Notting Hill Genesis

2019/20 Annual report and financial statements

Performance at a glance

£98.1m
Surplus before tax

66,453
Properties owned or managed

1,962
Homes completed

17,915
Unencumbered properties

2,047
FTE staff

£20bn
Value of properties

£569m
Available liquidity

G1/V2
Regulatory rating

A- (stable)
S&P rating

A (stable)
Fitch rating

2019/20

Annual report and financial statements

Contents

Registered office and head office

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

Registrations

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

Independent auditors

BDO LLP
Statutory Auditors
55 Baker Street
London
W1U 7EU

Principal solicitors

Devonshires Solicitors LLP
30 Finsbury Circus
London
EC2M 7DT

Principal bankers

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

Introduction

/ Lampton Road
/ LB Hounslow

Welcome from the Chair

This is my first Chair's report since joining Notting Hill Genesis on 1 October 2019. The opportunity to be involved with a housing association that is one of the top three in London and top five in the country, with an executive team and Board that is so focused on making a positive difference, was very attractive and I am proud to be part of that.

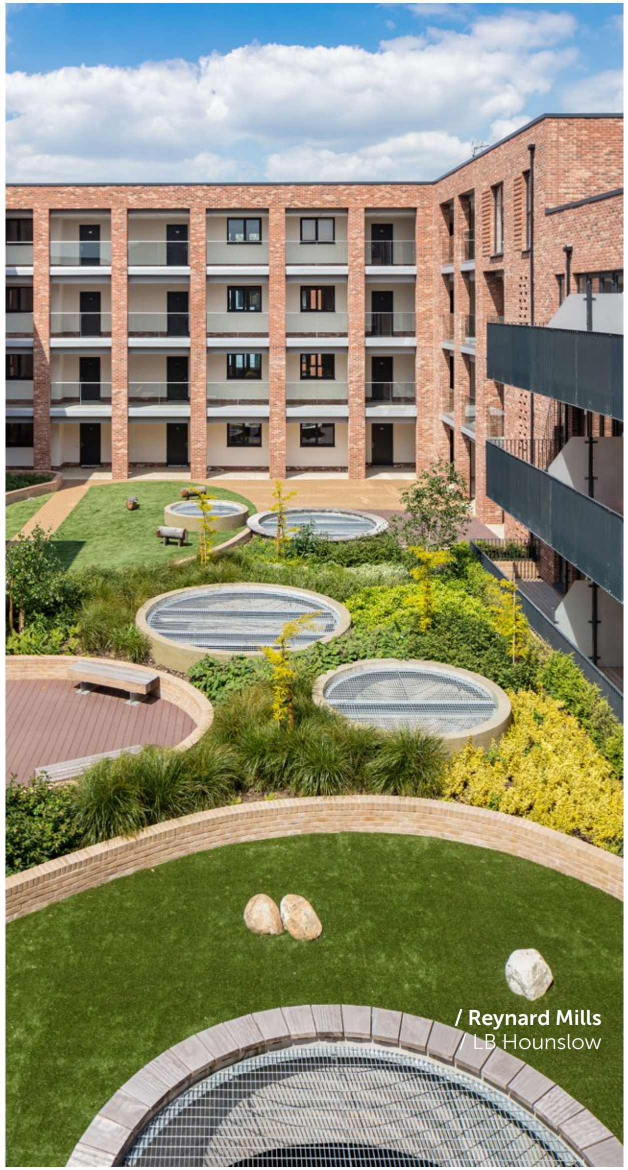
I have met a great many people involved in our work, from investors and shareholders to our dedicated staff and residents and have seen first-hand how our values of providing quality homes to those who need them, helping to tackle the housing crisis by building new homes and to deliver social housing in the most value-added way, are shared among us all.

Market conditions are challenging, which is reflected in our overall results for the year. Total Group surplus reduced to £98.1m, down from £106.0m in 2019. However, our core operating surplus, excluding all sales activity, increased to £132.0m compared with the 2019 figure of £111.1m. The surplus on sales of private homes and shared ownership first tranches grew from £24.2m to £31.6m, impairment and write down of inventories of £10.0m was incurred, and there was a lower gain on investment properties, which decreased to £12.6m from £36.3m.

In November 2018, we had reviewed the speed of sales and decided to slow down our development programme, which led to a reduction in our total spend on new housing from £654m in 2018/19 to £468m in 2019/20. However, where we had already entered contracts for the construction of homes, we have not cancelled them. Our liquidity position is deliberately strong, with £569m in undrawn bank facilities and cash. This reflects the difficult and uncertain conditions we are operating in, but also allows us to move quickly and increase our housing investment when the operating environment improves.

Following the Grenfell Tower fire, there has been an increasing emphasis on building safety, especially in relation to fire, which we have responded to. We have completed remediation work on all but one of our taller buildings with aluminium composite materials, with the final building being the responsibility of a third party landlord. Given the increasing emphasis on fire safety, this is likely to lead to significant additional costs in future.

Of course, our biggest challenge – the Covid-19 crisis – came towards the end of the financial year and will continue to have serious



/ Reynard Mills
/ LB Hounslow

repercussions for a long time to come. We know how difficult is it already proving to be for many residents who may be suffering from reduced income, food shortages and social isolation.

Our staff acted swiftly to find ways of supporting residents either immediately if they faced food emergencies, or longer-term by working with them to ensure they receive all the benefits or financial support they are entitled to. Our front-line staff, in our housing teams and particularly within care and support, have impressed us all with their commitment and we will continue to provide them with all the support we can.

Thanks to great teamwork, we have almost completed our post-merger integration process which allowed us to launch our new housing operating model. This provides every resident with a named contact who can help them navigate any problems they face regarding their tenancy, or just be a listening ear. The roll-out of the model was completed in early March and has already proved its value in response to the current crisis.

Our new operating model is supported by our WorkWise digital platform, which allows residents to self-serve for day-to-day transactions like reporting repairs or checking their rent balance. Customers can also directly contact their housing officer, in addition to the customer service centre and live chat functions, meaning that our residents can now engage with us how they want, where they want and when they want.

In last year's report we mentioned our plans to reduce our geographical footprint by selling stock beyond our core operational area of London and its immediate surroundings. We had great success in that area in 2019/20, with four separate transfers including more than 800 homes in East Anglia and parts of Essex. While we are very sad to see the fantastic people and services in that region leave the Notting Hill Genesis family, we feel immense pride at the life-changing work our many care and support teams there have done over the years.

It has also been a successful year for our three major regeneration projects, with planning permission being granted for our masterplan for Grahame Park in Barnet, which will provide more, than 2,000 homes and a raft of community improvements including a new high street; with work beginning on the community square of the Aylesbury Estate in Southwark, which will provide a library, health centre, early years facilities and homes to rent; while plans have also been approved for the third phase of our Woodberry Down programme in Hackney.

Finally, I would like to take this opportunity to thank former Board member and Interim Chair James Wardlaw, whose commitment and calm, assured approach was so important to the organisation for many years. He was instrumental in the establishment of Notting Hill Genesis and he leaves with our warmest wishes. For full details of all our Board members, please see page 26.

Ian Ellis
Chair

/ Water Yards
/ LB Southwark

Strategic report

/ Chobham Farm
/ LB Newham

Chief Executive's introduction

Our strategic report for 2019/20 provides an overview on some of the work we have done in the second year of our integration since becoming Notting Hill Genesis, and how we are working towards our vision of being the best housing association in London.

At the centre of this vision is our resident promise, created alongside those living in our homes when Notting Hill Genesis was formed in 2018. We made promises to ensure a personalised service with a single point of contact, to introduce a fully self-service digital platform, to improve our repairs service and to work with residents to make service charges easier to understand. We are very proud of the success we have had in all those areas over the past 12 months.

There are still tough challenges, particularly around sector-wide issues such as building safety, a difficult sales market and responding to the Covid-19 crisis, but we have put ourselves in a much better position to meet those challenges head-on thanks to the changes we have made during the integration process.

We are almost at the end of our integration period now and the commitment, enthusiasm and ability of our staff during that process has greatly impressed the whole of the Executive Board and allowed us to become a modern, more flexible organisation.

Tragically, we have lost a number of residents to Covid-19 over the past weeks and our deepest condolences go out to their friends, families and loved ones, as well as the staff who knew them. We will provide them all the support we can in this difficult time.

Kate Davies

Kate Davies
Chief Executive

/ Mildmay
/ LB Hackney

Our mission, vision and values

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

These values inform our five priorities:

- Our residents: services and support that our residents need;
- Our homes: places where our residents want to live;
- Providing more new homes: new homes for lower-income households;
- Our people: supporting our colleagues to provide the best service possible; and
- Our financial strength: ensuring a robust financial foundation to support investment and growth.

Whether by improving our repairs service and providing a new self-serve platform, introducing a new housing management model with a named point of contact for every resident or making advances on major regeneration projects across London, the last 12 months have seen us make great strides in many areas.

Our social purpose

Our social purpose remains at the heart of all the work we do, just as it has ever since our parent organisations were launched in the 1960s. We still have the desire and commitment we always had, but now we have the resources and scale to do more.

