn facilities of £391m at 31 March 2016.

Assets
£m



Financed by
£m



Governance

Notting Hill Housing Trust ("The Trust") is governed by a Board ('the Board') composed of nine non-executive members plus three executives. Notting Hill Home Ownership (NHHO) has a separate Board ('NHHO Board'), chaired by Debra Yudolph, which consists of seven non-executive members and three executives, with the meetings taking place concurrently with the Trust Board. Details of Board members, who are drawn from a range of backgrounds, are set out on page 3. Two new members – Karen Richardson and Samantha Tennakoon – joined the Board in 2015/16, replacing Sophie Warner and Mohan Yogendran who stood down during the year. 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 Altogether Better Committee, the Development and New Business Committee and the People Committee.

The Audit Committee

The Audit Committee oversees the work of the internal and external audit functions as well as the risk management framework and internal control framework for the Group. The Committee reviews the audited financial statements for all parts of the Group and recommends them to the relevant Boards for approval. Through the reports it receives, the Audit Committee gains external assurance that the Group has appropriate systems of internal control and complies with the HCA's expectations in this area. The Audit Committee met five times during the year. It comprised Sue Hunt (Chair), Linde Carr, Deborah Harris, Alastair Moss and James Wardlaw.

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 Treasury

Committee met six times during the year. It comprised James Wardlaw (Chair), Deborah Harris, Sue Hunt, Alastair Moss and Paul Phillips.

The Altogether Better Committee

The Altogether Better Committee is responsible for overseeing the provision of services to the Group's residents and other customers. The Altogether Better Committee met five times during the year. It comprised Samantha Tennakoon (Chair) (appointed 16/09/2015), Elaine Arkell (appointed 26/11/2015), Mary-Anne Bowring, Mary Burke (appointed 26/11/2015), Richard Carlowe (appointed 01/10/2015), Stephen Johnson, Michael Larbarlastier, Li Kim Lee (appointed 24/03/2016), Michael O'Connell, Toyin Ogundana (appointed 24/03/2016), Catherine Stevenson, Laura Wilkes, Kevin Williamson, Robert Dyer (resigned 25/01/2016), Annabelle Louvros (resigned 08/09/2015), Emina Trozic (resigned 28/10/2015) and Debra Yudolph (resigned 16/09/15).

The Development and New Business Committee

The Development and New Business Committee is responsible for overseeing the effective risk management, control and delivery of major business development programmes and projects across the Group. The Development and New Business Committee met six times during the year. It comprised Debra Yudolph (Chair) (appointed 16/09/2015), Karen Alcock (appointed 23/07/2015), Bukky Bird, Joanna Embling, John Hughes, Nick Stonley (appointed 23/07/2015), John German (resigned 21/01/2016) and Sophie Warner (resigned 16/09/2015).

The People Committee

The People Committee considers remuneration of the Board members and of the Executive Board. In addition it oversees the process for Board member appraisal, reviews the process for Board member appointment and reviews significant human resource and governance issues across the Group. The People Committee met four times during the year. It comprised Karen Richardson (Chair) (appointed 16/09/2015), Remy Abayomi (appointed 02/12/2015), Romny Gray, Ann O'Donoghue (appointed 23/07/2015), Paul Da Gama (resigned 01/07/15), Angela Paradise (resigned 07/07/15) and Mohan Yogendran (resigned 16/09/2015).

The Executive Board ('the EB')

The Group is managed by the EB, headed by the Chief Executive and supported by Group Directors of Finance, 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.

Tenant involvement

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

Code of governance

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

The code advises that the Board should delegated to a committee responsibilities that include oversight of the appraisal of the Chief Executive and making a recommendation to the Board on a remuneration package for the Chief Executive. The committee must not include any executives. The Notting Hill Housing Trust Board has chosen to delegate the decision on Chief Executive's pay to the People Committee, which does not include executives.

Employees

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

Value for money (VFM)

What does VFM mean to Notting Hill Housing?

Notting Hill Housing exists to provide good quality homes for those who could not otherwise afford them. For us, VFM is about being effective in how we plan, manage and operate our business. It means making the best use of the resources available to us to provide quality homes appropriate to London's needs and backed by high quality services and support. Value therefore means the number of homes, the appropriateness of those homes to London's needs, the quality of the homes and the quality of the services we provide, which in turn lead to improved quality of life and wellbeing for our customers. In order to ensure that we can continue to deliver VFM, we must also be aware of risks to the fulfilment of our purpose and manage them.

How do we approach VFM?

The approach to VFM has been developed from the corporate strategy and corporate plans. It is based on what is required to deliver our purpose against the background of our own performance in previous years, what our peers are achieving, and changes in the external environment. The VFM strategy is agreed by the Group Board, which also monitors performance on VFM in order to gain assurance that the strategy is being delivered. How we approach VFM and the results we achieve will be transparent. Over time, our VFM standards

will continue to rise. We consult with residents to get their input to future development of the strategy.

Delivery of VFM

Our business planning uses the objectives and outcomes in the corporate strategy to drive the plan for each business. These plans are developed by each business team within a Group-wide process which ensures that the use of assets and resources required to meet service, quality and other non-financial objectives are recognised in financial plans and budgets. Because of the balance between the required objectives and the limited assets and other resources used to achieve them, it is essential that VFM is maximised. Our business planning process therefore helps ensure that resources and assets are used in the most appropriate way to deliver our purpose.

Our VFM strategy is supplemented by other strategies, including those related to asset management, development, investments, ICT and environment. These strategies determine how we decide on investment and how we will increase the VFM of services we provide.

Performance targets are based on the business plans. Non-financial and financial performance is reviewed monthly by the Executive Board, quarterly by the Board and annually in Annual Standards Reports for residents. We use benchmarking to assess our performance relative to peers. We have five resident Local Scrutiny Panels which equates to 40 or so residents reviewing local performance and priorities and giving feedback to managers. We also have a resident VFM group, and we are preparing to launch a sixth Local Scrutiny Panel covering north-east London.

Our people are vital to delivering VFM. We involve them in improvement processes in several ways. We have a staff Cost Effectiveness Group which provides challenge and supports the VFM culture. Staff satisfaction has increased from 67% in 2011 to 83% and we have recently been awarded Gold Standard for Investors in People.

VFM achievements – return on assets

Our aim is to have a development programme of an average of 1,400 homes per year. Growth is important to us as it satisfies housing need, adds social value and enables us to reduce costs per home.

Table A - Development units - 2015/16 - including purchase and repair properties

Number of homes	Start on site	Completion
Rented housing	222	487
Shared ownership	220	510
Market rent	234	163
Private sale	72	-
Commercial units	2	10
	750	1,170

We have acquired 801 plots during the year, of which 336 were rented social housing and 461 were shared ownership. Starts on site slowed down as we paused to reappraise the tenure split of schemes following the social rent cuts announced in the Government's summer budget.

Despite the challenging environment for providing affordable homes in London, we continue to strive to use our resources as effectively as possible to achieve this. Of the 1,160 homes produced this year, 86% were affordable housing products aimed at low-income Londoners.

We aim to make best use of the funds and assets available in order to provide more housing. Where we invest in assets outside of our core social housing homes, we are careful to make sure that they make a good return and do not pose a risk to our core homes. Surpluses from sales and market rent as well as from student accommodation are used to support future growth in affordable housing; we believe that increasing our market rent portfolio will directly support our social purpose as we concentrate on growth of those homes so that London has more quality and affordable rented stock for people who need it, especially the so-called "generation rent".

Table B - Return on capital employed

	2016			2015		
	Operating surplus £'m	Capital deployed £'m	2016 return %	Operating surplus £'m	Capital deployed £'m	2015 return %
Rented housing	51.5	2,218.3	2.3%	31.4	2,098.9	1.5%
Shared ownership	12.5	482.6	2.6%	11.1	470.3	2.4%
Market rent	8.7	218.0	4.0%	6.9	198.2	3.5%
Student housing	2.7	59.5	4.5%	3.1	59.6	5.2%

The returns on all businesses have increased from previous years with the exception of student housing.

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

This year we have sold 11 homes as part of our active asset management strategy. These sales generated proceeds of £3.4m to which we added £24.3m from other sources to spend £27.7m on the purchase of 107 affordable rent homes. Cumulatively we have sold 57 homes and purchased 365, a net gain of 308 homes. In the next two years, we plan to deliver a further 200 largely family-sized homes in London. The new homes will give a significantly better return than the 35 existing properties that we expect to sell in 2016/17.

We have developed a sustainable retrofit strategy which aims to improve the minimum energy efficiency of our stock. We are:

- Upgrading all properties to a minimum energy rating of SAP 39
- Incorporating loft insulation top-ups into void works and communal upgrade programmes
- Proactively upgrading older boilers to more energy efficient models and installing modern heating controls
- Replacing single glazed windows with double glazing in non-conservation areas and seeking a cost-effective solution to improve single glazed windows in conservation areas

VFM achievements – service costs

We welcome the HCA's revised approach to regulating on VFM and will use their analysis to reinforce understanding of our unit costs and how they compare to others. The following analysis relates to our rented social housing and costs. Previous year figures have been restated to bring them in line with FRS102.

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

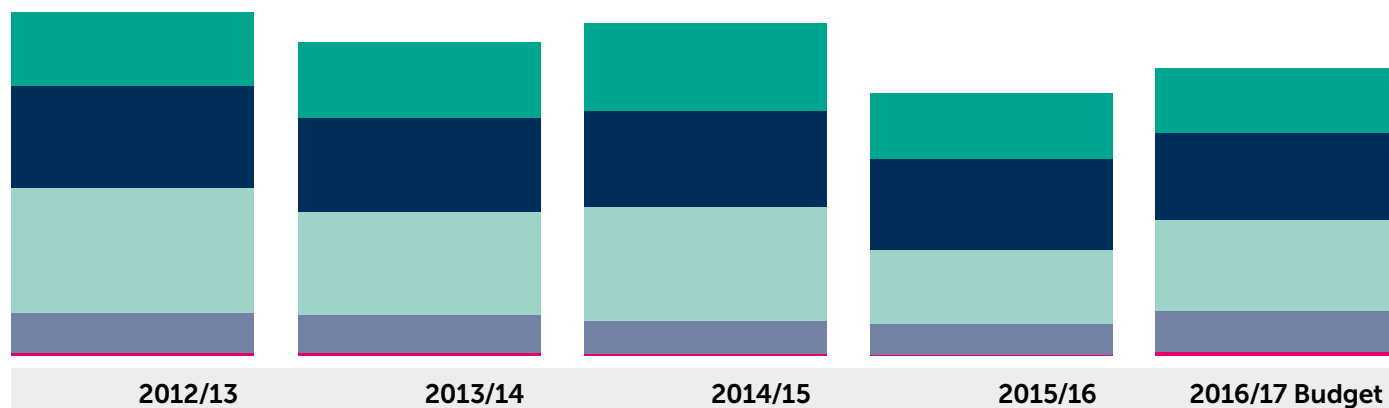
We use Housemark to analyse our performance relative to peers in the Group of 15 large London providers of social housing (G15). We also track our unit costs using published accounts. Key results are shown in Table C.

Table C - VFM table for service costs

	NHHT 2016	NHHT 2015	G15 2015 average	G15 peer group 2015 ranking	Housemark 2015 ranking
Total operating cost per home	£4,534	£5,226	£3,703	14	-
Maintenance cost per home – including capitalised repairs	£2,405	£3,294	£2,509	11	-
Management cost per home	£839	£820	£995	6	3
Service cost per home	£317	£420	£434	8	-
Overheads as % of income	7.6%	6.5%	-	-	1
Overheads per home	£505	£459	-	-	-
Current rent arrears	5.7%	5.18%	-	-	-
Cash collection %	100.3%	100.50%	-	-	-
Bad debts per home	£29	£36	£43	10	-
Spend per home on new supply	£6,728	£6,483	-	-	-
Total debt per home owned	£47,746	£47,792	-	-	-
Capital commitment % of fixed assets	13.1%	14.1%	-	-	-

Table D - Trend on operating costs per home

Cost per home (£)	2012/13	2013/14	2014/15	2015/16	2016/17 Budget
Management	902	933	820	839	809
Routine maintenance	1,268	1,174	1,142	1,103	1,098
Major repairs	1,577	1,291	1,515	921	1,142
Planned maintenance	508	491	637	381	514
Bad debts	51	50	36	29	71
Total cost including capitalised repair	4,306	3,939	4,150	3,273	3,634



In response to the threats to our income streams from welfare reform, we have put a great deal of emphasis on cash collection.

Total operating cost per home reduced by £692, more than reversing the increase of last year. There were reductions on most categories of spend, as anticipated in the budget for this year.

Maintenance costs showed the largest reductions. When capitalised repairs are included there is a fall from last year of £889. This is partly because of the new repairs contracts and contract management arrangements. It also benefited from lower activity in the earlier part of the year when we delayed placing orders for new work as we were implementing tighter controls, including a new electronic purchase order system.

Some of our costs remained high relative to our peers in the 2015 comparison, but the reductions in 2016 should have brought improvements in our ranking relative to peers. The budget for 2016/17 shows some increases on planned maintenance and major repairs from the very low level in the current year, but the overall trend continues downward. Our costs are also higher than others' due to the nature of our stock. About 50% of our stock is in flat conversions within older properties (mostly Victorian) and this presents particular maintenance and asset management challenges.

Overhead costs increased this year. This was mainly caused by reclassification of costs following the creation of a new central team covering performance, resident involvement, policy and compliance. These costs were previously borne by businesses directly rather than treated as an overhead. We continue to have the lowest overhead cost of all members of the G15.