Our colleagues have always been at the heart of their communities and our new housing model allows for them to build up those relationships even further, with each resident having a named contact who can help them with housing issues such as repairs, rent queries and transfers, help them access financial support or just be a listening ear. This change has been as refreshing and rewarding for our staff as it has been for our residents.

It's increasingly difficult to produce social and affordable housing with limited government grants, but we have a strong cross-tenure organisation and surpluses generated by our commercial activities allow us to reinvest into our core social purpose – creating the homes needed to help address the housing crisis in and around London.

Performance against objectives

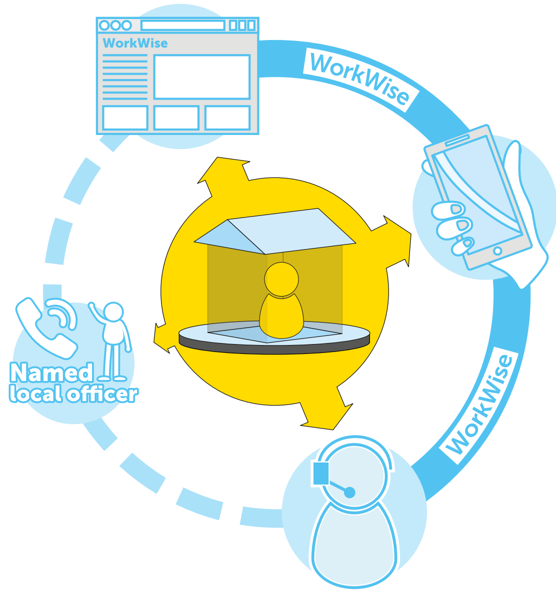
Our residents

Resident promise

When we formed Notting Hill Genesis we launched our resident promise, a pledge that those living in our homes would be at the heart of shaping services. Two years on, we have introduced lifetime tenancies for those who had five-year fixed term tenancies, giving our residents the greater security they asked for. We have improved our repairs and maintenance service via a new asset management strategy, with residents now helping us in creating a new Notting Hill Genesis homes standard. We have also made it easier to contact us and control repairs, through our new housing operating model and enhanced digital services.

New operating model

We have now fully integrated our new housing operating model, which gives every household a named contact for all queries, backed up by our customer service centre. Alongside the online My Account service and live chat function, this new approach allows our residents to contact us how they want, where they want and when they want. The response from both staff and residents has been positive.



Covid-19

The coronavirus crisis has had a monumental effect on every individual and organisation in the country and we are no different. We responded quickly to the challenges posed by the pandemic and most of our staff who could were working from home by 20 March, with our offices being closed completely by 26 March. Our transition to activity-based working over the past year left us able to be agile, adaptable and have our staff working efficiently from any location.

We have followed all government guidelines and continue to work closely with our contractors on construction sites to ensure social distancing is observed and travel to and from the site is done in a safe way with minimal use of public transport.

Extensive advice and support has been made available to residents via our website and social media channels, and through our housing and leasehold teams who are supporting anyone affected by reduced income or struggling with social isolation. We have also provided regular updates to staff through our intranet and via video Q&As with our Executive Board.

Digital transformation

Our WorkWise programme aims to simplify, standardise and automate some of our main business processes and to make them available to colleagues and residents online. We launched the WorkWise resident account in May 2019 so it was in place ready to support the new housing operating model. Residents were invited to register in phases, with our customer service centre providing support for those who needed it.

This allows residents to self-serve for simple day-to-day transactions such as making payments or reporting repairs, safe in the knowledge that their named contact is still available if they have any difficulties.

It also means that vital information about our properties is securely stored in one place regardless of who entered it into the system, which can be seen and updated by any staff member who needs access to those details.

Our homes

Safer homes

Building safety has been a major focus over the past 12 months as the entire housing sector strives to meet the latest government guidance. We continue to work through our list of buildings with external cladding that needs replacement, while also working with external fire experts to prioritise buildings across our entire stock that require surveys and potential remedial work so they can receive a certificate of compliance.

We have formed a dedicated building safety team, led by a director of building safety, to oversee the additional work we are carrying out and to ensure we access any available government grant support helping organisations meet new building requirements.

Focus on our residents

Throughout 2019/20 we have been working closely with involved residents to allow them to have their say and influence the services we provide.

Over the year a total of 349 residents took part in 62 different activities, ranging from open meetings to residents' associations and focus groups.

Since the start of 2020 the main focus of the resident involvement team has been setting up local forums for residents to receive updates on services and provide feedback. These have been launched across our four regions.

Other groups have looked at specific, complex issues:

- Hammersmith and Fulham scrutiny panel looked at communication and standards around gas safety compliance;
- Kensington and Chelsea scrutiny panel focused on repairs and value for money;
- Our oversight and scrutiny group will be discussing fire and building safety with NHG staff and recommended that residents should be involved in procurement of some contracts;
- Our asset management steering group has helped design a new NHG home standard – a set of principles for all existing homes to meet;
- A small focus group has looked at improving the service charge process for residents, with the resulting pilot scheme leading to fewer queries and some positive feedback on the clarity of information; and
- Residents have also assisted with recruitment of concierge services and night security, as well as providing feedback around the new rents booklet, which explains how rents are calculated.

Repairs

In June 2019 we identified significant concerns about the quality of our services to some residents, especially around repairs to their home. As improving our repairs service was a vital part of our resident promise, we put in place a dedicated project team to identify the scale of the problem, manage high risk cases and resolve them as quickly as possible and understand what went wrong.

By the end of the year we had closed more than 90 per cent of the complaints identified, with routes to resolution in place for others. The project was able to be closed and received praise from residents who had seen their issues resolved. We are confident that our new housing operating model with a named contact for every resident, alongside our WorkWise platform allowing for greater self-service, will create a more efficient and effective repairs service for the future.

We are working alongside fellow G15 housing provider Peabody to procure digital "marketplace" software to create a new flexible framework to deliver responsive repairs. The software will allow easy selection of the best contractor for each individual job and will be an opportunity for locally based small and medium-sized enterprises (SMEs) to enter the market for the first time. We are currently undertaking a joint procurement process.

Providing more new homes

Development programme

In November 2018, the Board reviewed the speed of sales and decided to slow down our development programme, which led to a reduction in our total spend on new housing from £654m in 2018/19 to £468m in 2019/20.

During 2019/20, we completed 1,962 (2019: 2,111) new homes. Of those new homes, 720 (2019: 653) were for low cost rent, 390 (2019: 617) for shared ownership, 459 (2019: 121) for market sale and 393 (2019: 720) for market rent.

We also started work on 665 (2019: 1,018) new homes, which will include 321 (2019: 483) for low cost rent, 190 (2019: 192) for shared ownership, 2 (2019: 191) for market sale and 152 (2019: 152) for market rent.

Regeneration and community investment

As an organisation we aim to do more than just create homes – we create thriving communities. This desire is at its most acute at our major regeneration projects of Aylesbury Estate, Grahame Park and Woodberry Down.

Construction work commenced on the first development site of the Aylesbury Estate regeneration. In February, we celebrated the start of work on the new community square, which will include a brand new library, health centre, early years facilities and 120 homes for rent.

At Grahame Park, our masterplan for more than 2,000 homes was given the green light by the London Borough of Barnet, and formally approved by the Greater London Authority in April 2020. More than 1,000 of the homes will be affordable housing, while plans include a community centre, day nursery, improvements to sustainable travel and a new high street.

We are now a decade into the Woodberry Down regeneration and early in 2020 the results of a resident attitudes survey was published. *Understanding Woodberry Down* found that residents felt

Manor Place Depot

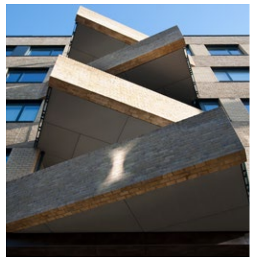
The site in Southwark includes a railway viaduct and the Grade II listed Bath House buildings, and at the time of acquisition by NHG also housed a former waste transfer station and various office buildings. It has been comprehensively redeveloped as a residential-led mixed use scheme, with 48% affordable housing. The listed buildings have been refurbished, and nine of the railway arches have been transformed into a series of small commercial spaces. Other arches have been retained for access, and bicycle and refuse storage.

262 homes
44 Social rent
82 Shared ownership
136 Private sale

Architects
PTE, A&Q Partnership

Contractors
Durkan

Completed
October 2019



Focus on our homes

One of our successful projects to improve the houses and flats we own and manage is an ongoing £2.5m investment in Bayswater.

The project is providing:

- Full repair and decoration of external walls;
- Repairs and decoration of internal communal areas;
- Repairs or replacements to main entrance doors to flats;
- Full repair or replacement of roofs, chimneys and parapets;
- Repairs or replacement of kitchens and bathrooms in flats;
- Replacement of external doors to blocks; and
- Full repair of sash windows.

One extra element of the programme is introducing a new way of working, with internal and external surveys being carried out simultaneously, allowing for dry lining to external wall areas and upgrading of heating, ventilation and extraction systems to take place alongside the work listed above.

Our aim has been to create the minimum disruption for residents and their neighbours and reduce the number of contractor vehicles on the street at any one time.