Table C shows operating costs per unit in total. We also track operating cost excluding service costs and depreciation but including capitalised repairs, which is shown in table D. The downward trend on operating costs excluding service costs and depreciation but including capitalised repairs was restored this year and our budget shows further reductions, with the exception of major repairs costs which, as already explained, were exceptionally low this year; planned maintenance where there is an element of catching up on the programme; and bad debts, which includes some prudence to allow for the impact of welfare reform.

The other businesses within the group compete in the wider market, so we control costs by setting financial performance targets rather than benchmarking. VFM is essential for them to compete in their respective markets.

Notting Hill Housing made contributions of £2.1m in 2015/16 in respect of its liabilities for past service deficits in the Social Housing Pension Scheme. These liabilities have been limited by closing the scheme to future accrual of benefits and will not be included in cost per unit in future years.

We have continued to be effective at treasury management. Although bond yields have continued to fall across the market in 2015/16, our last issue in February 2014 remains the lowest spread issued by any own-name bond. We have concentrated on reducing the carry costs associated with undrawn loan facilities by cancelling some high margin facilities and have arranged new debt from Affordable Housing Finance with a margin well below the rates being quoted by market advisors for similar term bond or bank facilities. We actively raise charitable donations, which are used to fund welfare for tenants in most need and other initiatives such as our Construction Training Initiative. We have a programme of recruiting and training volunteers, which helps support service delivery and assists the volunteers into paid work.

By ensuring that money is spent effectively, we maximise surpluses, which are used to build more affordable homes in London.

VFM plans

Operating costs are projected to fall in the coming year. Our business plans include unit cost reduction targets of 16% over the five years to 2021 in order to compensate for the annual loss of £20m in our rental income as a result of the cuts in social rent announced in the Government's summer budget. The downward trend on historic costs shows that our devolved approach to cost reduction, which tasks individual businesses with delivering efficiency improvements, is working well and we will use this approach to deliver the planned savings rather than a centrally driven cost-reduction campaign. This also means that we do not have a separate VFM plan as improvements are embedded in the plan for each business area.

One of the main challenges to achieving our objectives is welfare reform. We feel that our Altogether Better approach to housing management which emphasises a one-to-one relationship between the tenant and the housing officer will help deal with the changes in a way that best protects us all. We have invested in preparing both staff and customers for the changes. We will focus teams on income collection and helping customers to stay in credit or get out of debt as quickly as possible. We are closely monitoring the impact of welfare reforms and have found them to be less than we had anticipated. Indeed, our arrears have fallen over the year.

Procurement has in the past been carried out within each business unit. Our new central procurement team is adding expertise and improved processes for purchasing goods and services. In the last 12 months they have helped deliver £1.5m in benefits. Procurement consultancy budgets will be centralised in future in order to make the procurement process more effective and deliver further savings.

We will improve VFM in our repairs and maintenance services following the implementation of the new framework and associated internal restructure, which brought together the delivery and management of our repairs and planned maintenance contractors. The new contract management structure has unified our technical professionals and created a centre of excellence that will be responsible for performance and will drive service improvement. This solution will promote successful partnership working and we will be exploring options to move to a joint legal entity to achieve more savings.

Data to back up our asset management activities has been significantly improved and we intend to continue this and use our electronic purchase order system to reinforce control of this major area of expenditure. We are also carrying out whole-life costing reviews to inform decisions on whether to replace or repair and to reduce the maintenance cost of components in our new developments.

Several of our Transformation projects will improve efficiency and support the delivery of services, especially digital solutions for customers and staff. These include a New Ways of Working project using mobile working, which includes an enhanced telephony solution to help us work together more efficiently and optimise office space.

We have introduced a new subsidiary which will use gift aid from surplus-generating subsidiaries to acquire and develop homes without grant, giving greater freedom over levels of rent and how we use our assets to meet housing needs.

We will use our staff and resident VFM groups to help identify and deliver further savings and reinforce the VFM culture.

Assurance gained by Board that Notting Hill Housing achieves VFM

The Board contains executive members as well as non-executive members who have expertise in finance, development and customer service. It considers performance reports and management accounts quarterly. The Board also approves strategies, which impact on VFM. Risk identification and control, including financial risks, is also a major consideration, including stress-testing of financial plans to assess the impact of significant changes in interest rates or the housing market.

There are regular Board working away-days at which VFM matters are considered and there are presentations to help familiarise members with the financial and VFM aspects of the business. The Board provides significant challenge to the VFM performance and plans of the executive team, particularly in better understanding drivers of the relatively high operating cost per home.

The work of the Board is supported by the five functional committees which all consider and influence relevant aspects of VFM. The five resident Local Scrutiny Panels provide challenge which is closer to the customer. Although less strategic, this challenge is very important to influencing how we achieve VFM on a day-to-day basis.

Further information

Stakeholders can find more information on VFM at Notting Hill Housing on our website, www.nottinghillhousing.org.uk. 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 registered provider of social housing (RPSH) and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RPSH will continue in business.

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

The Board is responsible for ensuring that the strategic report includes a fair review of the development and performance of the business and the position

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

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

Internal control

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

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

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

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

Identification and evaluation of key risks

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

facing the Group and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

Monitoring and corrective action

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

Control environment and control procedures

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

Information and financial reporting systems

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

Fraud

The Board has a policy on fraud covering prevention, detection and reporting of fraud and the recovery of assets. A register is maintained of any frauds or potential frauds. The Audit Committee reviews the fraud register at

each meeting and has taken the results of these reviews into account in its report to the Board.

Anti-bribery policy statement

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

Audit assurance

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

An audit plan was agreed by the Audit Committee for 2015/16 and was completed, including the one audit that was deferred in 2014/15. The internal auditors have direct access to the Audit Committee. The Audit Committee met five times during the financial year and considered internal control and risk at each of its meetings.

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

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

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

Risk and uncertainties

The Board has identified the following risks and uncertainties 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.
Government funding risk	Approximately 30% of the Group's income is dependent on Government support through housing benefit. Welfare reform changes in 2013 resulted in reductions in benefit paid to those who are regarded as under-occupying their homes. The total amount of benefit payable to out-of-work families is now limited to £500 per week (and expected to fall further) and in future housing benefit may not be payable directly to landlords.	We have assessed the occupancy of our homes and will make offers of smaller accommodation to at-risk households. We set rents for our new homes so they are likely to be affordable to those who find their total income capped. The effects of direct payment to residents are being assessed by the Government through a series of demonstration projects. We await the outcome and, if the effects on arrears are severe, we will lobby for changes that protect our position.
Health and safety	Given the death in 2008 of one of our residents from carbon monoxide poisoning, we remain concerned about health and safety.	The Group continues to monitor this area closely. All new schemes are fitted with carbon monoxide detectors and fire prevention measures are reviewed regularly.
Interest rates	At the year-end, the Group had £210m of variable rate borrowings, so each 1% increase in prevailing interest rates costs about £2.1m per annum. Of the Group's total debt, 81% is fixed, 16% is variable and 3% is inflation linked.	The Group has in place a treasury policy which sets out the limits of fixed, variable and inflation-linked debt as well as how to manage the exposure to other treasury risks. This is approved annually by the Board and is prepared jointly with our treasury advisors.
Regulatory risk	In July 2015, the Government announced that rents in the social sector would reduce by 1% per year each year for four years starting in April 2016. At this stage there is little visibility of plans post 2020.	We have increased our cost-per-unit reduction targets to 16% over the next five years.
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 reviews uncommitted development sites.

Investment for the future

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

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 £116.5m in undeveloped sites.

Financial review

Going concern

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

Accounting policy changes

During the year, the Group adopted the requirements of Financial Reporting Standard 102 (FRS102) and the Statement of Recommended Practice for Registered Social Housing Providers 2014 (SORP 2014). FRS102 and the SORP 2014 adoption are mandatory for registered providers of social housing for all financial periods commencing on or after 1 January 2015.

The main transition changes arising from adoption of FRS102 and SORP 2014 which affect the Group materially relate to:

- Adoption of fair value as deemed cost for the majority of housing properties
- Recognition of grant using the performance model for Government grant upon transition for those properties revalued to deemed cost
- Accounting for grant using the accrual model for all housing properties completed on or after 1 April 2014 and those properties not transitioned to deemed cost
- Treatment of movement in fair value in relation to investment properties
- Recognition of the liability for the contributions payable that arise from the contractual agreement between the Trust and the Social Housing Pension Scheme (SHPS) that set out how multi-employer pension deficits will be funded

The impact of these transition changes are fully disclosed in notes 38 and 39.

The Group also adopted the requirements of International Financial Reporting Standard 9 Financial Instruments (IFRS 9). The application of IFRS 9 means that the Group's interest rate swap transactions (which consist wholly of interest rate swaps and embedded instruments), must be held at market value, or at amortised cost on its balance sheet.

Full details of accounting policies are set out on pages 42 to 49.

Key estimates and judgements

The Group has elected to apportion 100% of the deemed cost valuation uplift to the land component. This is to reflect our valuer's view that due to the

location and condition of the Group's assets, a maximum of 85% of the value of our existing properties is attributable to the land. This is based on objective evidence to reflect land values appropriate for our portfolio.

The Group has recognised £13.9m of impairment in relation to one of our developments to reflect the cost of our contractual obligations with the local authority; £5.5m relates to costs incurred and £8.4m as a provision for future losses.

These accounting policy changes, together with some more minor changes, led to a significant restatement of the Group's opening reserves as follows:

	Group £m	Trust £m
Original opening reserves at 1 April 2015	596.5	417.1
Profit adjustments	(23.0)	15.2
IFRS 9 adjustments	(7.5)	(5.2)
Pension deficit funding arrangement	(29.5)	(29.6)
Deemed cost revaluation	693.8	587.3
Depreciation written back upon transition to deemed cost	(407.2)	(362.8)
Social housing grant recognition upon transition to deemed cost	1,207.0	1,022.4
Deferred tax liability recognised	(52.0)	-
Other	3.9	(15.0)
Restated reserves at 1 April 2015	1,982.0	1,629.4

Full explanations of these changes are set out in notes 38 and 39.

Ratings

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

S&P rates Notting Hill Housing Trust (NHHT) and Notting Hill Home Ownership (NHHO). NHHT was first rated by S&P in 2014 and NHHO in 2015. The rating is currently AA- (stable) and means that, in the opinion of S&P, NHHT's capacity to meet its financial commitments is very strong. This rating was revised on 4 July 2016 down from AA (negative) following S&P's downgrade on UK sovereign debt from AAA to AA (negative) published on 27 June 2016.

Moody's rates Notting Hill Housing Group and has since June 2010. The rating is currently A2 (negative) and was changed on 29 June 2016 following the downgrading of UK sovereign debt. Prior to that, the rating had been A2 (stable) throughout the financial year from 1 April 2015. This rating shows that, in the opinion of Moody's, the Group is subject to low credit risk.

Results

Five-year trends for the Group are set out on page 29. Turnover for 2015/16 (£415.4m) was higher than 2014/15 (£402.8m) due to property sales and shared ownership equity sales.

The surplus for the year at £125.4m after interest was above the approved budget of £105.4m and £10.3m greater than 2014/15 (£115.1m). The key reasons for this were as follows:

- The surplus from staircasing sales within our shared ownership business and additional property sales was £27.8m above budget
- Interest savings of £7.2m

Group reserves at the year-end amounted to £2,106.8m (2015: £1,982.0m). See statement of changes in reserve.

Capital structure and treasury policy

Borrowings at the year-end were £1,297.6m (2014: £1,252.4m) and undrawn facilities were an additional £390.7m (2014: £475.3m). This debt is borrowed from banks and building societies in the UK as well as from the capital markets through bond issuance and international investment.

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

Table E - Interest rate strategy

	Target			Actual
	Lower	Central	Upper	Position
Floating	0%	15%	40%	16%
Inflation linked	0%	15%	25%	3%
Fixed	40%	75%	95%	81%

The above interest rate targets were set by the Board following the issue of the NHH bond in early 2014. The intention is to reduce the proportion of debt that is on a fixed-rate basis and duration within these targets.

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

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

Table F - Debt maturity

Maturity	Group £m	Trust £m
0-1 years	4.4	3.4
1-2 years	52.2	50.5
2-5 years	59.7	41.7
5-10 years	46.3	14.8
10-20 years	518.9	351.7
20-30 years	366.9	335.5
30-40 years	249.2	249.1
Total	1,297.6	1,046.7

The Group has entered into interest rate swaps with a gross notional value at 31 March 2016 of £360.8m (2015: £340.1m). The Group's policy in relation to cash surpluses is to preserve capital. Cash surpluses are thus invested in money market funds rated AAAmf and approved UK institutions rated ukA1 by Standard and Poor's.

Under the terms of its interest rate swap agreements, the Group can be required to put up cash or property as security for future payments. The

amount of security is assessed by the counterparty banks on a regular basis (weekly or monthly, according to the bank).

The maximum amount of cash and properties pledged as security for interest rate swap transactions during the financial year was £6.2m (2015: £14.4m) and the amount at 31 March 2016 was nil (2015: £6.2m). The Group generally borrows and lends only in sterling and so does not have any currency risk. Where it borrows in a foreign currency, all associated cash flows are hedged to remove currency risk. All loans at 31 March 2016 with the exception of a £28m unsecured loan in NHHO are secured by first fixed charges over housing properties. The Trust and NHHO have a policy of not granting floating charges, although this policy does not extend to subsidiaries.

Housing properties

Housing properties are held at either cost or deemed cost in the balance sheet. At 31 March 2016, the Board was of the opinion that the value of the completed housing properties owned by the Group compared with their cost is as detailed in table G.

Table G - Property valuation

	Rented social housing £m	Shared ownership housing £m*	Market Rent	Total £m
Cost (excluding depreciation and social housing grant)	2,306.1	500.3	161.5	2,967.9
Net book value	2,257.6	494.8	220.9	2,973.3
Value				
- on a vacant possession basis	9,170.1	2,076.9	261.4	11,508.4
- on a market value subject to tenancy basis	4,469.1	598.4	220.9	5,288.4
- on an existing use for social housing basis	1,935.1	598.4	-	2,533.5

* Valuation of the shared ownership properties is based on the equity share retained by the Group, which typically represents 57% of the whole property, with the balance owned by the leaseholder.

Independent auditors and annual general meeting

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

- So far as each Board member is aware, there is no relevant information needed by the Trust's auditors in connection with preparing their report of which the Trust's auditors are unaware
- Each Board member has taken all the steps that they ought to have taken as a Board member in order to make themselves aware of any relevant information needed by the Trust's auditors in connection with preparing their report and to establish that the Trust's auditors are aware of that information
- The Trust's auditor is automatically reappointed on an annual basis, and PricewaterhouseCoopers LLP has expressed willingness to continue in office

Statement of compliance

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

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

Kate Davies

Kate Davies
Chief Executive

Paul Phillips

Paul Phillips
Group Finance Director

Registered society number: 16558R
Registered provider number: L0035

Group highlights - five-year summary

For the year ended 31 March	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Group statement of comprehensive income					
Total turnover	415.4	402.8	299.1	340.4	216.0
Income from lettings	215.2	199.6	184.2	175.5	179.6
Depreciation & amortisation of housing properties	28.7	23.7	16.7	14.3	15.7
Operating surplus	142.7	143.9	86.8	87.6	47.7
Surplus after interest and tax	125.4	115.1	65.7	55.5	31.6
Surplus / (deficit) before housing sales	36.9	31.4	9.4	6.6	4.7
Group statement of financial position					
Tangible fixed assets, at cost	3,034.3	2,940.4	2,535.9	2,399.9	2,329.5
Net current assets	321.3	222.6	218.3	144.2	155.2
Indebtedness	1,297.6	1,252.4	1,206.6	997.6	1,008.6
Total reserves	2,106.8	1,982.0	468.2	343.2	284.4
Accommodation managed at year-end					
Rented social housing	17,246	16,860	16,437	15,600	15,926
Supported housing	1,443	1,537	1,453	1,415	1,348
Temporary housing	2,090	1,830	1,999	2,125	2,298
Student accommodation	839	839	839	839	839
Market rent accommodation	786	770	665	712	698
Total rented housing	22,404	21,836	21,393	20,691	21,109
Shared ownership housing	5,198	5,285	4,980	4,700	4,406
Leasehold in management	3,058	2,452	2,045	1,779	1,620
Total housing	30,660	29,573	28,418	27,170	27,135

For the year ended 31 March	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Statistics					
Surplus for the year as % of turnover	30%	28%	22%	16%	15%
Operating margin	34%	36%	29%	26%	22%
Operating margin – social housing lettings	35%	26%	27%	25%	24%
Surplus for the year as % of income from lettings	58%	58%	36%	32%	18%
Rent losses (voids and bad debts as % of rent & service charges receivable)	2%	1%	2%	2%	2%
Rent arrears (gross arrears as % of rent and service charges receivable)	7%	8%	9%	11%	11%
Gearing (total loans as % of housing properties at cost)	43%	43%	48%	42%	43%
Interest cover (surplus before interest payable, depreciation and amortisation of housing properties as % of interest payable)	410%	436%	311%	338%	243%
Adjusted EBITDA as a percentage of turnover	41%	42%	32%	27%	24%
Surplus from social housing lettings over interest paid	124%	97%	93%	142%	129%
Net debt as a percentage of all assets at market value	23%	25%	26%	24%	29%



The Boatyard,
Ealing, 2015

independent auditors' report to the members

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

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

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the Group's and of the Trust's affairs as at 31 March 2016 and of the Group's and the Trust's result and Group's cash flows for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 2015.

What we have audited

The financial statements comprise:

- the Group and Trust statements of financial position as at 31 March 2016;
- the Group and Trust statements of comprehensive income for the year then ended;
- the Group and Trust statements of changes in reserves for the year then ended;
- the Group statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Other matters on which we are required to report by exception

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

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

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

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Board

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

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

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

What an audit of financial statements involves

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

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

- the overall presentation of the financial statements.

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

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

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



Julian Rickett
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
21 July 2016

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

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



**Cheviot Gardens,
Lambeth, 2016**

financial statements

"We recorded a record surplus of £125.4m in 2015/16. This financial strength is crucial to the continued development of new affordable homes for Londoners, and reduces our reliance on Government subsidy."

Consolidated and Trust statement of comprehensive income for the year ended 31 March 2016

	Notes	Group		Trust	
		2016 £m	2015 £m	2016 £m	2015 £m
Turnover	2	415.4	402.8	215.1	192.5
Cost of sales	2	(86.1)	(89.0)	(6.0)	(0.5)
Operating costs	2	(186.6)	(169.9)	(158.9)	(147.6)
Operating surplus	2	142.7	143.9	50.2	44.4
Surplus / (deficit) on disposal of assets	4	26.2	27.4	2.7	(12.0)
Gift aid receivable		-	-	47.9	91.1
Surplus before interest		168.9	171.3	100.8	123.5
Interest receivable and similar income	5	2.1	2.2	16.8	13.2
Interest payable and similar charges	6	(45.9)	(47.5)	(44.8)	(43.2)
Gains in respect of financial derivatives	37	13.4	21.4	6.6	20.8
Losses in respect of financial derivatives	37	(14.8)	(29.8)	(2.5)	(20.2)
Disposals of financial derivatives	37	1.7	(0.3)	-	-
Surplus on ordinary activities before taxation	7	125.4	117.3	76.9	94.1
Deferred tax	8	-	(2.2)	-	-
Surplus for the financial year after taxation		125.4	115.1	76.9	94.1
Other comprehensive income					
Actuarial (deficit)		-	-	-	-
Cash flow hedges		(0.6)	(9.2)	(2.8)	(5.4)
Other comprehensive income total		(0.6)	(9.2)	(2.8)	(5.4)
Total comprehensive income for the year		124.8	105.9	74.1	88.7

The notes on pages 42 to 94 form part of these financial statements.

All amounts relate to continuing activities.

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 2014 (restated)	1,150.2	731.4	(6.9)	1,874.7	0.2
Surplus for the year	117.3	-	-	117.3	-
Transfers from revaluation reserves upon asset sale	10.1	(10.1)	-	-	-
Fair value measurement of derivatives	-	-	(9.2)	(9.2)	-
Actuarial pension movements	(0.1)	-	-	(0.1)	-
Deferred tax	(2.2)	1.9	(0.6)	(0.9)	-
Revised balance at 31 March 2015	1,275.3	723.2	(16.7)	1,981.8	0.2
Surplus for the year	125.4	-	-	125.4	-
Transfers from revaluation reserves upon asset sale	4.5	(4.5)	-	-	-
Fair value measurement of derivatives	-	-	(0.6)	(0.6)	-
Actuarial pension movements	0.1	-	-	0.1	-
Deferred tax	-	(0.6)	0.5	(0.1)	-
Balance at 31 March 2016	1,405.3	718.1	(16.8)	2,106.6	0.2

Trust	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total £m	Minority interest £m
Balance at 1 April 2014 (restated)	910.4	637.5	(7.1)	1,540.8	-
Surplus for the year	94.1	-	-	94.1	-
Fair value measurement of derivatives	-	-	(5.4)	(5.4)	-
Actuarial pension movements	(0.1)	-	-	(0.1)	-
Revised balance at 31 March 2015	1,004.4	637.5	(12.5)	1,629.4	-
Surplus for the year	76.9	-	-	76.9	-
Transfers from revaluation reserves upon asset sale	0.6	(0.6)	-	-	-
Fair value measurement of derivatives	-	-	(2.8)	(2.8)	-
Actual pension movements	0.1	-	-	0.1	-
Balance at 31 March 2016	1,082.0	636.9	(15.3)	1,703.6	-

Consolidated and Trust statement of financial position as at 31 March 2016

	Notes	Group		Trust	
		2016 £m	2015 (restated) £m	2016 £m	2015 (restated) £m
Tangible fixed assets					
Housing properties	9	3,034.3	2,940.4	2,317.9	2,224.7
Investment in properties	10	337.5	350.5	89.4	72.5
Other fixed assets	11	29.6	31.9	29.6	31.8
Total tangible fixed assets		3,401.4	3,322.8	2,436.9	2,329.0
Investments					
Homebuy	12	32.3	34.9	0.2	0.4
Investments in subsidiaries	14	-	-	151.6	92.2
Investment in joint ventures		24.9	2.4	-	-
		3,458.6	3,360.1	2,588.7	2,421.6
Current assets					
Properties in the course of sale	15	309.3	251.2	22.8	25.0
Debtors falling due within one year	16	31.2	20.7	252.7	259.4
Debtors falling due after one year	17	22.6	16.6	162.0	181.5
Current asset investment	18	0.7	1.7	0.7	0.1
Cash at bank and in hand		80.2	44.0	62.8	25.2
		444.0	334.2	501.0	491.2
Current liabilities					
Amounts falling due within one year	19	(122.7)	(111.6)	(124.4)	(140.3)
Net current assets		321.3	222.6	376.6	350.9
Total assets less current liabilities		3,779.9	3,582.7	2,965.3	2,772.5

	Notes	Group		Trust	
		2016 £m	2015 (restated) £m	2016 £m	2015 (restated) £m
Creditors					
Amounts falling due after more than one year	20	1,495.1	1,440.0	1,154.2	1,068.1
Pension deficit liability arrangement	28	25.6	19.0	25.6	19.0
Derivative financial instruments	37	88.1	85.8	71.9	54.3
Deferred tax	8	54.3	54.2	-	-
		1,663.1	1,599.0	1,251.7	1,141.4
Provisions for liabilities and charges	22	9.2	0.9	9.2	0.9
Pension deficit liability	28	0.8	0.8	0.8	0.8
Capital and reserves					
Share capital		-	-	-	-
General reserves		1,405.3	1,275.3	1,082.0	1,004.4
Revaluation reserves		718.1	723.2	636.9	637.5
Cash flow hedge reserve		(16.8)	(16.7)	(15.3)	(12.5)
		2,106.6	1,981.8	1,703.6	1,629.4
Minority interest		0.2	0.2	-	-
		2,106.8	1,982.0	1,703.6	1,629.4
		3,779.9	3,582.7	2,965.3	2,772.5

The notes on pages 42 to 94 form part of these financial statements. The financial statements on pages 36 to 94 were authorised and approved for issue by the Board on 20 July 2016 and signed on its behalf by

Paul Hodgkinson CBE
Chairman

Paul Phillips
Group Finance Director

Andrew Nankivell
Company Secretary

Consolidated statement of cash flows for the year ended 31 March 2016

	Notes	2016 £m	Group 2015 £m
Net cash inflow from operating activities	25	120.2	132.6
Returns on investments and servicing of finance			
Interest received		2.1	2.2
Interest paid		(62.3)	(55.4)
Net cash outflow from returns on investments and servicing of finance		(60.2)	(53.2)
Taxation			
Corporation tax		-	-
Capital expenditure			
Purchase and construction of housing properties		(169.4)	(243.0)
Sale of housing properties		119.8	72.9
Social housing grant received		6.2	31.0
Other grant received			
Purchase of other fixed assets		(4.2)	(3.4)
Investment in joint venture		(22.4)	(2.4)
Net cash outflow from capital expenditure		(70.0)	(144.9)
Decrease in cash on deposit		1.0	3.7

	Notes	2016 £m	Group 2015 £m
Financing			
Loans received		176.7	98.5
Loans repaid		(131.5)	(49.2)
Net cash inflow/ (outflow) from financing		45.2	49.3
Net decrease in cash and cash equivalents		36.2	(12.5)
Cash and cash equivalents at 1 April		44.0	56.5
Cash and cash equivalents at 31 March		80.2	44.0

The notes on pages 42 to 94 form part of these financial statements.



Lingham Place,
Havering, 2015

notes to the financial statements for the year ended 31 march 2016

"We invested £314m in new housing in 2015/16. Our development pipeline over the next five years will deliver around 7,000 properties within the Greater London area."

notes to the financial statements for the year ended 31 march 2016

1. Accounting policies

Statement of compliance

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

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

General information

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

Basis of accounting

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

the applicable accounting standards in the United Kingdom. The accounting policies have been consistently applied.

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

Basis of consolidation

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

Jointly controlled entities are accounted for using the equity method in the Group financial statements, which reflects the Group's share of the profit or loss, other comprehensive income and the equity of the jointly controlled entities. The Trust's interest in the St Martin's estates is accounted as a jointly controlled operation.

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

Turnover and revenue recognition

Rent	Revenue is measured at fair value of the consideration received or receivable and represents the amount receivable for the services rendered net of empty properties.
-------------	---

Service charge income	Fixed service charge income is recognised in the period to which it relates. Variable service charge income is recognised in the period the related cost is recognised.
First-tranche shared ownership property sales and properties developed for outright sale	Property sales income is recognised when the risks and rewards of ownership have passed to the buyer upon legal completion of the sales, except in circumstances where specific legal contractual terms dictate that risks and rewards of ownership pass at different times.
Revenue grants	Revenue grants are recognised when the performance-related conditions are met or when the grant proceeds are received or become receivable if no conditions are imposed.
Amortisation of Government grant	Grants provided to construct social housing assets are recognised on a systematic basis over the useful economic life of the asset for which the grant is intended to compensate.
Interest receivable	Interest income is recognised on a receivable basis.
Gift aid	Gift aid is recognised on a received or receivable basis.
Supported housing services	Where the Trust and the Group hold the support contract with the Supporting People Administering Authority and carry the financial risk, all the project's income and expenditure are included in the Trust's and the Group's statement of comprehensive income.