We are also using the latest technology to ensure efficiency and best value, such as using upshot camera poles – like giant selfie sticks – to make accurate assessments of roofs, gutters, hoppers and soffits without the need for scaffolding.

stronger neighbourliness, wellbeing, belonging and relationships than would be expected in "comparable areas" and their sense of influence and willingness to take action to improve the area has strengthened.

Geography

Our policy of selling stock in areas beyond our core operations in London and the areas immediately surrounding it continued. We transferred stock in Aylesbury Vale to Guinness Partnership in April 2019; in Crawley and Epsom and Ewell to Mount Green Housing Association in July 2019; in Slough to Inquilab Housing Assocation in November 2019 and in East Anglia and parts of Essex to Sanctuary Affordable Housing in March 2020. In all cases the new owners had other properties in the area and we were confident they would be able to provide equal or better services than we would be able to in future.

Partnerships

Plans for more than 600 homes in Kidbrooke, drawn up alongside our partners Transport for London (TfL), were given the go-ahead in November following a lengthy planning process. Of the 619 homes, 309 will be genuinely affordable homes.

As the largest provider of shared ownership homes in the country, we have been working with the National Housing Federation on a new campaign for shared ownership, supported by more than 40 housing associations. We were involved in the core steering group for the project, which aims to dispel the myths and misconceptions around shared ownership and improve the public's understanding of it by creating a strong and consistent message.

Our people

Staff terms and conditions

We have introduced a new set of terms and conditions for most Notting Hill Genesis staff, following a thorough consultation process. They covered a wide range of topics from pensions and redundancy to Christmas closures and long service awards. Through workshops, written responses and discussions with Executive Board members, UNISON, the staff forum and our various staff network groups, a range of views were received, which were taken on board and helped form the final version, which was implemented on 1 April 2020.

We are also in the process of unifying our staff benefits package, with an online staff survey and a series of focus groups having been held.

Initial staff satisfaction survey

Our first staff satisfaction survey as Notting Hill Genesis was carried out in 2019 with more than 1,000 respondents. From this, 72 per cent said they think Notting Hill Genesis is a good employer. These were slightly down on the results of the two legacy organisations prior to the merger, but as the survey was carried out during the integration period, which caused understandable concern to many, we are confident that as we settle into our new way of working, these figures will improve even further.

Support through change

Our integration programme continued through 2019/20, including the substantial task of bringing together our housing teams under the new operating model. That has proved to be a big success with positive feedback from residents and staff alike. Across the organisation there are a small number of departments still to integrate and we hope that process will be completed by the summer.

We established an integration and change management policy and associated training to support our staff and ensure everyone was treated fairly and consistently, as well as having access to career opportunities arising from the merger process.

Another huge change for large sections of the organisation was the introduction of activity-based working at several of our offices. Office-based staff have been provided with laptops, headsets and wireless mice to allow them to use the correct working environment, and extensive training and advice has been provided to help them to make more effective use of their surroundings. The switch to activity-based working also allowed the company to transition to home-based working almost seamlessly during the coronavirus crisis.

Opportunities for career development

This year we launched our executive development programme for directors, preparing them for the next step in their careers and giving them the skills and experience to apply to executive roles when they arise. This allows us to develop a pipeline of future leaders and will help us create a more representative executive team in future in terms of gender and race. Nine directors went through a rigorous appraisal and interview process and have now been given individual development plans and will be working closely with existing Executive Board members. A similar project for staff immediately below director level is being drawn up.

We have also continued our emerging leaders programme in 2020, with 14 successful applicants being chosen to undergo nine months of development through workshops, action learning and project work. Meanwhile, our Stepping Stones programme helps develop the skills and confidence of domiciliary care officers in care and support.

Equality and diversity

Earlier this year we, alongside the rest of the G15 housing associations, signed a pledge to work hard to address and close the Black and Minority Ethnic (BAME) gap, particularly at senior managerial, leadership and board roles. We will do this by committing to be more visibly diverse at all levels of the organisation, collaborating with our partners to invest in and support BAME talent and celebrate BAME success and achievements.

We have also published our gender pay gap, which looks at the difference in average pay of

Focus on providing more homes

Our masterplan to transform Grahame Park in Colindale, providing more than 2,000 new homes, was given the go-ahead by planners in March.

The proposal, in partnership with the Barnet Council, will include 2,088 homes, more than 1,000 of which will be affordable housing, including 346 for social rent.

Community facilities, including a community centre and a day nursery, will also be provided as well as improvements to nearby Heybourne Park. The plans will create a thriving new high street that integrates Grahame Park into wider Colindale, improve sustainable forms of transport such as buses, electric vehicles and cycling, and provide new green spaces and play areas.

The masterplan includes more social housing than the existing estate, which means there will be more than enough homes to house all existing secure tenants of Grahame Park, and that they will only have to move once. Our vision for the next stage of Grahame Park is to create a high-quality neighbourhood with the community at its heart. The new masterplan will build on the regeneration work started in 2007 to create an open and outward looking place that puts the community first, with a mix of uses, active street frontages and good access to community facilities.

male and female employees, and our ethnicity pay gap, which does the same for ethnicity.

Our staff diversity groups, Beehive women's network, Eric, our LGBT+ network and Cultural Energie, our BAME network, continue to go from strength to strength.

Future prospects

It is currently difficult to measure the potential impact of the Covid-19 crisis on every area of our operations while restrictions remain in place and we are still a long way from knowing the medium and long-term effect it will have on the economy. However, we remain a financially robust organisation with substantial liquidity.

We retain good relationships with the banks, and we are able to access the capital market as necessary.

The slowdown of the housing market and constraints on the development pipeline are likely to affect cashflow. We are continuing to manage cash carefully, enabling us to mobilise quickly once restrictions are lifted.

Outside of the Covid-19 crisis our integration following our merger in 2018 is nearing completion and our new housing operating model and digital transformation project is already providing better outcomes for our residents and creating a smoother, more streamlined pathway to solving issues as they arise.

Focus on our people

In the last few weeks of 2019/20, as the world struggled with the Covid-19 crisis, our staff again showed their commitment to supporting residents in times of need.

Of course, our care and support teams were on the front line, continuing to provide round-the-clock care, support and reassurance to our most vulnerable residents. We are very proud of the professionalism and dedication they have shown during this incredibly challenging time.

Behind the scenes, our resident support team was exceptionally busy in late March as a mix of benefit issues, panic-buying, job insecurity and self-isolations created a perfect storm of crisis and hardship.

- Our staff responded to food emergencies by sending out supermarket vouchers to those in immediate need, making food bank referrals, delivering fresh fruit and veg boxes with partners Our Little Markets and even arranging a pizza delivery to a family in need;
- The welfare benefits team worked tirelessly to help residents receive the benefits and financial support they are entitled to from the government;
- Our volunteering team focused on those self-isolating, including putting together a telephone befriending service; and
- We worked with Good Gym to support those unable to get out of the house and pick up necessities. The initiative enabled volunteer runners to safely deliver food, essentials and even prescribed medicines for those who need it.

Residents are able to keep up with the latest coronavirus information and developments from NHG through our website.

/ Stratford Halo
/ LB Newham

Key performance indicators

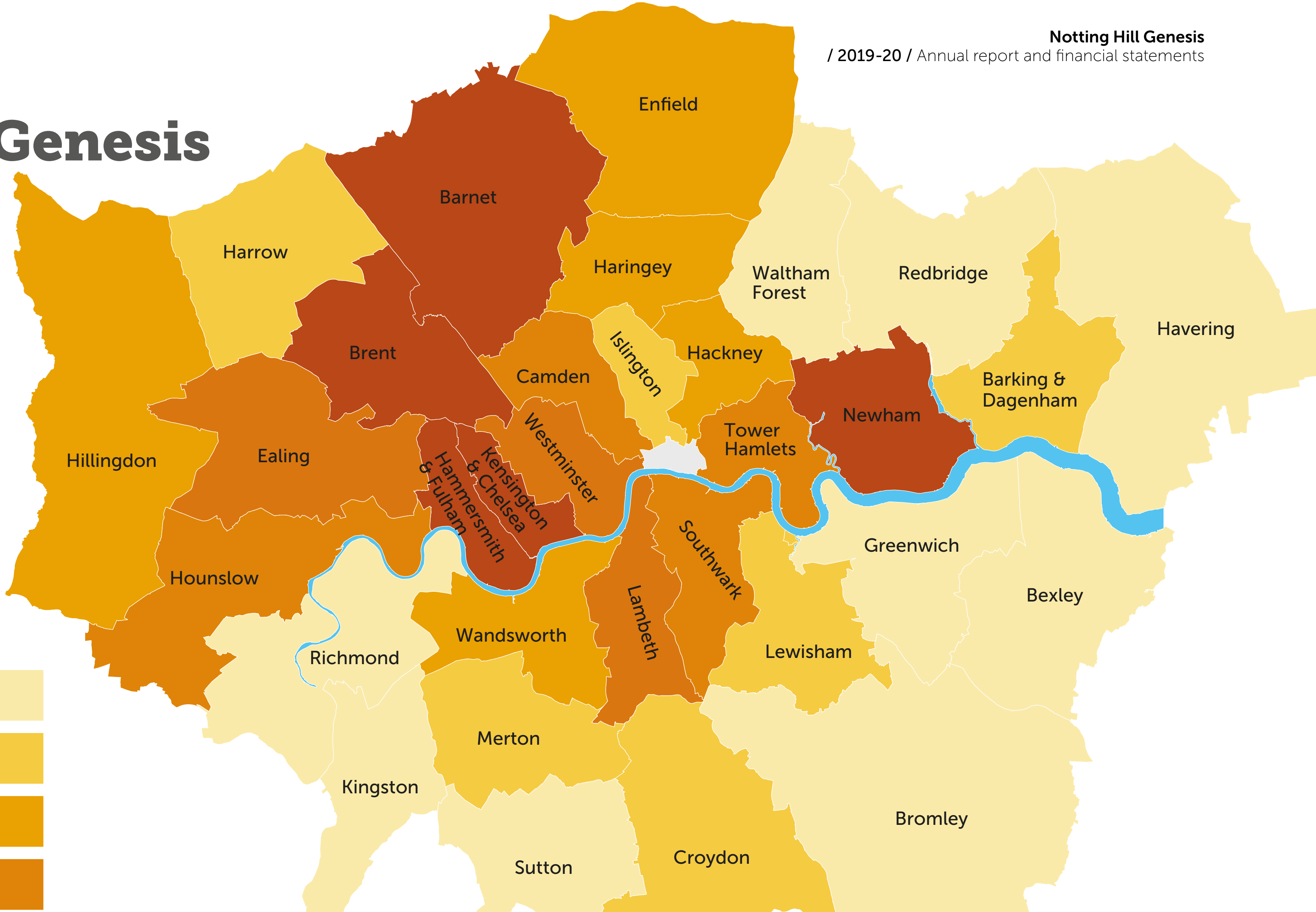
NHG has a well-developed set of performance indicators which are considered regularly by the Board and are used by the Board and the Executive Team to measure performance and drive improvements.