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, 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 before finance costs, support services costs, amortisation, exceptional items and taxation. Other information provided to them is measured in a manner consistent with that in the financial statements. See note 40.

Taxation

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

Deferred taxation

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

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period 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 accrued. 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 London Borough of Richmond Pension Fund (LBRPF).

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

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

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

Government grant

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

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

When a housing property is sold which was partly funded by social housing grant (SHG) the grant becomes repayable and is transferred to a Recycled Capital Grant Fund (RCGF) until it is either reinvested in a replacement property or repaid to the Homes and Communities Agency. Amortised grant liability is created by increasing the cost of sale of the asset, unamortised grant is transferred between deferred Government grant, and RCGF amortised grant is disclosed as a contingent liability in note 41.

Donated land

Land donated by local authorities and other Government sources for development purpose is added to cost 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 in the course of 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 depreciation and impairment (where applicable)).

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

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

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

Component	Useful economic life (years)
Land	Not depreciated
Structure	100
Roof	60
Heating	15
Windows	30

Electrical	30
Bathroom	30
Kitchen	20
Lift	40

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

Reinvestment expenditure 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 measured at cost.

Investment properties

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

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

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

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

Other fixed assets

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

- Other land and buildings
 - » Freehold offices and buildings – 50 years
 - » Leasehold offices and buildings – over the life of the lease
- Other tangible assets – two to five years

Property impairment

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

Revaluation reserve

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

Homebuy

Homebuy transactions are grants received from the Homes and Communities Agency and passed on to an eligible beneficiary. The Group has the benefit of a fixed charge on the property entitling the Group to a share of the proceeds on the sale of the property by the beneficiary. Homebuy loans have been classified as a financial asset and treated as a concessionary loan. Concessionary loans are carried in the statement of financial position at amortised cost less any impairment. The Government grants that fund these concessionary loans are recognised as liabilities under the performance method.

Provisions

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

Operating leases

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

Gift aid

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

Financial instruments

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

Interest rate swap financial instruments and hedging activities

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

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

The group designates interest rate swaps as:

- A hedge of the fair value of an asset or liability ('fair value hedge')

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

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective.

Gains or losses on fair value hedges that are regarded as highly effective are recorded in the statement of comprehensive income with the gain or loss on the hedged item attributable to the hedged risk.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in 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. The ineffective portions of the gain or loss on the hedging instrument are recognised in the statement of comprehensive income.

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

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

Financial assets

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

Cash and cash equivalents

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

Loans and receivables

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

Rental debtors

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

Financial liabilities

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

Fair value through the statement of comprehensive income

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

Other financial liabilities

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

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

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

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

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

Critical accounting judgements and estimation uncertainty

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

Critical accounting estimates and assumptions

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

Deemed cost valuation

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

Onerous contracts

The Group has recognised £13.9m of impairment in relation to one of our developments to reflect the cost of our contractual obligations with the contracting authority.

Housing property cost allocation

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

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

Group continuing activities Year ended 31 March 2016	Turnover £m	Cost of Sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	215.2	-	(140.3)	74.9
Other social housing activities				
Development services	0.1	-	(4.4)	(4.3)
Sales and marketing services	2.1	-	(3.6)	(1.5)
Neighbourhood activities	0.2	-	(0.4)	(0.2)
First-tranche shared ownership sales	75.8	(38.8)	-	37.0
Supporting people and care	7.2	-	(8.0)	(0.8)
Other income	4.8	-	-	4.8
Past service deficit	-	-	(8.5)	(8.5)
	90.2	(38.8)	(24.9)	26.5
Activities other than social housing activities				
Properties for sale	72.6	(47.3)	-	25.3
Charitable fundraising activities	0.7	-	(0.2)	0.5
Commercial rent properties	4.3	-	(0.6)	3.7
Student accommodation	6.1	-	(3.4)	2.7
Market rent properties	12.0	-	(3.3)	8.7
Impairment	-	-	(13.9)	(13.9)
Fair value gains on investment properties	14.3	-	-	14.3
	110.0	(47.3)	(21.4)	41.3
Total	415.4	(86.1)	(186.6)	142.7

Group continuing activities Year ended 31 March 2015	Turnover £m	Cost of Sale £m	Operating costs £m	Operating surplus £m
Social housing lettings	199.6	-	(148.1)	51.5
Other social housing activities				
Development services	0.4	-	(2.6)	(2.2)
Sales and marketing services	5.7	-	(7.0)	(1.3)
Neighbourhood activities	0.5	-	(0.6)	(0.1)
First-tranche shared ownership sales	68.5	(39.7)	-	28.8
Supporting people and care	8.2	-	(9.1)	(0.9)
Other income	4.9	-	-	4.9
Past service deficit	-	-	-	-
	88.2	(39.7)	(19.3)	29.2
Activities other than social housing activities				
Properties for sale	76.8	(49.3)	-	27.5
Charitable fundraising activities	0.3	-	(0.2)	0.1
Commercial rent properties	5.2	-	(0.7)	4.5
Student accommodation	5.7	-	(2.6)	3.1
Market rent properties	10.3	-	(3.4)	6.9
Impairment writeback	-	-	4.4	4.4
Fair value gains on investment properties	16.7	-	-	16.7
	115.0	(49.3)	(2.5)	63.2
Total	402.8	(89.0)	(169.9)	143.9

Note 2 – turnover, cost of sales, operating costs and operating surplus continued

Trust continuing activities Year ended 31 March 2016	Turnover £m	Cost of Sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	184.3	-	(122.2)	62.1
Other social housing activities				
Development services	6.0	(6.0)	(2.5)	(2.5)
Neighbourhood activities	0.2	-	(0.4)	(0.2)
First-tranche shared ownership sales	-	-	-	-
Supporting people and care	7.2	-	(8.0)	(0.8)
Other income	1.0	-	-	1.0
Past service deficit	-	-	(8.5)	(8.5)
	14.4	(6.0)	(19.4)	(11.0)
Activities other than social housing activities				
Commercial rent properties	3.7	-	(2.4)	1.3
Charitable fundraising activities	0.7	-	(0.2)	0.5
Market rent properties	2.5	-	(0.8)	1.7
Impairment	-	-	(13.9)	(13.9)
Fair value gains on investment	9.5	-	-	9.5
	16.4	-	(17.3)	(0.9)
Total	215.1	(6.0)	(158.9)	50.2

Trust continuing activities Year ended 31 March 2015	Turnover £m	Cost of Sale £m	Operating costs £m	Operating surplus £m
Social housing lettings	171.6	-	(131.3)	40.3
Other social housing activities				
Development services	0.5	(0.5)	(1.6)	(1.6)
Neighbourhood activities	0.5	-	(0.6)	(0.1)
First-tranche shared ownership sales	-	-	-	-
Supporting people and care	8.2	-	(9.1)	(0.9)
Other income	1.5	-	-	1.5
	10.7	(0.5)	(11.3)	(1.1)
Activities other than social housing activities				
Commercial rent properties	3.6	-	(2.3)	1.3
Charitable fundraising activities	0.3	-	(0.2)	0.1
Market rent properties	6.3	-	(1.9)	4.4
Impairment writeback	-	-	5.3	5.3
Fair value gains on investment	-	-	(5.9)	(5.9)
	10.2	-	(5.0)	5.2
Total	192.5	(0.5)	(147.6)	44.4

Note 3 – income and expenditure from social housing lettings

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

Note 3 – income and expenditure from social housing lettings continued

Group Year ended 31 March 2015	Rented social housing £m	Shared ownership £m	Temporary housing £m	Supported housing £m	2015 Total £m
Income					
Rent receivable	112.7	19.9	33.4	12.0	178.0
Service charges receivable	5.3	8.2	-	5.7	19.2
Net rents receivable	118.0	28.1	33.4	17.7	197.2
Amortised Government grants	0.2	0.1	-	0.1	0.4
Other grants	0.2	-	1.3	0.5	2.0
Total income from social housing lettings	118.4	28.2	34.7	18.3	199.6
Expenditure					
Management	(13.6)	(5.6)	(5.6)	(5.1)	(29.9)
Service charges	(7.0)	(8.2)	(0.1)	(2.4)	(17.7)
Routine maintenance	(19.0)	(0.4)	(1.3)	(1.7)	(22.4)
Planned maintenance	(10.6)	-	-	(1.1)	(11.7)
Major repairs expenditure	(17.6)	-	-	(1.5)	(19.1)
Bad debts	(0.6)	-	0.4	(0.3)	(0.5)
Lease charges	-	-	(23.1)	-	(23.1)
Depreciation of housing properties	(18.5)	(2.9)	(0.1)	(2.2)	(23.7)
Operating costs on social housing lettings	(86.9)	(17.1)	(29.8)	(14.3)	(148.1)
Operating surplus on social housing lettings	31.5	11.1	4.9	4.0	51.5
Void losses	1.2	-	0.3	0.7	2.2

Note 3 – income and expenditure from social housing lettings continued

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

Note 3 – income and expenditure from social housing lettings continued

Trust Year ended 31 March 2015	Rented social housing £m	Temporary housing £m	Supported housing £m	2015 Total £m
Income				
Rent receivable	112.4	33.4	8.7	154.5
Service charges receivable	5.6	-	5.8	11.4
Net rents receivable	118.0	33.4	14.5	165.9
Amortised grants	0.2	-	0.1	0.3
Other grants	0.2	1.3	3.9	5.4
Turnover from social housing lettings	118.4	34.7	18.5	171.6
Expenditure				
Management	(13.7)	(5.6)	(5.0)	(24.3)
Service charges	(7.3)	(0.1)	(2.5)	(9.9)
Routine maintenance	(19.0)	(1.2)	(1.7)	(21.9)
Planned maintenance	(10.6)	-	(1.1)	(11.7)
Major repairs expenditure	(17.6)	-	(1.5)	(19.1)
Bad debts	(0.7)	0.4	(0.2)	(0.5)
Lease charges	-	(23.1)	-	(23.1)
Depreciation of housing properties	(18.5)	(0.1)	(2.2)	(20.8)
Operating costs on social housing lettings	(87.4)	(29.7)	(14.2)	(131.3)
Operating surplus on social housing lettings	31.0	5.0	4.3	40.3
Void losses	1.1	0.3	0.7	2.1

Note 4 – surplus on sale of fixed assets

	Group						Trust					
	2016			2015			2016			2015		
	Shared ownership £m	Other £m	Total £m	Shared ownership £m	Other £m	Total £m	Shared ownership £m	Other £m	Total £m	Shared ownership £m	Other £m	Total £m
Disposal proceeds	60.5	59.3	119.8	51.2	88.9	140.1	0.2	4.9	5.1	-	85.2	85.2
Social housing grant	(11.0)	(0.2)	(11.2)	(10.9)	-	(10.9)	(0.3)	-	(0.3)	-	-	-
Carrying value of fixed assets	(30.2)	(52.2)	(82.4)	(26.0)	(75.8)	(101.8)	(0.1)	(2.0)	(2.1)	-	(97.2)	(97.2)
At 31 March	19.3	6.9	26.2	14.3	13.1	27.4	(0.2)	2.9	2.7	-	(12.0)	(12.0)

Note 5 – interest receivable and similar income

	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Bank deposits	0.2	0.2	0.2	0.2
Intercompany	-	-	14.7	11.1
Interest on financial assets held at amortised cost	0.2	0.2	14.9	11.3
Interest received on interest rate swaps	1.9	2.0	1.9	1.9
	2.1	2.2	16.8	13.2

Note 6 – interest payable and similar charges

	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Indexation on loans	0.1	-	0.1	-
Other loans	51.2	50.2	43.2	42.6
Interest on financial liabilities held at amortised cost	51.3	50.2	43.3	42.6
Interest paid on interest rate swaps	6.7	6.1	4.8	4.3
	58.0	56.3	48.1	46.9
Less: interest capitalised on developments	(12.1)	(8.8)	(3.3)	(3.7)
	45.9	47.5	44.8	43.2
Interest is capitalised at	4.13%	4.16%	4.60%	4.81%

Note 7 – surplus on ordinary activities before taxation

	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Surplus on ordinary activities before taxation is stated after charging:				
Depreciation on housing properties	28.7	23.7	25.3	20.8
Depreciation on other fixed assets	4.7	2.6	4.6	2.4
Impairment	(13.9)	4.4	(13.9)	5.3
Rent on temporary housing leases (Less than 28 days)	(23.8)	(23.1)	(23.8)	(23.1)
Auditors' remuneration	£'000	£'000	£'000	£'000
Audit services (excluding VAT)	129.8	119.5	84.6	70.2
Non-audit services (including VAT)	114.1	-	114.1	-

Note 8 - taxation

Current tax reconciliation	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Surplus on ordinary activities before tax	125.4	117.3	76.9	94.1
Theoretical tax at UK corporation tax rate 20% (2015: 21%)	25.1	24.6	15.4	19.8
Capitalised interest	-	(0.2)	-	-
Charitable activities	(24.7)	(20.8)	(15.4)	(19.8)
Utilisation of tax losses	1.1	0.5	-	-
Benefit of wear and tear allowances	(0.2)	(0.1)	-	-
Differences between accounting profit and capital disposals for tax purposes	-	0.4	-	-
Fixed asset differences	3.2	(1.7)	-	-
Expenses not deductible for tax purposes	-	(0.8)	-	-
Other permanent differences	0.2	-	-	-
Gift aid	-	-	-	-
Chargable gains	(3.6)	(1.4)	-	-
Deferred tax not recognised	1.0	-	-	-
Deferred tax charged to revaluation reserve	(0.6)	1.9	-	-
Effect of rate change on deferred tax	(1.5)	(0.2)	-	-
Total tax charge	-	2.2	-	-

Group	2016 £m	2015 £m
Deferred tax		
Balance at 1 April	54.2	53.3
Deferred tax charged in the comprehensive income	-	2.2
Deferred tax charged to revaluation reserve	0.6	(1.9)
Deferred tax	(0.5)	0.6
Balance at 31 March	54.3	54.2

Deferred tax in the Trust is nil.