Key performance indicator	2019/20 Performance	2019/20 Target	2018/19 Performance	2018/19 Target	Commentary
Rent collection rate over 12 months	99.35%	98.84%	100.05%	99.64%	The overall rent collection rate finished the financial year above target, achieving 99.35%.
Current tenant rent arrears	4.70%	4.15%	4.32%	4.62%	Current rent arrears finished the year at 4.70% against a target of 4.15%.
Occupancy rate	98.93%	98.5%	98.0%	98.6%	The occupancy rate surpassed the annual target, finishing the year at 98.93% against a target of 98.50%.
Customer satisfaction overall	68.5%	68%	65.2%	No target	Exceeded the target for 2019/20. The customer satisfaction target for 20/21 is 70%.
Number of ombudsman investigations	55	No target	47	No target	The number of investigations carried out by the ombudsman has increased marginally on the previous year's figure of 47.
Number of maladministration findings by ombudsman	6	No target	13	No target	The number of maladministration findings by the ombudsman has reduced on the previous year's figure of 13.
Percentage of homes with a valid gas certificate	99.87%	100%	99.9%	100.0%	Gas servicing compliance finished the year at 99.87%, translating to 43 units without an in-date LGSR, which was primarily due to access issues.
Sales time to completion (weeks)	45.0	12.0	25.9	12.0	The delay in securing sales during 2019/20 was due to the general slowdown of the housing market, influenced by Brexit uncertainty.
Plots acquired	518	1,400	892	2,264	As part of business planning, and to manage the sales risk, the site acquisition programme was significantly slowed in 2019/20.
Homes started	665	1,245	1,018	2,240	Fewer homes were started due to the reduction in the development programme to manage sales exposure.
Homes completed	1,962	2,986	2,111	2,403	Some completions in 2019/20 were late due to Covid-19 site delays.

Notting Hill Genesis

Stock map

London boroughs



Number of homes currently under management in each London borough

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

In London 58,344
Outside London 6,503

Properties under management 64,847

General needs 35,624
Shared ownership 8,299
Leasehold 8,093
Student 839
Key worker 1,348

Supported housing 4,225
Temporary housing 3,325
Market rent 3,094

Properties owned and managed 61,522
Properties managed but not owned 3,325
Properties owned and not managed 1,606
Total homes owned and/or managed 66,453

Group Finance Director's report

Results

Notting Hill Genesis had a successful financial year with a surplus of £98.1m, just above the budget set by the Board of £97.5m. Total Group turnover increased to £731.5m in the year to 31 March 2020, up from £670.6m in 2019. Of this, £478.3m (2019: £476.3m) was generated from social housing, £181.3m (2019: £134.9m) from sales, and £44.6m (2019: £30.6m) from market rent. The overall surplus before tax and after interest was £98.1m, which was above the approved budget of £97.5m, but below the comparable figure for 2019 of £104.1m. The breakdown of the surplus of £98.1m, together with the comparatives for the year ended 31 March 2019 and comments are detailed in Table 1.

One of the challenges for 2019/20 was the high number of unsold homes. We entered the financial year with a total of 605 unsold homes. In the latter half of 2018, the Board had become concerned at the delays in selling homes, both shared ownership and market sale, so had significantly reduced our programme before 31 March 2019. Nevertheless,

Table 1 – Analysis of consolidated NHG surplus

	2019/20 £m	2018/19 £m	Difference £m	Commentary
Core operating surplus				
Turnover – excluding sales	550.2	535.7	14.5	Group turnover increased primarily due to additional income from general needs housing, and shared ownership lettings.
Operating costs – excluding impairment	(418.2)	(424.6)	6.4	Operating costs decreased as a result of savings made through the integration.
	132.0	**111.1**	**20.9**	
Impairment and write-down of inventory	(10.0)	-	(10.0)	In 2019/20, we reviewed the carrying value of our shared ownership homes and inventories and reduced this following the Covid-19 outbreak.
	(10.0)	**-**	**(10.0)**	
Sales and investment surplus				
Fair value gains – investment properties	12.6	36.3	(23.7)	Values have not risen as much in 2020 as in 2019.
Surplus/(deficit) from joint ventures	18.6	(0.9)	19.5	We completed and sold a successful joint venture scheme with Telford Homes in 2020.
Surplus from sales	31.6	24.2	7.4	Sales of first tranche and private sales increased due to the additional number of completed schemes during the year.
Surplus on disposal of assets	27.8	34.0	(6.2)	This largely arises from staircasing sales in the shared ownership business, which were more subdued in 2020, as the market was less buoyant.
	90.6	**93.6**	**(3.0)**	
Results from financing activities				
Net financing costs	(122.1)	(107.7)	(14.4)	Interest costs have increased due to the higher level of Group debt, and a lower level of interest has been capitalised as the level of work in progress reduced.
Other	7.6	7.1	0.5	
Surplus before tax	**98.1**	**104.1**	**(6.0)**	

there were still 2,411 homes under construction for sale, of which 973 (581 shared ownership and 392 private sale) were finished in 2019/20. We transferred a number of these homes to rental tenures and sold a total of 596 to individual purchasers as well as executing a bulk sale and so finished the financial year with 610 unsold homes.

Some commentators have suggested that values in London may fall by up to 10%. Certainly, there are already delays in sales and there will be additional holding costs before we can sell homes to shared owners and others which we estimate may cost us up to 5% of selling value. We have, therefore, reassessed the net realisable value of our work in progress for homes being constructed for sale and reduced it by 15%. Where this is below the carrying cost, we have charged it to the cost of sale. This, along with other smaller charges, led to a total impairment of £10.0m.

Because the UK lockdown due to the Covid-19 pandemic began just a week before the year end date, there was little impact on the in-year financial activities of Notting Hill Genesis for the year ended 31 March 2020. However, global and market uncertainty as a result of Covid-19, has increased the risks around the valuation of investment properties, and the carrying value of inventories and housing properties, and heightened going concern risks. Going forward, we continue to monitor the key risks which could be adversely affected by the Covid-19 pandemic, which include rent arrears, occupancy levels, valuations and unsold homes. At 31 March 2020, Notting Hill Genesis was a financially strong organisation, with substantial liquidity of £569m. Post year end this has increased, due to confirmation from The Bank of England that Notting Hill Genesis is eligible for its Coronavirus Corporate Finance Facility from July 2020 with a limit of £300m.

Focus on our financial strength

Our stock rationalisation programme, aimed at reducing our geographical footprint and allowing us to focus on our core operations in London and its immediate surroundings, continued apace in 2019/20.

As well as allowing us to concentrate on our key locations and ensuring residents are served by more local providers, it has raised considerable extra funding to be reinvested in providing new homes and ensuring quality services for existing residents.

Prior to this year we had transferred stock in Cambridgeshire and Northamptonshire to Futures Housing Group, but 2019/20 saw four additional deals completed:

- Stock in Aylesbury Vale was transferred to the Guiness Partnership in April 2019;
- Our homes in Crawley, as well as Epsom and Ewell, were transferred to Mount Green Housing Association in July 2019;
- Homes in Slough were transferred to Inquilab Housing Association in November 2019; and
- Stock in East Anglia, as well as in parts of Essex, was transferred to Sanctuary Affordable Housing in March 2020.

In all cases we carried out a rigorous selection process to ensure providers would offer the high level of service we demand of anyone taking on NHG homes and carried out a full consultation process with residents and affected staff prior to transfer.

Ratings

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

On 26 June 2020, S&P affirmed its A- rating on Notting Hill Genesis, with a stable outlook. This rating was first assigned to Notting Hill Genesis on 5 June 2019. On 29 July 2020, Fitch reaffirmed the rating of A (stable outlook), which it had first assigned to Notting Hill Genesis on 1 August 2018. This rating has remained unchanged since that date.

Capital structure and treasury policy

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

For Notting Hill Genesis, the UK sterling market appears to be the most attractive form of long-term funding available with favourable covenant packages. Indeed, we observed a number of housing associations of our size tapping the market for liquidity following the UK Covid-19 lockdown in March 2020. We remain confident that the capital markets are open for business, and that investors are willing to make funds available for the right credit. We now have six public bonds in issue with an outstanding nominal value of £1.8bn, and are open to participating in the bond market again in future.

Borrowings at 31 March 2020 were £3,486.2m (2019: £3,471.0m) and secured and immediately available undrawn facilities were an additional £474.5m (2019: £642.8m). This debt is borrowed from banks and building societies in the UK, as well as from the capital markets. Unrestricted cash and deposits immediately available to the Group totalled £94.5m, meaning we had available liquidity of £569.0m (2019: £775.8m). This is comfortably in excess of the Group's internally set liquidity requirement limits. Our decision to reduce our development programme in 2018/19 means that we now need less liquidity than last year.

The current interest rate strategy, along with the position as at 31 March 2020 is set out in Table 2.

Table 2 – Interest rate strategy

	Target			
	Lower	Central	Upper	Actual
Fixed	50%	75%	95%	87%
Floating	5%	20%	40%	11%
Inflation linked	0%	5%	15%	2%

The interest rate targets disclosed in Table 2 were set by the Board at amalgamation, and remain unchanged. The figure shown as 'lower' is the minimum approved by the Board and the figure shown as 'upper' is the maximum. Notting Hill Genesis has a target duration of 12 years for its debt, and a permitted range of nine to 14 years. The position at 31 March 2020 was 10.4 years. We continue to utilise hedging instruments to manage our interest rate risk.

Table 3 provides an analysis of when the debt outstanding at 31 March 2020 falls due for repayment:

Table 3 – Debt maturity

	Group £m	NHG £m
0-1 years	121.5	113.5
1-2 years	42.5	40.0
2-5 years	366.4	352.7
5-10 years	771.6	704.2
10-20 years	1,085.6	921.6
20-30 years	770.4	770.4
30-40 years	328.2	328.1
Total	**3,486.2**	**3,230.5**

New Garden Quarter

Located within the Chobham Manor district of Newham, this site next to the HS1 railway line falls within the London Legacy Development Corporation area and had been used during the 2012 Olympics. Notting Hill Housing and Telford Homes successfully tendered for it in 2014, and subsequently formed a joint venture to purchase the freehold interest and undertake the development. The scheme has 35% affordable housing, and was built out over two phases with the affordable rent delivered in phase 1. It also includes a nursery, café, affordable workspace, concierge and gym for residents, as well as extensive public realm and landscaping.

471 homes
109 affordable rent
82 shared ownership
112 market rent (Folio London)
136 market sale

Architects
Pollard Thomas Edwards

Contractors
Telford Homes

Completed
November 2019

The Group's policy in relation to cash surpluses is to preserve capital. Cash surpluses are thus invested in money market funds rated AAAmf and approved UK institutions rated ukA1 by S&P. Notting Hill Genesis had entered into various interest rate swaps at the year-end to manage the interest rate charged on variable, fixed and currency debt. Under the terms of its interest rate swap agreements, Notting Hill Genesis can be required to provide cash or property as security for future payments. The amount of security is assessed by the counterparty banks on a regular basis (weekly or monthly, dependent on the lender).

The maximum amount of cash and properties pledged as security for interest rate swap transactions during the financial year was £nil (2019: £27.0m) and the amount at 31 March 2020 was £nil (2019: £7.1m). Notting Hill Genesis generally borrows and lends only in sterling, which minimises associated currency risk. Where it does borrow in a foreign currency, all associated cash flows are hedged to mitigate currency risk. As at 31 March 2020, £791.0m (2019: £398.0m) of the Group's variable debt had its interest rate hedged by stand-alone interest rate swaps.

As at 31 March 2020, £42.0m (2019: £42.0m) of the Group's fixed debt had its interest rate hedged by stand-alone swaps.

As at 31 March 2020, ¥5bn (2019: ¥5bn) of the Group's debt had been hedged into £28m (2019: £28.0m) by a currency swap. Notting Hill Genesis and NHHO have a policy of not granting floating charges, although this policy does not extend to subsidiaries.

Housing properties

Notting Hill Genesis now owns and/or manages over 66,000 properties of various tenure types. The property valuation table below details the cost of the properties together with their net book value, as well as the estimated open market value.

Housing properties are held at either cost or deemed cost in the balance sheet. At 31 March 2020, the Board was of the opinion that the value of the completed housing properties owned by the Group compared with their cost is as detailed in the property valuation table below. The valuations are underpinned by professional valuations.

Table 4 – Property valuation

	General needs £m	Shared ownership £m	Market rent £m	**Total £m**
Cost (excluding depreciation and social housing grant)	5,447.2	1,156.6	715.2	**7,319.0**
Net book value	5,047.7	1,145.6	826.8	**7,020.1**
Value				
On a vacant possession basis	16,973.9	2,203.8	959.9	**20,137.6**
On a market value subject to tenancy basis	9,534.6	1,117.7	826.8	**11,479.1**
On an existing use for social housing basis	4,159.1	1,117.7	N/A	**5,276.8**

Valuation of the shared ownership properties is based on the open market value for the equity share retained by the Group. The equity share retained by the Group, typically represents 57% of the whole property, with the balance owned by the leaseholder.

Value for money (VFM)

Notting Hill Genesis (NHG) has since its inception focused on three key initiatives, as approved by the Board, to improve cost effectiveness and reduce operating costs over the organisation's first two years in operation.

These were:

- Through integration we expected to reduce running costs by £20m from the third year of operation (2020/21);
- Strategic reviews of both temporary housing and supported housing and care business areas were undertaken with the aim of driving operating performance improvements; and
- To focus our geographic footprint on London and adjacent areas only, and follow a programme of disposing of some homes to local registered provides who are able to provide a high quality service to residents in areas outside of London.

Progress to date on these areas is as follows:

- Total savings of £27.2m have been achieved from 2018/19 through to the budget for 2020/21, of which £16m has been achieved through reduced back office costs. This exceeded the targeted savings of £20m. We plan to target real unit cost savings of 2.5% per annum for the period 2022/23 through to 2024/25.

- Progress on the strategic review targets is as follows:
    - » The strategy objective for temporary housing was a net margin of 9.4% for 2019/20, however 9.0% was achieved. For 2020/21 a budgeted net surplus of 10.9% has been set, driven by higher gross margin and the impact of lower overhead costs, which exceeds the 2020/21 strategy target of 10.1%; and
    - » The care and support strategy target was to deliver an operating margin of 18% by the end of the two-year period ending 2020/21. For 2020/21 the margin is forecast to be 16.8%, with the reduction in margin driven by increased fire safety expenditure.
- During 2018/19, we completed the disposal of 76 keyworker units in Surrey and 474 units in Northants and Cambridgeshire. In 2019/20, we completed the disposal of 42 units in Aylesbury Vale, 69 units in Epsom and Crawley, 19 units in Slough and 813 units in Norfolk, Suffolk, Essex and Hertfordshire.

RSH Value for Money Metrics

The Regulator for Social Housing (RSH) has outlined what it expects registered providers to deliver in relation to value for money (VFM) in its VFM Standard 2018, which was presented to the Board in March 2019, as part of the VFM strategy.

The VFM Standard requires that an organisation understands its costs and the outcomes of delivering specific services, and the underlying factors which impact these costs. The Regulator has defined seven VFM metrics, and these are the main element of our VFM reporting.

These allow us to compare across our peer Group (G15), and against ourselves to show performance over time.

Table 5 shows the RSH VFM metrics for Notting Hill Genesis, including actual data from 2018/19 to 2019/20 and the budget for 2020/21. It also includes median data for G15, our peer group for 2018/19.

As in previous years, the peer group used is the G15 group of large London RPs, which for 2018/19 comprised 12 members. Our peer Group comparison data is for 2018/19, whilst Notting Hill Genesis data discloses the 2019/20 budget, the actual result for the year, and the approved budget for 2020/21. The Board will be provided with an updated comparison with our peers when 2019/20 data is made available.

The budget for 2020/21 for Notting Hill Genesis shows expected savings from 2019/20 actual of £607 per unit, reflecting further merger savings achieved within the budget for 2020/21.

It should be noted that the budget for 2020/21 also contains a provision for fire remediation works, which increases the cost per unit by £201 per unit. Excluding these costs, the cost per unit reduction from 2019/20 to 2020/21 is budgeted to be £578 per unit. Chart 1 provides further analyses this metric for Notting Hill Genesis from 2016 to 2021.

The Notting Hill Genesis five-year business plan aims to continue to drive VFM and cost efficiencies through year-on-year reductions in business metrics of 2.5% per annum from 2022/23 through to 2024/25.