Note 9 – fixed assets housing properties

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

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

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

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

Impairment

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

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

The Group assessed one development site as impaired due to the combination of the 1% rent reduction for four years plus rising construction costs. A total of £13.9m was recognised, £5.5m to write down costs incurred to date and £8.4m as a provision to meet future obligations.

Note 9 – fixed assets 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 2015 (restated)	2,161.9	209.1	472.9	122.0	2,965.9
Additions	-	92.4	-	59.7	152.1
Impairment	-	(5.5)	-	-	(5.5)
Works to existing properties	6.8	-	-	-	6.8
Properties completed	139.0	(139.0)	56.8	(56.8)	-
Disposals	(1.6)	-	(29.4)	-	(31.0)
At 31 March 2016	2,306.1	157.0	500.3	124.9	3,088.3
Depreciation					
At 1 April 2015 (restated)	22.9	-	2.6	-	25.5
Charge for the year	25.6	-	3.1	-	28.7
Disposals	-	-	(0.2)	-	(0.2)
At 31 March 2016	48.5	-	5.5	-	54.0
Net book value					
At 31 March 2016	2,257.6	157.0	494.8	124.9	3,034.3
At 31 March 2015	2,139.0	209.1	470.3	122.0	2,940.4
Historical cost at 31 March 2016	2,193.1	162.2	446.9	124.9	2,927.1
Historical cost at 1 April 2015	2,048.5	214.1	416.7	122.0	2,801.3

Note 9 – fixed assets housing properties continued

Trust	Completed properties £m	Housing properties in the course of development £m	Total £m
At 1 April 2015 (restated)	2,089.7	157.5	2,247.2
Additions	-	119.0	119.0
Works to existing properties	6.6	-	6.6
Impairment	-	(5.5)	(5.5)
Properties completed	139.0	(139.0)	-
Disposals	(1.6)	-	(1.6)
At 31 March 2016	2,233.7	132.0	2,365.7
Depreciation			
At 1 April 2015 (restated)	22.5	-	22.5
Charge for the year	25.3	-	25.3
Disposals	-	-	-
At 31 March 2016	47.8	-	47.8
Net book value			
At 31 March 2016	2,185.9	132.0	2,317.9
At 31 March 2015	2,067.2	157.5	2,224.7
Historical cost at 31 March 2016	2,138.5	132.1	2,270.6
Historical cost at 1 April 2015	1,994.0	157.8	2,151.8

Housing properties comprise	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Freeholds	2,932.9	2,839.0	2,277.0	2,183.8
Long leaseholds	101.1	101.1	40.6	40.6
Short leaseholds	0.3	0.3	0.3	0.3
	3,034.3	2,940.4	2,317.9	2,224.7

Additions to properties include	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Capitalised interest	12.1	8.8	3.3	3.7
Capitalised development salaries and overheads	5.6	5.2	1.9	2.4

Expenditure on works to existing properties	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Amounts capitalised	6.8	2.8	6.6	2.8
Amounts charged to income and expenditure account	9.6	19.1	9.6	19.1
	16.4	21.9	16.2	21.9

Note 10 – investment properties

The market rent properties were valued at 31 March 2016 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 2016.

Group	Completed market rent properties £m	Market rent properties in the course of development £m	Sub total £m	Completed commercial properties £m	Commercial properties in the course of development £m	Sub total £m	Total £m
Valuation at 1 April 2015	220.3	49.9	270.2	60.5	6.1	66.6	336.8
Prior-year adjustment*	(5.5)	-	(5.5)	-	-	-	(5.5)
Reclassification of other fixed assets	1.0	-	1.0	19.3	-	19.3	20.3
Reclassification of property, plant and equipment	(0.3)	-	(0.3)	-	-	-	(0.3)
Restated valuation at 1 April 2015	215.5	49.9	265.4	79.8	6.1	85.9	351.3
Transferred from office, land and building	-	-	-	1.7	-	1.7	1.7
Additions	0.1	17.1	17.2	0.8	-	0.8	18.0
Completed properties	-	-	-	2.5	(2.5)	-	-
Disposals	-	-	-	(48.7)	-	(48.7)	(48.7)
Revaluation of property	5.7	-	5.7	10.5	-	10.5	16.2
At 31 March 2016	221.3	67.0	288.3	46.6	3.6	50.2	338.5
Impairment							
At 1 April 2015	0.7	-	0.7	0.4	-	0.4	1.1
Reclassification	(0.3)	-	(0.3)	-	-	-	(0.3)
At 31 March 2015	0.4	-	0.4	0.4	-	0.4	0.8
Provision for impairment	-	-	-	0.2	-	0.2	0.2
At 31 March 2016	0.4	-	0.4	0.6	-	0.6	1.0
Net book value							
At 31 March 2016	220.9	67.0	287.9	46.0	3.6	49.6	337.5
At 31 March 2015	215.1	49.9	265.0	79.4	6.1	85.5	350.5

* Refer to note 38 for details of prior-year adjustment.

Note 10 – investment properties continued

Trust	Completed market rent properties £m	Market rent properties in the course of development £m	Sub total £m	Completed commercial properties £m	Commercial properties in the course of development £m	Sub total £m	Total £m
Valuation at 1 April 2015	45.3	5.1	50.4	20.9	1.6	22.5	72.9
Transferred from office, land and building	-	-	-	1.7	-	1.7	1.7
Additions	0.5	2.4	2.9	-	-	-	2.9
Completed properties	-	-	-	1.6	(1.6)	-	-
Revaluation of property	3.4	-	3.4	8.9	-	8.9	12.3
At 31 March 2016	49.2	7.5	56.7	33.1	-	33.1	89.8
Impairment							
At 1 April 2015	-	-	-	0.4	-	0.4	0.4
Provision for impairment	-	-	-	-	-	-	-
At 31 March 2016	-	-	-	0.4	-	0.4	0.4
Net book value							
At 31 March 2016	49.2	7.5	56.7	32.7	-	32.7	89.4
At 31 March 2015	45.3	5.1	50.4	20.5	1.6	22.1	72.5

Note 11 – other fixed assets

Group	Other land and buildings £m	Other tangible fixed assets £m	Total assets £m
Cost			
At 1 April 2015	32.6	19.5	52.1
Additions	1.4	2.7	4.1
Transferred to investment properties	(1.7)	-	(1.7)
At 31 March 2016	32.3	22.2	54.5
Accumulated depreciation			
At 1 April 2015	4.1	16.1	20.2
Charge for the year	3.0	1.7	4.7
Disposals	-	-	-
At 31 March 2016	7.1	17.8	24.9
Net book value			
At 31 March 2016	25.2	4.4	29.6
At 31 March 2015	28.5	3.4	31.9

Trust	Other land and buildings £m	Other tangible fixed assets £m	Total assets £m
Cost			
At 1 April 2015	32.6	18.0	50.6
Additions	1.4	2.7	4.1
Transferred to investment properties	(1.7)	-	(1.7)
At 31 March 2016	32.3	20.7	53.0
Accumulated depreciation			
At 1 April 2015	4.1	14.7	18.8
Charge for the year	3.0	1.6	4.6
Disposals	-	-	-
At 31 March 2016	7.1	16.3	23.4
Net book value			
At 31 March 2016	25.2	4.4	29.6
At 31 March 2015	28.5	3.3	31.8

Group other land and building	2016 total £m	2015 total £m
Freehold	25.2	28.3
Short leasehold	-	0.2
Total	25.2	28.5

Trust other land and building	2016 total £m	2015 total £m
Freehold	25.2	28.3
Short leasehold	-	0.2
Total	25.2	28.5

Note 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 2015	34.5	0.4	34.9
Paid in year	(2.4)	-	(2.4)
Written off in the year	-	(0.2)	(0.2)
At 31 March 2016	32.1	0.2	32.3

Trust	Temporary housing cost of lease £m
At 1 April 2015	0.4
Written off in the year	(0.2)
At 31 March 2016	0.2

Note 13 – number of dwellings under development and in management

	Group		Trust	
	2016	2015	2016	2015
In the approved development programme				
Commercial property	61	56	1	2
General needs housing	2,258	2,445	2,258	2,287
Shared ownership housing	2,895	2,545	-	-
Outright sales	2,913	2,553	-	414
Market rent	667	709	-	42
	8,794	8,308	2,259	2,745
General needs housing includes affordable housing units	1,697	1,809	1,697	1,809
The development programme includes units on site	2,262	2,488	-	-
In management at the end of the year				
General needs housing	17,246	16,860	17,205	16,827
Shared ownership housing	5,198	5,285	97	118
Temporary housing	2,090	1,830	2,084	1,830
Market rent accommodation	786	770	354	467
Student accommodation	839	839	-	-
Supported housing and housing for older people	1,443	1,537	1,443	1,537
Leasehold in management	3,058	2,452	462	439
	30,660	29,573	21,645	21,218
General needs housing includes affordable housing units	2,211	1,554	2,211	1,554
Owned but not managed				
General needs rented housing	424	426	424	426
Supported housing and housing for older people	487	478	487	478
Leasehold in management	81	132	-	60
Market rent accommodation	2	2	-	-
Shared ownership housing	81	2	-	-
	1,075	1,040	911	964

Note 14 – investments in subsidiaries

	Trust	
	2016	2015
Cost		
At 1 April	92.2	57.7
Additions	59.4	43.1
Disinvestment in subsidiary	-	(8.6)
At 31 March 2016	151.6	92.2
Impairment		
At 1 April	-	8.6
Provision for impairment	-	-
Disinvestment in subsidiary	-	(8.6)
At 31 March 2016	-	-
Net book value		
At 31 March 2016	151.6	92.2
At 31 March 2015	92.2	49.1

As required by statute, the financial statements consolidate the results of Notting Hill Housing Trust and its subsidiaries at 31 March 2016 (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, Notting Hill Market Rent Limited and Presentation Market Rent Limited and charged them £5.6m (2015: £4.2m). The Board believe that the carrying value of the investment is supported by their underlying net assets.

Note 15 – properties in the course of sale

	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Properties under construction				
First tranche	52.9	58.1	5.4	9.6
Outright sales	73.9	59.9	-	0.2
Completed properties				
First tranche	10.5	4.4	-	0.1
Outright sales	77.2	12.3	-	-
Landbank	94.8	116.5	17.4	15.1
	309.3	251.2	22.8	25.0

Note 16 – debtors falling due within one year

	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Rental debtors	16.2	15.4	13.3	12.7
Less provision	(9.6)	(8.8)	(8.6)	(8.2)
	6.6	6.6	4.7	4.5
Trade debtors	1.5	0.8	0.2	0.2
Social housing grant receivable	0.7	1.2	0.4	0.8
Amounts receivable from local authorities	1.8	1.7	1.8	0.8
Amounts owed by subsidiary undertakings	-	-	73.4	127.8
Value added tax receivable	3.2	4.2	-	-
Stock transfer (see note 19)	2.0	2.0	2.0	2.0
Other debtors	7.1	1.8	4.5	1.2
Prepayments and accrued income	8.3	2.4	1.7	1.4
Intercompany short-term investments	-	-	164.0	120.7
	31.2	20.7	252.7	259.4

Note 18 – current asset investments

	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Short-term deposit	0.7	1.7	0.7	0.1
	0.7	1.7	0.7	0.1

Note 17 – debtors due after more than one year

	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Other long-term debtors	2.4	2.5	0.8	1.0
Derivative instrument asset	20.2	14.1	22.5	15.9
Intercompany long-term investments	-	-	138.7	164.6
	22.6	16.6	162.0	181.5

Note 19 - creditors: amounts falling due within one year

	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Housing loans (note 21)	4.4	5.0	3.4	3.8
Trade creditors	9.1	9.1	3.3	7.3
Amounts owed to Group undertakings	-	-	58.0	69.4
Other taxes and social security	1.0	1.0	1.0	1.0
Stock transfer (see note below)	2.0	2.0	2.0	2.0
Government grant	1.2	0.9	1.1	0.8
Other creditors	32.4	36.1	21.6	26.7
Accruals and deferred income	72.6	57.5	34.0	29.3
	122.7	111.6	124.4	140.3

Stock transfer balances relate to a works programme to be undertaken on the Bolney Meadow estate in the London Borough of Lambeth. The amount stated represents the Group's prepayment for assets for which it has a legally binding obligation to the London Borough of Lambeth to undertake the works under the refurbishment contract. The VAT saving under this agreement will be shared between the Group and the local authority.

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

	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Housing loans (note 21)	1,293.2	1,247.4	1,043.3	979.9
Recycled capital grant fund	44.6	47.2	0.2	0.6
Disposal proceeds fund	2.1	2.1	2.1	2.1
Barnet surplus and deficit agreement (see note below)	1.8	1.5	1.8	1.5
Deferred Government grant	118.4	104.3	103.8	81.0
Homebuy grant	32.3	34.9	0.2	0.4
Other long-term creditor	2.7	2.6	2.8	2.6
	1,495.1	1,440.0	1,154.2	1,068.1

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

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

Deferred Government grant	Group			Trust			Group 2016 Homebuy	Homebuy grants receivable £m	Temporary housing grant receivable £m	Total £m
	Completed properties £m	Work in progress £m	Total £m	Completed properties £m	Work in progress £m	Total £m				
Opening balance at 1 April 2015	19.7	85.5	105.2	15.6	66.2	81.8	At 1 April	(34.5)	(0.4)	(34.9)
Grants received during year	-	12.1	12.1	-	9.4	9.4	Repaid in year	2.4	-	2.4
Transferred to completed schemes	48.1	(48.1)	-	48.2	(48.2)	-	Written back in year	-	0.2	0.2
Transfer from RCGF	-	4.7	4.7	-	4.0	4.0	At 31 March 2016	(32.1)	(0.2)	(32.3)
Recycled on disposal	(0.7)	-	(0.7)	-	(0.3)	(0.3)				
Amortisation	(0.9)	-	(0.9)	(0.8)	-	(0.8)				
Intercompany transfers	-	-	-	-	10.8	10.8				
Payable to Greater London Authority	-	(0.8)	(0.8)	-	-	-				
Balance at 31 March 2016	66.2	53.4	119.6	63.0	41.9	104.9				

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

Recycled Capital Grant Fund	Group	Trust
	Total £m	Total £m
At 1 April 2015	47.2	0.6
Grants recycled	11.2	0.3
Interest accrued	0.4	-
Used to finance new provision	(4.8)	(0.7)
Payable to Greater London Authority	(11.9)	-
Homebuy redemption	2.5	-
At 31 March 2016	44.6	0.2

Disposals proceeds fund	Group	Trust
	Total £m	Total £m
At 1 April 2015	2.1	2.1
Grants recycled	0.2	0.2
Used to finance new provision	(0.2)	(0.2)
At 31 March 2016	2.1	2.1

At the end of 31 March 2016, £1.3m (2015: £1.8m) of grants were due for repayment to the Greater London Authority.

Note 21 – loans

	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Secured loans	476.9	431.6	226.0	162.9
Public bonds	800.0	800.0	800.0	800.0
Non-recourse secured bank loans	20.7	20.8	20.7	20.8
Housing loans	1,297.6	1,252.4	1,046.7	983.7
Analysis of loan repayments				
Repayable on maturity				
- in less than five years	25.0	25.0	25.0	25.0
- in five years or more	815.0	815.0	815.0	815.0
Repayable by annual instalments				
- within one year or on demand	4.4	5.0	3.4	3.8
- between one and two years	52.2	6.3	50.5	3.7
- within two to five years	34.7	79.6	16.7	58.2
- in five years or more	366.3	321.5	136.1	78.0
	1,297.6	1,252.4	1,046.7	983.7

Public secured bonds

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

Secured loans

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

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

Non-recourse secured loans

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

Unsecured loans

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

Public secured bonds and secured loans are secured by fixed charges on individual properties. The number of charged properties for the Group is 16,108 with a value on a Market Value-Tenanted (MV-T) basis of £2,932m; for the Trust it is 11,833 with a value on a MV-T basis of 2,855m (2015: Group is 16,522 and Trust is 11,789).

The Group has pledged as collateral against potential liabilities on free standing derivatives 371 properties with a value on a MV-T basis of £50.4m (2015: 309 properties with a value of £44.2 m) and for Trust 309 properties with a value on a MV-T basis of £44.2m (2015: 309 properties and a value of £38.9m).

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

At 31 March 2016 the Group had undrawn loan facilities of £390.7m (2014: £475.3m). Included within the undrawn loan facilities are £17.7m of undrawn loan facilities from the Homes and Communities Agency to be used for the construction of specific properties for private rental purposes.

The Group loan balance of £1,297.6m has been netted off by loan arrangement fees of £11.0m which are written off over the term of each loan.

The Trust loan amount of £1,046.7m (2015: £983.7m) has been netted off by loan arrangement fees of £7.8m which are written off over the term of each loan.

As at the year-end, £200m (2015: £248.1m) of the Group's variable debt had its interest rate hedged by stand-alone interest rate swaps. As at the year-end £66.2m (2015: £92m) of the Group's fixed debt had its interest rate hedged by stand-alone swaps. As at the year-end, ¥5bn (2015: ¥nil) of the Group's debt has been hedged into £28m (2015: £nil) 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 2016.

Note 22 – provisions for liabilities and charges

Group and Trust	Short-term leases total £m	Onerous contracts £m	Total £m
At 1 April 2015	0.9	-	0.9
Additional provisions	0.3	8.2	8.5
Increase in provision	(0.2)	-	(0.2)
At 31 March 2016	1.0	8.2	9.2

During the year £300,000 (2015: £200,000) was set aside for future repairs and £200,000 (2015: £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 £8.2m (2015: nil) was set aside to pay extra costs on a development scheme.

Note 23 – called-up share capital

	2016 £m	2015 £m
At 1 April	91	88
Issued during year	12	5
Redeemed during year	(11)	(2)
At 31 March	92	91

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

Note 24 – reserves

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

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

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

Minority interest is related to the Group's interest in Seward Street LLP.

Note 25 – reconciliation of operating surplus to net cash inflow from operating activities

	Group	
	2016 £m	2015 £m
Operating surplus	142.7	143.9
Fair value gains on investment properties	(14.3)	(16.7)
Depreciation	33.4	26.3
Impairment charge / (reversal)	13.9	(3.8)
Amortisation of loan set-up costs	-	0.6
(Increase) in properties and other assets in the course of sale	(58.1)	(17.4)
(Increase) in debtors	(10.5)	(5.7)
Increase / (decrease) in creditors	13.1	5.4
Net cash inflow from operating activities at 31 March	120.2	132.6

Note 26 – reconciliation of net cash flow to movement in net debt

	Group	
	2016 £m	2015 £m
Decrease / (increase) in cash	(36.2)	24.2
Cash flow from decrease/(increase) in liquid resources	1.0	3.7
Cash flow from increase in debt and lease finance	41.8	49.3
Non cashflow changes	3.4	(2.1)
Total changes in net debt for the year	10.0	75.1
Net debt at 1 April 2015	1,206.7	1,131.6
Net debt at 31 March 2016	1,216.7	1,206.7

Note 27 – analysis of debt

Group	1 April 2015 £m	Cash flow £m	Non cash £m	31 March 2016 £m
Cash at bank and in hand	44.0	36.2	-	80.2
Current asset investment	1.7	(1.0)	-	0.7
Loans				
Short-term loans	(5.0)	0.6	-	(4.4)
Long-term loans	(1,247.4)	(42.4)	(3.4)	(1,293.2)
Changes in net debt	(1,206.7)	(6.6)	(3.4)	(1,216.7)

Note 28 – pension obligations

With effect from 1 January 2014, all active membership of the defined benefit pension schemes was ceased with the exception of one employee who is a member of the London Borough of Richmond Pension Fund (LBRPF). On the same day the Trust ceased participation in the London Borough of Islington Pension Fund (LBIPF). LBIPF have since confirmed that the Trust's liability in respect of its deferred members and pensioners is fully funded and no further contributions are required. 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 LBRPF 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.

The Pensions Trust

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

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

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

Present values of liability

Reconciliation of opening and closing liability	Year ended	Year ended
	31 March 2016 (£000s)	31 March 2015 (£000s)
Liability at start of period	18,968	19,472
Unwinding of the discount factor (interest expense)	344	556
Deficit contribution paid	(2,075)	(1,995)
Remeasurements – impact of any change in assumptions	(165)	935
Remeasurements – amendments to the contribution schedule	8,583	-
Liability at end of period	25,655	18,968

Social Housing Pension Scheme (Group and Trust)

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

Deficit contributions

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020	(payable monthly and increasing by 4.7% each year on 1 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 1 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 1 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 1 April)

Note 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 and 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.

Present values of liability

Reconciliation of opening and closing liability	Year ended 31 March 2016 (£000s)	Year ended 31 March 2015 (£000s)
Liability at start of period	18,805	19,302
Unwinding of the discount factor (interest expense)	341	551
Deficit contribution paid	(2,055)	(1,976)
Remeasurements – impact of any change in assumptions	(162)	928
Remeasurements – amendments to the contribution schedule	8,520	-
Liability at end of period	25,449	18,805

Group Contributions to pension schemes	2016		2015	
	Rate	£m	Rate	£m
SHPS (defined benefit)	10.0%-10.4%	-	10.0%-10.4%	-
SHPS (defined contribution)	1.5%- 13.5%	1.6	1.5%- 13.5%	1.6
SHPS pension deficit	-	(0.1)	-	(0.2)
London Borough of Richmond	16.0%	-	16.0%	-
Defined contribution scheme	1.5%- 13.5%	0.4	1.5%- 13.5%	0.4
		1.9		1.8

Trust Contributions to pension schemes	2016		2015	
	Rate	£m	Rate	£m
SHPS (defined benefit)	10.0%-10.4%	-	10.0%-10.4%	-
SHPS (defined contribution)	1.5%- 13.5%	1.4	1.5%- 13.5%	1.4
SHPS pension deficit	-	(0.1)	-	(0.3)
London Borough of Richmond	16.0%	-	16.0%	-
Defined contribution scheme	1.5%- 13.5%	0.4	1.5%- 13.5%	0.3
		1.7		1.4

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:

Deficit contributions

From 1 April 2016 to 30 September 2025	£12,945,000 per annum	(payable monthly and increasing by 3% each year on 1 April)
From 1 April 2016 to 30 September 2028	£55,000 per annum	(payable monthly and increasing by 3% each year on 1 April)

Note 28 – pension obligations continued

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.

Present values of liability

Reconciliation of opening and closing liability	Year ended 31 March 2016 (£000s)	Year ended 31 March 2015 (£000s)
Liability at start of period	163	170
Unwinding of the discount factor (interest expense)	3	5
Deficit contribution paid	(20)	(19)
Remeasurements – impact of any change in assumptions	(3)	7
Remeasurements – amendments to the contribution schedule	63	-
Liability at end of period	206	163

London Borough of Richmond Pension Fund (LBRPF)

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

Group Year ended 31 March	2016 £000s	2015 £000s
Fair value of plan assets	2,721	2,769
Present value of funded retirement benefit obligations	(3,533)	(3,614)
Net liability	(812)	(845)

The cumulative actuarial (deficit) recognised in the statement of total recognised surpluses and deficits at 31 March 2016 was £16,000 (2015 (restated): £43,000). The credit/charge to the income and expenditure account was £6,000 (2015 (restated): £3,000).

Note 29 – employee information

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

	Group		Trust	
	2016 Number	2015 Number	2016 Number	2015 Number
Staff engaged in managing or maintaining housing stock	375	378	335	337
Staff providing other housing services	27	20	27	20
Staff engaged in developing or selling housing stock	91	87	53	46
Staff providing central administration services	177	164	177	164
Staff providing care and support	275	296	275	296
	945	945	867	863

Staff costs for the above persons	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Wages and salaries	33.9	33.7	30.5	30.3
Social security costs	3.4	3.4	3.0	3.0
Other pension costs (see note 28)	2.0	1.9	1.8	1.5
	39.3	39.0	35.3	34.8

Redundancy payments of £173,000 (2015: £348,000) were made during the year.

Salary range	2016 £'000	2015 £'000
Lowest paid employee	16	14
Highest paid employee	225	220

Remuneration banding for employees earning over £60,000

£'000	2016 Number	2015 Number
60-70	29	20
70-80	11	16
80-90	13	12
90-100	6	9
100-110	5	2
110-120	5	4
140-150	1	1
150-160	1	1
170-180	-	1
180-190	3	2
240-250	1	1

Note 30 – Board and executive emoluments

The payments to current non-executive Board members represents 0.02% (2015:0.02%) 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.

Alexander Phillips and James Wardlaw are entitled to non-executive Board remuneration. They have elected to waive their remuneration, and therefore received no payment.

Remuneration of the members of the Board, the committees and the executive directors	2016 £'000	2015 £'000
Fees for members of the Board	67	66
Fees for committees members	19	17
Management services of executive directors (including pension contributions and benefits in kind)	1,116	1,269
Remuneration for management services (excluding pension contributions) includes the amount paid to the highest paid director	226	220
Current non-executive Board members	2016 £'000	2015 £'000
Bukky Bird	5.5	5.5
Linde Carr	5.5	5.5
Paul Hodgkinson (chairman)	16.5	16.5
Sue Hunt	8.3	8.3
Alastair Moss	5.5	5.5
Alexander Phillips	-	-
Karen Richardson	4.9	-
Samantha Tennakoon	4.9	-
Sophie Warner	3.8	8.3
Mohan Yogendran	3.8	8.3
James Wardlaw	-	-
Debra Yudolph	8.3	8.3

Note 30 – Board and executive emoluments continued

Executive Board members	Salaries £'000	Car benefits £'000	Pension costs £'000	Bonus £'000	2016 Total £'000
Kate Davies, Group Chief Executive	214	11	30	1	256
John Hughes, Group Director of Development and New Business	155	8	21	1	185
Paul Phillips, Group Finance Director	155	8	17	1	181
Andrew Muir, Group Corporate Services Director	130	-	18	1	149
Andy Belton, Chief Operating Officer	155	8	22	1	186
Kath King, Group Director of Asset Management (Resigned 31 December 2014)	-	-	-	-	-
Mark Vaughan, Group Director of Housing	139	-	19	1	159
	948	35	127	6	1,116

The Chief Executive is an ordinary member of the pension scheme operated by the Social Housing Pension Scheme on behalf of all qualifying employees. No special or enhanced terms apply to her membership of the scheme. During the year no loss of office payments were made (2015: £112,000).