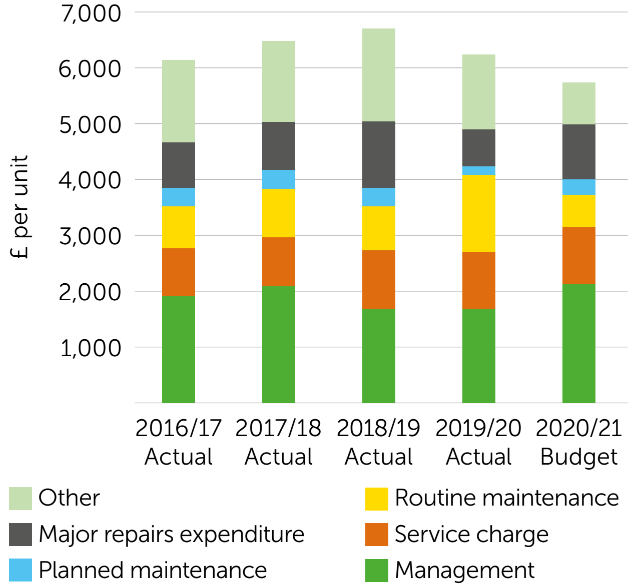
Table 5 – RSH VFM metrics for NHG – 2018 to 2021	2018/19 Peer group (G15) Actual	2018/19 Actual	2019/20 Actual	2019/20 Budget	2020/21 Budget
1 – Reinvestment % (development)	6.0%	5.2%	3.5%	5.2%	4.4%
2a – New supply delivered – social housing homes	1.5%	0.8%	1.9%	2.7%	1.4%
2b – New supply delivered – non-social housing homes	0.55%	1.3%	1.4%	1.3%	1.3%
3 – Gearing %	45.0%	50.3%	50.8%	49.0%	49.1%
4 – EBITDA MRI interest cover	143.0%	143.1%	152.4 %	137.9%	164.3%
5 – Headline social housing cost per unit	4,839	6,716	6,394	6,020	5,787
6a – Operating margin % – social housing lettings only	33.0%	22.8%	25.4%	27.5%	26.8%
6b – Operating margin % – overall	26.0%	25.6%	25.3%	25.4%	24.0%
7 – Return on capital employed (ROCE)	2.9%	2.5%	2.6%	2.6%	2.4%

Table 6 - Breakdown of social housing cost per unit

Cost per home £	2018/19 Peer group (median)*	2018/19 NHG Actual	2019/20 NHG Actual	2019/20 NHG Budget	2020/21 NHG Budget
Management	1,332	1,747	1,497	1,616	1,251
Service charges	767	1,006	1,001	933	973
Routine & planned maintenance	1,166	1,669	1,799	823	1,431
Major repairs	1,077	624	570	1,275	878
Other (mainly landlord rents)	450	1,670	1,527	1,372	1,254
Total	**4,839**	**6,716**	**6,394**	**6,019**	**5,787**
Total excl TH & care	4,639	5,576	5,472	5,299	4,975
Total excl TH, care and fire costs	N/A	5,361	5,277	5,101	4,774

*The individual costs are median values, therefore they do not sum to the median of £4,839

Chart 1 - Unit operating costs – Rented Social Housing
year ending 31 March



Notting Hill Genesis was ranked at 12 within the G15 peer group in 2018/19. It should be noted that Notting Hill Genesis has a portfolio of temporary housing stock with landlord rent costs of £48.2m in 2019/20, and this activity had an overall impact of £763 cost per unit on the 2020/21 budget. In addition, supported housing activities increase Notting Hill Genesis' 2020/21 budgeted unit cost by £194 per unit. Our geographical footprint is mostly in London which further increases costs and therefore this measure. Without operating temporary housing and care services our ranking would improve to 7. The ranking would also be at 7 excluding fire remediation costs, using the 2020/21 budgeted cost per unit.

Further VFM metrics

During 2019/20, each business within Notting Hill Genesis has an individual metric which is being reported to the Board on a quarterly basis.

These provide information to the Board of any adverse variance from target and also enable businesses to take action, where possible, to improve performance.

A suite of KPIs are reported to the Board each quarter, with each metric linking to a theme within the corporate strategy as follows:

- Financial strength;
- Providing new homes;
- Our residents;
- Our homes; and
- Our people.

Going concern

Due to the emergence of the Covid-19 pandemic, for which lockdown in the UK commenced during the last week of the financial year, the Board has considered the potential impacts from numerous multi-variant adverse scenarios, which include a decline in sales, increase in rental arrears, increase in voids, and tightening of liquidity among other factors. Options for mitigation to ensure the business can continue in the short and longer term have also been reviewed. Mitigations exist for all scenarios as a precaution, to ensure compliance with all covenant and regulatory requirements. In addition to the scenarios outlined, the Board has stress tested a number of different scenarios which could affect Notting

Hill Genesis' future plans. The main areas the stress testing considered were building contracts, sales, operating income and costs. The outcome of stress tests performed focussed on liquidity and covenant compliance as a result of adjusting the key inputs. The resulting worst case scenario of the stress testing exercise, in which all adverse impacts described above would crystallise, indicates the probability of a covenant breach occurring in 2021 and 2022 is remote, and exhibited that Notting Hill Genesis is able to withstand these external pressures. Periodic updates to the financial business plan, management accounts forecasts and key performance indicator reporting enables continuous monitoring of the business. Furthermore, Notting Hill Genesis has enhanced short-term liquidity through its participation in the Covid Corporate Finance Facility established by the Bank of England, which has a limit of £300m, from July 2020.

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. No material uncertainties exist.

Key risks and uncertainties

The Covid-19 pandemic is an unprecedented global emergency which Notting Hill Genesis (NHG) will be affected by. We continue to monitor developments closely, and adapt our working practices as required. The key risks and uncertainties under Board review are as follows:

Risk	Comments	Mitigation
Covid-19 pandemic	The risk profile of NHG, similar to other social housing developers, has changed materially following the pandemic. Covid-19 has been identified as NHG's highest risk, due to the potential impact across all business streams, and its interconnectivity to other key business risks faced by NHG, particularly sales and liquidity.	NHG has enacted Business Continuity Plans, and established a Covid-19 response group (CRG). The CRG is closely monitoring and responding to the evolving situation, as well as considering government guidance, to ensure the safety and wellbeing of our residents and staff, while still delivering our core services. The Group has substantial liquidity and monitors its position continuously.
Declining sales	A large part of NHG's development programme relates to low-cost home ownership and outright sale. NHG's ability to deliver this will be adversely affected if there is a lack of demand for the resulting homes at the right price.	NHG keeps the level of work in progress and completed unsold homes under review. Appraisal assumptions allow for falls in value and delays in sales.
Changes in government policy, legislation and regulation	The external political situation is volatile and NHG works with a wide range of public bodies.	NHG continues to monitor the evolving political landscape closely. In addition, NHG continues to stress test business plans with changing scenarios and reviewing uncommitted development sites.
Failure to comply with health and safety standards	The health and safety of our residents remains a key concern for us, in particular, fire safety and carbon monoxide poisoning.	Following the tragedy at Grenfell tower, NHG has reviewed its fire prevention measures with a view to complying with any recommendations made by both the fire authorities and the government. NHG continues to monitor this area closely. All new schemes are fitted with carbon monoxide detectors and all new towers over six floors will be fitted with appropriate sprinkler systems.
Liquidity risk	NHG needs to maintain sufficient liquidity at an affordable price to meet its commitments.	NHG has in place a treasury policy which includes a liquidity policy that the Board monitors closely. The policy is approved annually by the Board and is prepared jointly with our treasury advisors.
Governance	Effective decision-making and strong controls are crucial for maintaining NHG into the future.	NHG has an experienced, skilled Board consisting of non-executive and executive members. There are regular skill reviews and appraisals as well as reflection on governance good practice.
Failure in customer service delivery	Having merged in April 2018, the operational teams which deliver frontline services to our residents have more recently integrated.	A new operating model has recently been established, and the delivery of this service will support greater customer satisfaction.

Streamlined energy and carbon report

The combined energy consumption for reporting period for Notting Hill Genesis is 48,327,148 kWh for the year ended 31 March 2020. The combined greenhouse gas emissions for Notting Hill Genesis is 10,455 tCO2e for the year ended 31 March 2020. These include the emissions associated with UK electricity and natural gas consumption, and business travel in company vehicles as required to be disclosed by legislation. An intensity ratio of 20.6 tonnes CO2e per £m of revenue has been calculated to enable future year-on-year comparison against the normalised revenue.

Greenhouse gas emissions

Table 1: Greenhouse gas emissions by fuel and company (tonnes CO2e)

Emissions source	Group	NHG	% Share
Fuel combustion: Natural gas	5,872	5,804	56%
Fuel combustion: Transport	3	0	0%
Purchased electricity	4,580	4,426	44%
Total emissions (tCO2e)	**10,455**	**10,230**	**100%**
Revenue	£731.5m	£489.3m	
Intensity: (tCO2e per £m)	**20.6**	**20.9**	

Table 2: Greenhouse gas emissions by scope and company (tonnes CO2e)

Emissions source	Group	NHG	% Share
Scope 1: Natural gas and company-operated transport	5,875	5,804	56%
Scope 2: Electricity	4,185	4,044	40%
Scope 3: Losses from electricity distribution and transmission	395	382	4%
Total emissions (tCO2e)	**10,455**	**10,230**	**100%**

This only includes emissions reportable under SECR and may not reflect the entire carbon footprint of the organisation.