Executive Board members	Salaries £'000	Car benefits £'000	Pension costs £'000	Bonus £'000	2015 Total £'000
Kate Davies, Group Chief Executive	208	11	29	1	249
John Hughes, Group Director of Development and New Business	152	8	21	1	182
Paul Phillips, Group Finance Director	152	8	16	1	177
Andrew Muir, Group Corporate Services Director	125	-	18	1	144
Andy Belton, Chief Operating Officer	152	8	21	1	182
Kath King, Group Director of Asset Management (Resigned 31 December 2014)	53	-	14	1	68
Mark Vaughan, Group Director of Housing	135	-	19	1	155
	977	35	138	7	1,157

Note 31 – capital commitments

	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	281.5	300.6	47.5	91.9
Capital expenditure that has been authorised by the Board but has not yet been contracted for	125.6	114.9	42.6	80.3

Capital commitments will be funded by a combination of social housing grant of £6m, sales receipts of £340m and existing loan facilities of £390m. The capital commitments exclude land purchases.

Note 32 – operating leases

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

These leases can be cancelled within 28 days' notice. The amount shown is the full payment for the year	Group and Trust	
	2016 £m	2015 £m
Temporary housing leases - Less than one year	15.6	16.8

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 the leaseholder) at any time at the pro-rata market rate). Ongoing lease payments will be adjusted according to the share of ownership retained by the Group. Certain properties are available to purchase via right to buy by the existing tenant.

Note 33 – incorporation, subsidiaries and joint ventures

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

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

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

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

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

Note 33 – incorporation, subsidiaries and joint ventures continued

Company (subsidiaries)	Principal activity	Parent	Country of registration
Notting Hill Home Ownership Limited	Performs the activities of a registered housing association	The Trust owns one of seven shares and controls the board. The remaining six shares are held in trust for the Trust.	England and Wales
Notting Hill Commercial Properties Limited	Develops and lets commercial properties	The Trust – 100% shares	England and Wales
Notting Hill Developments Limited	Develops and sells properties	Notting Hill Commercial Properties Limited – 100% shares	England and Wales
Folio London Limited	Rents properties at market rent	The Trust – 100% shares	England and Wales
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	The Trust – 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 Options Limited	Rents properties for social housing (dormant)	The Trust – 100% shares	England and Wales
Seward Street Developments LLP	Develops and sells properties	Notting Hill Commercial Properties Limited – 75% control	England and Wales
Goat Wharf Limited	Develops and sells properties	Notting Hill Home Ownership Limited – 100% shares	England and Wales
Grange Walk Notting Hill Limited	Develops and sells properties (dormant)	Notting Hill Home Ownership Limited – 100% shares	England and Wales
Igloo Insurance Protected Captive Cell NOT6	Provides insurance services	The Trust – 100% shares	Guernsey
Project Light Development 1 Limited	Develops and sells properties	Notting Hill Commercial Properties Limited – 100% shares	England and Wales
Project Light Development 2 Limited	Develops and sells properties	Notting Hill Commercial Properties Limited – 100% shares	England and Wales
Project Light Market Rent Limited	Rents properties at market rent	Project Light Development 1 Limited – 100% shares	England and Wales
Walworth Homes Limited	Develops and sells properties	Notting Hill Commercial Properties Limited – 100% shares	England and Wales
Notting Hill Community Housing Limited	Rents properties at sub-market prices	The Trust – 100% shares	England and Wales

Note 33 – incorporation, subsidiaries and joint ventures continued

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

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

Seward Street Developments LLP commenced trading on 6 October 2010. It is accounted for as a subsidiary of the Group, as the Group share is 75%. The remaining 25% is owned by Mount Anvil plc, whose share is represented by a minority interest of £0.2m at 31 March 2016 (2015: £0.2m). Notting Hill Commercial Properties Ltd also has a joint venture investment in Brenley Park LLP, Chobham Farm North LLP and Spray Street Quarter LLP.

The Group's investment in joint venture projects amounted to £25m (2015: £2.5m). Details of these investments are shown below.

Joint venture income of £nil (2015: £nil) was received during the year.

The contingent liability is limited to the amount invested.

In 1999, Presentation Housing Association (which transferred engagements into the Trust in 2010) entered into partnership with two other Registered Providers in order to fund the Estate Renewal Challenge Fund (ERCF) transfer of the 1,044 homes on the St Martins estate in south London. Upon transfer of engagements to the Trust, this partnership has continued.

The Trust has accounted for its share of income and assets (18.36% ownership) in the St Martins estates as a jointly controlled operation.

Name	Nature of business	Share of capital commitments	Proportion of holding	Year ended	Assets 2016 £m	Liabilities 2016 £m	Assets 2015 £m	Liabilities 2015 £m
Wandsworth Parkside LLP	Development of 159 shared ownership, permanent rented, affordable keyworker and private for-sale residential accommodation.	Nil	50%	31 March	-	-	-	-
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	24.9	(24.9)	2.4	(2.4)
Total					25.0	(25.0)	2.5	(2.5)

Note 34 – transactions with related parties

At 31 March 2016 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 £7,749 (2015: £7,582) were charged, none of which was outstanding at year end (2015: nil). At 31 March 2016 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 £1,598 (2015: £1,314) were charged, none of which was outstanding at year end (2015: nil).

During the year NHHO charged Seward Street Developments LLP £25,000 (2015: £50,000) and charged Chobham Farm North LLP £60,000 (2015: nil) in respect of administration costs. At the year-end date, £15,000 (2015: £15,000) was owed to NHHO by Seward Street Developments LLP and nil (2015: nil) by Chobham Farm North LLP.

During the year the Trust had invested £151.6m (2015: £92.2m) in the share capital of its non-regulated subsidiaries and £241.8m (2015: £215.2m) in loans to its non-regulated subsidiaries. All subsidiaries are shown on note 33. Details of other transactions between the Trust and its non-regulated subsidiaries during the year are shown here.

Note 35 – legal status

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

	2016 £m	2015 £m
Other inter-company transactions		
Cash receipts for services provided	0.8	1.2
Excess cash (returned) / invested	11.6	18.9
Purchases	-	(2.6)
Overhead recharges	(0.3)	(0.1)
Payroll	(0.4)	(0.2)
Interest	(0.6)	(1.3)
Disinvestment in subsidiaries	-	5.4
Transfer of derivative instrument	(12.4)	-
	(1.3)	21.3

The transactions relate to: NHCP, NHD, Cannonbury, Folio, Touareg, Goat Wharf.

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

In accordance with the treasury policy, excess cash is invested in the Trust to manage the interest charges; during the year the excess cash was repaid.

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.

Rent transfer relates to cash received by the Trust relating to tenants in other subsidiaries.

Interest relates to inter-company interest charged by the Trust.

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

Note 36 – post balance sheet

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

On 23 June 2016 the United Kingdom voted to leave the European Union. At the time of signing, it is not possible to estimate the financial effect of this decision due to the uncertainty of the impact.

Note 37 – financial instruments and risk management

	Financial assets at fair value		Financial assets at amortised cost	
	2016 £m	2015 £m	2016 £m	2015 £m
Financial assets that are debt instruments measured at amortised cost:				
- Current asset investments	-	-	0.7	1.7
- Cash	-	-	80.2	44.0
- Debtors	-	-	31.2	20.7
- Debtors falling due after one year	-	-	2.4	2.5
Financial assets measured at fair value through the statement of comprehensive income:				
- Interest rates swaps fixed to float	15.7	12.8	-	-
- RPI option	1.5	1.3	-	-
- Designated currency hedge	3.0	-	-	-
Total	20.2	14.1	114.5	68.9

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.

	Financial liabilities at fair value		Financial liabilities at amortised cost	
	2016 £m	2015 £m	2016 £m	2015 £m
Financial liabilities that are measured at amortised cost				
- Trade and other payables	-	-	122.7	111.6
- Public bonds	-	-	800.0	800.0
- Loans and borrowings	-	-	493.2	447.4
- Other long-term loans	-	-	281.8	265.8
Financial liabilities that are measured at fair value through the statement of comprehensive income				
- RPI swaps	7.8	8.6	-	-
- Cancellable interest rate swaps	13.7	13.1	-	-
- Swaps float to fixed	34.8	48.5	-	-
- Designated interest rate hedges	31.8	15.6	-	-
Total	88.1	85.8	1,697.7	1,624.8

	2016		2015	
	Book value £m	Fair value £m	Book value £m	Fair value £m
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	4.4	4.4	5.0	5.0
Long-term debt	1,293.2	1,293.2	1,247.4	1,248.8
Total	1,297.6	1,297.6	1,252.4	1,253.8

Note 37 – financial instruments and risk management continued

(Losses) / gains in respect of financial derivatives held at fair value through the statement of comprehensive income	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
Gains / (losses) on disposal of financial interest rate swaps	1.7	(0.3)	-	-
Gains in respect of financial derivatives	13.4	21.4	6.6	20.8
(Losses) in respect of financial derivatives	(14.8)	(29.8)	(2.5)	(20.2)
Total	0.3	(8.7)	4.1	0.6

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.

Hedge accounting

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

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

	2016 £m	2015 £m
0 – 1 year	4.6	2.1
1 – 2 years	4.2	1.7
2 – 5 years	11.1	3.6
Over 5 years	23.9	12.5
	43.8	19.9

The key assumption used in valuing the interest on foreign currency derivatives is the GBP:JPY forward exchange rates.

Note 37 – financial instruments and risk management continued

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 is 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.

Inflation risk

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

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, 95% of the Group's borrowings were due to mature in more than five years. The liquidity risk of each Group entity is managed centrally by the Group treasury function on a monthly basis to adhere to Group policy.

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

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

	Debt £m	Interest on debt £m	Cashflows on derivative financial instruments £m	Total £m
2016				
0-1 year	4.4	44.4	6.6	55.4
1-2 years	52.2	44.4	6.2	102.8
2-5 years	59.7	130.0	16.7	206.4
Over 5 years	1,181.3	916.0	44.5	2,141.8
	1,297.6	1,134.8	74.0	2,506.4

	Debt £m	Interest on debt £m	Cashflows on derivative financial instruments £m	Total £m
2015				
0-1 year	5.5	58.7	4.2	68.4
1-2 years	6.8	56.3	3.7	66.8
2-5 years	106.0	158.3	9.1	273.4
Over 5 years	1,145.6	962.8	35.2	2,143.6
	1,263.9	1,236.1	52.2	2,552.2

Credit risk

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

Note 37 – financial instruments and risk management continued

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.

Note 38 – transition to FRS102

This is the first year that the Group and Trust have presented their results under FRS102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 March 2015. The date of transition to FRS102 was 1 April 2014. Set out below are the changes in accounting policies which reconcile profit and reserves movement for the financial year to 31 March 2015 between UK GAAP as previously reported and FRS102.

Deemed cost

Section 35 of FRS102 allows first-time adopters to elect to measure property, plant and equipment (PPE) as its fair value at the date of transition and use that fair value as deemed cost at that date.

The Group exercised this option for all social rented properties and shared ownership properties with the exception of the scheme in Barham Park.

Grants related to the properties revalued to deemed cost have been recognised within comprehensive income in line with section 24 of FRS102.

Adoption of deemed cost has resulted in a net increase in fixed assets as at 1 April 2014 of £113.4m with £752.4m of revaluation gains credited to the revaluation reserve. Grant of £1,207.0m has been credited to the general reserves.

Consequently, depreciation for the year ended 31 March 2015 has increased by £6.8m. Amortised grant of £0.4m has been recognised in the statement of comprehensive income.

A prior-year adjustment was required due to incorrect rents attributable to St James Place scheme information submitted to the external valuer Jones Lang LaSalle during the valuation of market rent properties at 31 March 2015.

The fair value of derivatives now includes adjustments for an assessment of the credit risk of the counterparty. The impact of this change in accounting policy was to reduce the previously reported fair value liabilities by the Group and NHHT to its counterparties.

Additionally on transition the Group and NHHT separated out embedded derivatives from the host contract where the derivatives had the ability to be separated out from the host contract and novated to a new counterparty. This increased the fair value of derivative liabilities reported in the Group financial statements and an adjustment was made through the restated statement of comprehensive income.

Note 38 – transition to FRS102 continued

Restated total comprehensive income	notes	Group	Trust
		2015 £m	2015 £m
Total recognised surpluses per UK GAAP		121.4	109.5
Pension deficit funding arrangement	a	0.5	0.5
Additional depreciation of housing properties	b	(6.8)	(5.6)
Additional grant amortisation	c	0.4	0.3
Deemed cost adjustment	d	(5.9)	(0.7)
Investment property revaluation gain	e	16.7	(5.9)
Fair value movement in financial derivatives	f	(9.0)	(4.0)
Deferred tax	g	(2.2)	-
Restated total comprehensive income after FRS102 adjustments		115.1	94.1

a) Pension deficit funding arrangement

The company accounts for a multi-employer scheme which provides benefits to some 500 non-associated employers. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme. (See note 28 for more details).