Energy consumption

The combined energy consumption for the reporting period for Notting Hill Genesis is 48,327,148 kWh for the year ended 31 March 2020.

Table 3: Energy consumption by fuel and company (kWh)

Category	Group	NHG
Electricity	16,373,782	15,823,432
Natural gas for heating	31,941,198	31,569,500
Transport fuel	12,168	-
Total	**48,327,148**	**47,392,932**

Boundary, methodology and exclusions

An 'operational control' approach has been used to define the greenhouse gas emissions boundary.

This approach captures emissions associated with the operation of all buildings such as offices and houses, plus company-owned transport. This report covers UK operations including Notting Hill Genesis, Folio London Limited, Canonbury Development Limited and Chobham Farm North LLP.

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019.

Emissions have been calculated using the latest conversion factors provided by the UK Government. There are no material omissions from the mandatory reporting scope.

The reporting period is for the year ended 31 March 2020, as per the financial accounts.

Energy efficiency initiatives

In the period covered by the SECR Notting Hill Genesis, Folio London Limited, Canonbury Development Limited and Chobham Farm North LLP have not undertaken any energy efficiency actions across the business. However, the ESOS Phase II work completed at the end of 2019 has identified several opportunities related to energy reduction across the estate such as LED lighting upgrades, HVAC optimisation and controls, and behaviour change.

/ Lampton Road
/ LB Hounslow

Governance

/ Western Avenue
/ LB Ealing

The Board and Committees

Notting Hill Genesis (NHG) is governed by a board ('the Board'). The NHG Board has nine non-executive members plus two executives. Details of all Board members, who are drawn from a range of backgrounds, are set out on the next page.

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

During the year ended 31 March 2020, there were six main functional committees in operation within NHG: the Residents Services Committee, the Audit and Risk Committee, the Treasury Committee, the Development and Sales Committee, the Remuneration Committee and the Nominations Committee.

Since the year end, the Residents Services Committee has been disbanded, and we have established an Operations Committee.

Operations Committee

The Operations Committee oversees the performance of NHG's core residential businesses, working across seven cross-cutting themes: resident experience and satisfaction, overall performance, repairs and maintenance, financial effectiveness, health and safety, IT and data and sustainability.

Audit and Risk Committee

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

Treasury Committee

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

Development and Assets Committee

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

Remuneration Committee

The Remuneration Committee determines the remuneration of the Chief Executive and members of the Executive Board and makes recommendations on allowances for Board Members.

Nominations Committee

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

Notting Hill Genesis Board Members


Ian Ellis
Chair


Elaine Bucknor
Deputy Chair


Stephen Bitti


Jenny Buck


Linde Carr


Kate Davies


Jane Hollinshead


Bruce Mew


Alex Phillips


Paul Phillips


Richard Powell

Board Member Committee membership

	Operations Committee	Audit & Risk Committee	Treasury Committee	Development & Assets Committee	Remuneration Committee	Nominations Committee	Additional comments
Ian Ellis (Chair)						Chair	
Elaine Bucknor (Deputy Chair)							
Stephen Bitti	✓						Resident
Jenny Buck		✓		✓	✓	✓	
Linde Carr		✓			Chair	✓	Resident
Kate Davies (Chief Executive)							Co-opted Board member
Jane Hollinshead	Chair				✓	✓	
Bruce Mew		Chair	✓				
Alex Phillips			Chair	✓			
Paul Phillips (Group Finance Director)			✓				Co-opted Board member
Richard Powell				Chair			

The Executive Board

Notting Hill Genesis is managed by the Executive Board (EB), headed by the Chief Executive and supported by a team of eight Group Directors.

Executives and other staff have no interest in Notting Hill Genesis' 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 Notting Hill Genesis.

Kate Davies
Chief Executive

Paul Phillips
Group Finance Director

Andy Belton
Chief Operating Officer and Deputy Chief Executive

Mark Vaughan
Group Director of Commercial Services

John Hughes
Group Director of Development

Katie Bond
(appointed 22 January 2020)
Group Director of Sales and Building Safety

Carl Byrne
Group Director of Housing

Elly Hoult
(appointed 30 April 2020)
Group Director of Assets

Vipul Thacker
Group Director of Central Services

Jeremy Stibbe
(resigned 31 May 2020)
Group Director of Regeneration and Assets

Key legal entities in the Notting Hill Genesis Group

Notting Hill Genesis

- Notting Hill Home Ownership
  - Canonbury Developments Ltd
- Folio London Ltd
- Notting Hill Commercial Properties Ltd
  - Notting Hill Developments Ltd
  - Walworth Homes Ltd
  - Project Light Development 1 Ltd
    - Project Light (Market Rent) Ltd
  - Project Light Development 2 Ltd
- Notting Hill Community Housing Ltd
- Choices for Grahame Park Ltd
- GenFinance II Plc
- Springboard Two Housing Association

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

Resident involvement

Residents are actively encouraged to become involved in decision-making by Notting Hill Genesis, which promotes mechanisms through which they can influence operations. At 31 March 2020, we had two resident Board members. There are clear reporting arrangements between resident groups and the Board.

Code of Governance

Notting Hill Genesis has subscribed to the National Housing Federation's Code of Governance 2015 (Code) as its code of governance.

Notting Hill Genesis complies with all areas of the Code other than requirement G4, which states: The Board must delegate to a Committee (which does not include executive members) responsibilities that include oversight of the appraisal of the Chief Executive and making a recommendation to the Board on the Chief Executive's remuneration. The Board has set up a Remuneration Committee which is appropriately constituted. It has, however, delegated approval of the Chief Executive's remuneration package to the Remuneration Committee rather than the power to make a recommendation. As such Notting Hill Genesis does not comply with Code requirement G4.

The Code and the related Code of Conduct 2012 is reviewed by the Audit and Risk Committee.

Employees

The strength of Notting Hill Genesis (NHG) lies in the quality of all its employees. Our ability to meet our objectives and commitments to residents in an efficient and effective manner depends on their contribution. NHG is committed to equal opportunities and in particular we support the recruitment of disabled people and the retention of employees who become disabled whilst in the employment of NHG. NHG has received recognition from the Department for Education for establishing policies of positive promotion of employment opportunities for candidates and employees with disabilities. NHG was assessed by Investors in People during the year, and received the standard accreditation.

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 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 2018 (SORP 2018) and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RPSH will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the transactions and which disclose with reasonable accuracy at any time the financial position of the RPSH and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing in England 2019 and the Registered Social Landlords Determination of Accounting Requirements 2012. It has general responsibility for taking reasonable steps to safeguard the assets of the RPSH and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the strategic report includes a fair review of the development and performance of the business and the position of Notting Hill Genesis (NHG) and its subsidiaries included in the consolidation, together with the disclosure of the principal risks and uncertainties they face.

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

Internal controls

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

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

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

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

Identification and evaluation of key risks

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

Executive is responsible for reporting to the Board any significant changes affecting key risks.

Monitoring and corrective action

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

Control environment and control procedures

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

Information and financial reporting systems

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

Fraud

The Board has a policy on fraud covering prevention, detection and reporting of fraud and the recovery of assets. A register is maintained of any frauds or potential frauds. The Audit and Risk 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 Chair and Chief Executive are made available on our corporate website. We expect our business partners to adopt a similar approach to bribery or corruption and make this a condition for new contracts awarded.

Audit assurance

Internal audit

KPMG LLP has continued as the internal auditors for the Group. The internal control framework and the risk management process are subject to regular review by the internal auditors who advise the Executive Directors and report to the Audit and Risk Committee.

An audit plan was agreed by the Audit and Risk Committee for 2019/20 and was completed. The internal auditors have direct access to the Audit and Risk Committee independent of paid staff. The Audit and Risk Committee met four times during the financial year and considered internal control and risk at each of its meetings.

External audit

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

The Audit and Risk Committee met with the internal and external auditors during the year without the presence of paid staff or Executive Directors.

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

Independent auditors and AGM

The auditors, BDO LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the 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 Notting Hill Genesis' auditors in connection with preparing their report of which Notting Hill Genesis' auditors are unaware.
- Each Board member has taken all the steps that they ought to have taken as a Board member in order to make themselves aware of any relevant information needed by the auditors in connection with preparing their report and to establish that the auditors are aware of that information.

Statement of compliance

Notting Hill Genesis has undertaken an assessment of compliance with the governance and financial viability standard as required by the Accounting Direction 2019. Notting Hill Genesis can confirm that no evidence of non-compliance has been identified since the last report.

In preparing the strategic report, the Board has followed the principles set out in the Statement of Recommended Practice for Registered Social Housing Providers (SORP: 2018).