The company recognises a liability for its share of this obligation where the scheme is in deficit. Under UKGAAP, the deficit present value of contributions were recognised in the year paid. The adjustment relates to the unwinding of this funding arrangement.

b) Additional depreciation

As a result of removing the grant from the cost of the property, there has been an increase in the depreciation charge.

c) Grant for properties not subject to deemed cost

Newly acquired properties and completed developed properties are accounted for using the accrual model. Grant is carried as deferred income in the statement of financial position and is amortised on a systematic basis over the useful life of the housing property. Government 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 recognised as income within the statement of comprehensive income at the date of valuation and is therefore included within brought-forward reserves.

d) Deemed cost on transition to FRS102

The Group took the option to carry out a one-off valuation of the majority of its social housing properties at 1 April 2014 and to use that amount as deemed cost. As a result a revaluation reserve was created and the increase in value recognised there. On subsequent disposal of assets the revaluation reserve balance attributable to the relevant property is transferred to the comprehensive income.

e) Investment property revaluation gain

Under FRS102 gains and losses arising from changes in the fair value of investment property are recognised in the statement of comprehensive income. Under previous UK GAAP gains and losses arising from changes in the fair value of investment property were recognised in the revaluation reserve (unless the total of revaluation reserve is insufficient to cover the deficit).

f) Fair value movement of financial derivatives

Recognition of derivative financial liabilities measured at fair value through statement of comprehensive income.

g) Deferred tax

The Group has accounted for deferred tax on transitions as follows:

- Derivative financial instruments
Deferred tax in respect of the charge in the statement of comprehensive income in respect of the increase in value of the derivative liability recognised in the statement of comprehensive income. The treatment in FRS102 has caused the change in accounting treatment and tax base resulting in a change in deferred tax liability.
- Revaluation of land and buildings
Under FRS102 gains and losses arising from changes in the fair value of investment property are recognised in the profit and loss account. Under previous UK GAAP gains and losses arising from changes in the fair value of investment property were recognised in the revaluation reserve (unless the total of revaluation reserve is insufficient to cover the deficit). The treatment in FRS102 has caused the change in accounting treatment and tax base resulting in a change in deferred tax liability.



Putney Point,
Wandsworth, 2015

Note 39 – consolidated statement of changes in reserves

Group		General reserves	Revaluation reserve	Cash flow hedge reserve	Minority interest	Total
Consolidated statement of changes in reserves	notes	£m	£m	£m	£m	£m
Balance at 1 April 2014		382.2	93.7	(7.9)	0.2	468.2
Investment property valuation to general reserves	a	93.7	(93.7)	-	-	-
Revaluation of offices upon transfer to investment property	b	4.7	-	-	-	4.7
Pension deficit funding arrangement	c	(29.6)	-	-	-	(29.6)
Holiday pay accrual	d	(0.8)	-	-	-	(0.8)
Depreciation adjustment upon transition to deemed cost	e	(406.7)	-	-	-	(406.7)
Deemed cost revaluation	f	(58.6)	752.4	-	-	693.8
Social housing grant recognition upon transition to deemed cost	g	1,207.0	-	-	-	1,207.0
IFRS9 financial instruments adjustments	h	(6.5)	-	1.0	-	(5.5)
IFRS9 increase in provision for bad debts	i	(2.9)	-	-	-	(2.9)
Deferred tax liability recognised	j	(32.3)	(21.0)	-	-	(53.3)
Revised balance at 1 April 2014		1,150.2	731.4	(6.9)	0.2	1,874.9

Note 39 – consolidated statement of changes in reserves continued

Group		General reserves	Revaluation reserve	Cash flow hedge reserve	Minority interest	Total
Consolidated statement of changes in reserves	notes	£m	£m	£m	£m	£m
Balance at 1 April 2015		503.3	110.5	(17.5)	0.2	596.5
Investment property valuation to general reserves	a	93.7	(93.7)	-	-	-
Transfer to statement of comprehensive income (see note 38)		(6.3)	(16.7)	-	-	(23.0)
Revaluation of offices upon transfer to investment property	b	4.7	-	-	-	4.7
Pension deficit funding arrangement	c	(29.5)	-	-	-	(29.5)
Holiday pay accrual	d	(0.8)	-	-	-	(0.8)
Depreciation adjustment upon transition to deemed cost	e	(407.2)	-	-	-	(407.2)
Deemed cost revaluation	f	(58.5)	752.3	-	-	693.8
Social housing grant recognition upon transition to deemed cost	g	1,207.0	-	-	-	1,207.0
IFRS9 financial instruments adjustments	h	(6.0)	-	1.4	-	(4.6)
IFRS9 increase in provision for bad debts	i	(2.9)	-	-	-	(2.9)
Deferred tax liability recognised	j	(32.3)	(19.1)	(0.6)	-	(52.0)
Sold assets revaluation reserve transfer to general reserves	k	10.1	(10.1)	-	-	-
Revised balance at 1 April 2015		1,275.3	723.2	(16.7)	0.2	1,982.0
Surplus for year		125.4	-	-	-	125.4
Fair value measurement		-	-	(0.6)	-	(0.6)
Sold assets revaluation reserve transfer to general reserves		4.5	(4.5)	-	-	-
Actuarial pension movements		0.1	-	-	-	0.1
Deferred tax liability recognised		-	(0.6)	0.5	-	(0.1)
Balance at 31 March 2016		1,405.3	718.1	(16.8)	0.2	2,106.8

Note 39 – consolidated statement of changes in reserves continued

Trust Consolidated statement of changes in reserves	notes	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total £m
Balance at 1 April 2014		300.8	32.8	(8.0)	325.6
Investment property valuation to general reserves	a	32.8	(32.8)	-	-
Revaluation of offices upon transfer to investment property	b	4.8	-	-	4.8
Pension deficit funding arrangement	c	(29.6)	-	-	(29.6)
Holiday accrual	d	(0.8)	-	-	(0.8)
Depreciation adjustment	e	(362.8)	-	-	(362.8)
Deemed cost revaluation	f	(50.2)	637.5	-	587.3
Social housing grant recognition upon transition to deemed cost	g	1,022.4	-	-	1,022.4
IFRS9 financial instruments adjustments	h	(4.1)	-	0.9	(3.2)
IFRS9 increase in provision for bad debts	i	(2.9)	-	-	(2.9)
Revised balance at 1 April 2014		910.4	637.5	(7.1)	1,540.8

Note 39 – consolidated statement of changes in reserves continued

Trust Consolidated statement of changes in reserves	notes	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total £m
Balance at 1 April 2015		429.2	2.2	(14.3)	417.1
Investment property valuation to general reserves	a	32.8	(32.8)	-	-
Transfer to statement of comprehensive income (see note 38)		(15.4)	30.6	-	15.2
Revaluation adjustment on sale of market rent properties	l	(19.0)	-	-	(19.0)
Revaluation of offices upon transfer to investment property	b	4.8	-	-	4.8
Pension deficit funding arrangement	c	(29.6)	-	-	(29.6)
Holiday accrual	d	(0.8)	-	-	(0.8)
Depreciation adjustment	e	(362.8)	-	-	(362.8)
Deemed cost revaluation	f	(50.2)	637.5	-	587.3
Social housing grant written back	g	1,022.4	-	-	1,022.4
IFRS9 financial instruments adjustments	h	(4.1)	-	1.8	(2.3)
IFRS9 increase in provision for bad debts	i	(2.9)	-	-	(2.9)
Revised balance at 1 April 2015		1,004.4	637.5	(12.5)	1,629.4
Surplus for year		76.9	-	-	76.9
Fair value measurement		-	-	(2.8)	(2.8)
Sold assets revaluation reserve		0.6	(0.6)	-	-
Actuarial pension movements		0.1	-	-	0.1
Balance at 31 March 2016		1,082.0	636.9	(15.3)	1,703.6

Note 39 – consolidated statement of changes in reserves continued

a) Investment property revaluation gain

Under FRS102 gains and losses arising from changes in the fair value of investment property are recognised in the statement of comprehensive income. Under previous UK GAAP gains and losses arising from changes in the fair value of investment property were recognised in the revaluation reserve (unless the total of revaluation reserve is insufficient to cover the deficit).

b) Revaluation of offices upon transfer to investment properties

Under FRS102, office properties that are rented are treated as investment properties. The gain on revaluation of these properties is transferred to general reserves. Under UKGAAP these properties were treated as property, plant and equipment and were included in the balance sheet at cost.

c) Pension funding arrangement

The Group recognises a liability for the defined benefit pension scheme where contractual arrangements are in place to fund the deficit. Under UKGAAP, the deficit payments were recognised in the year the costs were incurred. The adjustment relates to the recognition of the net present value of the total contractual arrangements.

d) Holiday pay accrual

FRS102 requires the short-term employee benefits to be charged to the statement of comprehensive income as the employee service is received. This has resulted in the recognition for holiday pay liability. Previously the holiday pay accruals were not recognised and were charged to the statement of comprehensive income.

e) Depreciation adjustment upon transition to deemed cost

As a result of revaluing the properties to the deemed cost of the properties, the existing accumulated depreciation has been transferred to general reserves.

f) Deemed cost on transition to FRS102

The Group took the option to carry out a one-off valuation of the majority of its properties at 1 April 2014 and to use that amount as deemed cost. As a result a revaluation reserve was created where properties increased in value. Where properties decreased in value, the amount was transferred to general reserves.

g) Social housing 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 recognised as income within the statement of comprehensive income at the date of valuation and is therefore included within brought-forward reserves.

h) IFRS9 financial instruments adjustments

Due to changes in the definition of fair value between previously applied FRS26 (the standard applied under UKGAAP) and IFRS9 on adopting FRS102, additional credit risk adjustments were recognised.

i) IFRS9 Provision for bad debts

Previously the rental debtor provision would only consider a tenant's debt up until the balance sheet date. However under IFRS9 there is a need to consider rental income not yet due within the next 12 months and what the expected losses would be in order to determine the impairment amount.

j) Deferred tax liability

The company has accounted for deferred tax on transition as follows:

- Derivative financial instruments

Deferred tax is recognised in respect of the increase in value of the derivative liability recognised in the statement of comprehensive income. The treatment in FRS102 has caused the change in accounting profits and tax profits resulting in a change in deferred tax liability.

- Revaluation of land and buildings

Under FRS102 gains and losses arising from changes in the fair value of investment property are recognised in the profit and loss account. Under previous UK GAAP gains and losses arising from changes in the fair value of investment property were recognised in the revaluation reserve (unless the total of revaluation reserve is insufficient to cover the deficit). The treatment in FRS102 has caused the change in accounting profit and taxable profits resulting in a change in deferred tax liability.

k) Revaluation adjustment on sale of market rent properties

In the previous year there was a sale of market rent properties. As these properties were sold prior to the application of FRS102 rules, the loss on sale was not transferred to revaluation reserve but transferred directly to general reserves.

l) Sold assets revaluation reserves transfer to general reserves

On subsequent sale of properties transitioned to deemed cost, the revaluation reserve balance attributable to the relevant property is transferred to the comprehensive income statement.

Note 40 – segmental reporting

	March 2016 Year to date			2015/16 Full year			2014/15
	Actual £m	Budget £m	Var. £m	Forecast at February £m	Budget £m	Var. £m	Actual £m
Net surplus of business activity							
Permanent rented housing	64.3	67.9	(3.6)	65.5	67.9	(2.4)	43.6
Home Options	5.4	4.9	0.5	5.3	4.9	0.4	6.2
NHHT Pathways	6.4	6.2	0.2	6.6	6.2	0.4	6.3
Home Ownership sales	63.1	60.5	2.6	59.6	60.5	(0.9)	56.7
Home Ownership lettings	18.2	19.6	(1.4)	18.8	19.6	(0.8)	17.4
Student accommodation	5.1	6.0	(0.9)	4.9	6.0	(1.1)	5.9
Commercial properties	1.5	1.4	0.1	1.6	1.4	0.2	1.6
Folio London	9.2	9.0	0.2	9.0	9.0	-	6.7
Key worker	0.3	0.3	-	0.3	0.3	-	0.1
Surplus/(deficit) from operations	173.5	175.8	(2.3)	171.6	175.8	(4.2)	144.5
Community engagement	(0.1)	-	(0.1)	-	-	-	0.2
Fundraising	0.5	0.2	0.3	0.3	0.2	0.1	0.2
Surplus from asset sales	38.5	6.5	32.0	35.6	6.5	29.1	34.4
Development	(7.7)	(1.4)	(6.3)	(1.9)	(1.4)	(0.5)	3.5
Business support	(19.2)	(20.8)	1.6	(19.5)	(20.8)	1.3	(16.7)
Interest	(47.8)	(54.9)	7.1	(50.2)	(54.9)	4.7	(44.7)
Mark to market	(10.2)	-	(10.2)	-	-	-	(0.2)
Group net surplus / (deficit)	127.5	105.4	22.1	135.9	105.4	30.5	121.2

The entity receives financial assistance from the Greater London Authority. These Government grants are accounted for as deferred income in the statement of financial position and are amortised annually to the statement of comprehensive income based on the life of the building structure. The amount amortised represent a contingent liability to the Group and Trust and will be recognised as a liability when the properties funded by the relevant Government grant are disposed of or when the property ceases to be used for social housing purposes.

FRS102 Conversion table March	2016 £m	2015 £m
Management accounts reported profit (UKGAAP)	127.5	121.2
Grant amortisation	0.9	0.4
Other grants	0.8	-
Reduction in profit on sale of assets due to deemed cost transition	(12.3)	(5.9)
Annual pension deficit charge removed including unwinding interest charge	1.8	0.5
Increase in depreciation	(5.4)	(6.8)
Tri-annual pension deficit contributions	(8.8)	-
Investment property revaluation gain	14.3	16.7
Additional provision for development contractual obligations	(8.2)	-
Financial derivatives fair value movement	14.8	(9.0)
Deferred tax	-	(2.2)
Other	-	0.2
Financial statements reported profit (FRS102)	125.4	115.1

Note 41 – contingent liabilities

	Group		Trust	
	2016 £m	2015 £m	2016 £m	2015 £m
At 1 April	1,213.2	1,222.8	1,039.5	1,038.9
Stock transfer additional liability	3.4	0.6	0.8	0.6
Realised on disposal	(10.3)	(10.1)	(0.3)	-
At 31 March	1,206.3	1,213.3	1,040.0	1,039.5





Notting Hill Housing

Bruce Kenrick House, 2 Killick Street, London, N1 9FL

Tel 020 3815 0000 Fax 020 3815 0005

www.nottinghillhousing.org.uk