Kate Davies
Chief Executive

Paul Phillips
Group Finance Director

Registered Society Number: 7746
Registered Provider Number: 4880

Group highlights – three year summary

For the year ended 31 March	2020 £m	Restated 2019 £m	2018 £m
Consolidated statement of comprehensive income			
Total turnover	731.5	670.6	695.6
Income from lettings	478.3	476.3	469.4
Depreciation & amortisation of housing properties	53.2	49.0	53.4
Operating surplus	212.6	204.7	233.2
Surplus from sales (first tranche shared ownership, sales of properties built for sale, asset sales and joint ventures)	71.3	57.3	108.6
Surplus from other activities	26.8	48.7	28.1
Surplus after interest and tax	98.1	106.0	136.7
Consolidated statement of financial position			
Tangible fixed assets, at cost	7,716.5	7,547.3	7,269.6
Housing assets, at cost	6,593.0	6,595.3	6,426.9
Net current assets	454.2	542.7	415.7
Indebtedness	3,486.2	3,471.0	3,267.7
Total reserves	3,345.5	3,240.5	3,174.6
Total assets less current liabilities	8,244.5	8,171.1	7,748.1
Accommodation managed at year end			
General rented housing	35,624	34,201	34,883
Supported housing	4,225	4,026	4,229
Temporary housing	3,325	3,718	3,609
Student accommodation	839	839	839
Market rent accommodation	3,094	2,747	1,963
Key worker accommodation	1,348	1,183	1,342
Total rented housing	**48,455**	**46,714**	**46,865**
Shared ownership housing	8,299	8,846	9,270
Leasehold in management	8,093	7,915	5,774
Total housing	**64,847**	**63,475**	**61,909**

For the year ended 31 March	2020 %	2019 %	2018 %
Statistics			
Surplus for the year as % of turnover	13.4	15.8	19.7
Surplus for the year as % of income from lettings	20.5	20.5	22.3
Operating margin	29.1	30.5	33.5
Operating margin before sales, joint ventures and fair value movements	21.0	20.2	23.0
Operating margin – social housing lettings only	25.4	23.8	27.1
Rent losses (voids and bad debts as % of rent and service charges receivable)	1.9	2.2	1.7
Rent arrears (gross arrears as % of rent and service charges receivable)	8.4	8.0	7.4
Gearing (total loans as % of housing properties at cost)	40.7	40.9	40.4
Interest cover (surplus before interest payable, depreciation and amortisation of housing properties as % of interest payable)	188.6	176.0	201.4
Net debt as a % of all assets at vacant possession value	17.3	17.6	16.6

The 2018 figures were derived from the unaudited consolidated summary financial report 2017/18.

/ Grahame Park
/ LB Barnet

Independent auditors' report to the members

/ Manor Place Depot
/ LB Southwark

Opinion

We have audited the financial statements of Notting Hill Genesis ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2020, which comprise the consolidated and Association Statement of comprehensive income, the consolidated and Association Statement of reserves, the consolidated and Association Statement of financial position, the consolidated Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2020 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

Key audit matter	Our response to the key audit matter
Going Concern	
As disclosed in note 1, following the outbreak of COVID-19, and the resultant impact on the overall economy, management has considered the appropriateness of the going concern basis of preparation for the group as well as the parent entity. The directors' assessment of going concern involves a number of subjective judgements including a decline in sales, increase in rental arrears, increase in voids and tightening of liquidity, which have been impacted by the current COVID-19 pandemic. We have therefore spent significant audit effort in assessing the appropriateness of the assumptions involved and to ensure the adequacy of the disclosure in the accounting policy in relation to the steps undertaken by the board to gain assurance that there is not a material uncertainty around the adoption of the going concern basis of preparing the financial statements. Therefore this area was identified as a Key Audit Matter.	Our audit response involved the following: • Assessment of the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast but also to have a high level understanding of the entity's market, strategy and profile in the customer base, and the potential impact that COVID-19 might have on these projections. • Consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business. • Obtaining and assessing the availability of financing facilities, including access to the Bank of England's Covid Corporate Financing Facility ('CCFF'), the nature of facilities and repayment terms through to March 2022. • We considered management's financial covenant compliance calculations through to March 2022 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements. • As referred to in note 1, management has modelled reasonably possible downside scenarios to incorporate the expected impact of the COVID-19 pandemic. We have considered the appropriateness of the downside scenarios in respect of the impact of COVID-19 and challenged management to confirm that they have suitably addressed the inputs, which are most susceptible to change, including those in respect of revenue, margins and cost savings. • Challenging management on the suitability of the mitigating actions identified in their assessment and the quantum and period ascribed to these mitigating actions. • We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenario. *Key observations:* Our key observations are set out in the conclusions related to going concern section of our audit report.

Key audit matter	Our response to the key audit matter
Net realisable value of property developed for sale	
As explained in the accounting policies, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £623.9m. For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete. As a result of these assessments, management has recognised a write down of £6.7m. Due to the volume of properties under construction and the level of judgement involved in estimating both selling price and costs to complete, assessments which are further complicated with the current uncertainty relating to the COVID-19 outbreak, we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.	Having obtained management's assessment of the net realisable value of properties developed for sale, we tested this on a sample basis. Our samples were chosen from the populations of items that represented developments under construction, landbank sites and completed developments at year-end. For developments under construction, including landbank sites, our sample was determined by the value of costs incurred to date for each scheme and their anticipated gross profit margin. For a sample of completed properties, we agreed the amounts involved to supporting documentation where the property was sold post year-end. Where the property was not yet sold we obtained third-party housing market information to confirm that properties were held at the lower of cost and net realisable value. For a sample of properties under development, we obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. We examined supporting documentation for anticipated sales proceeds and we compared the incurred expenditure to the balance sheet date to the estimated amount at that date. We also assessed the accuracy of cost forecasting by performing test of controls relating to the creation, approval, monitoring and amendment to development budgets, validation of key assumptions and by looking at outturn costs compared to budget on a sample of schemes that completed in the year. Sensitivity analysis was performed to determine the point at which a rise in costs to complete would result in a material misstatement. When determining sensitivities consideration was given to a range of uncertainties, including COVID-19, and the possibility of these outcomes occurring. We also considered other current factors including the status of its construction, contractual arrangements and testing undertaken to validate the accuracy of costs to complete. In assessing the accuracy of the £6.7m write down, for the sample of schemes, management's assessment was agreed to supporting documentation including third party property valuations, adjusted for Covid-19, and third party cost to complete estimates. We also considered the suitability of the application of a 15% reduction to budgeted sales prices originally assessed when each scheme was approved. This adjustment, triggered by Covid-19's impact on the property market, includes a 10% reduction in property prices along with a 5% adjustment for additional holding costs *Key observations:* Based on the evidence obtained we did not identify any indications that the assessments of the recoverable amount made by management were inappropriate.

Key audit matter	Our response to the key audit matter
Impairment of housing properties and investment properties under construction	
As summarised in note 1 the housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amounts of assets or cash-generating units for which impairment is indicated to their recoverable amount. Due to the level of judgement involved in identifying indicators of impairment and the subsequent estimation of recoverable amounts, whether through sale or use, we consider the impairment of housing properties to be a significant risk of material misstatement and therefore a key audit matter.	We obtained management's assessment of impairment, as presented to the Board of Notting Hill Genesis. This assessment set out their determination of indicators of impairment as guided by paragraph 14.6 of the Social Housing SORP. For completed housing properties held for letting we obtained a summary of voids in the year and determined the basis of each void. Other indicators of potential impairment were also assessed, including replacement cladding obligations and other remediations. In relation to housing properties under construction each scheme was assessed to determine if their carrying value exceeded their Realisable Value. Both Net Present Value (NPV) and Value in Use – Service Potential, via the calculation of Depreciated Replacement Cost (DRC), were assessed as suitable measures for Realisable Value. Within investment properties under construction two schemes were identified as budgeted to generate a significant negative net present value. However, both schemes were impaired in the prior year with latest forecasts not indicating further impairment. We considered the appropriateness of key assumptions adopted by Management when calculating NPV and DRC as well as the reliability of development budgets produced by Management. *Key observations:* Our work identified no factual misstatements or inappropriate application of judgement or estimation and we have concluded that relevant information has been appropriately reported taking account of reasonable assumptions.

Our application of materiality

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

We determined materiality for the financial statements as a whole to be £108m (2019 - £107m) which represents 1.25% (2019 – 1.25%) of total assets.

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation, impairment and the net profit/loss on first tranche sale properties. The specific materiality level that we applied was £13.6m (2019 - £12.4m), which is 5.0% (2019 – 5.0%) of adjusted operating profit.

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

Materiality for the parent entity was set at £94m (2019 - £94m) with a specific materiality set at £7.9m (2019 - £7.5m).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 60% (2019 - 58%) of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality. We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £2.2m (2019 - £2.0m) for areas considered using financial statement materiality and £0.27m (2019 - £0.25m) for areas considered using specific materiality, which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

An overview of the scope of our audit

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

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

Extent to which the audit is capable of detecting irregularities

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

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

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

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

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

Classification of components

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

Audit work on all significant components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes. Individual component audits were carried out using component materiality levels appropriate to each particular entity and the materiality levels used in the audits of the significant components ranged from 23% to 88% of overall financial statement materiality.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the board

As explained more fully in the statement of board's responsibilities set out on page 29, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other matters

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

The period of total uninterrupted engagement, including the audit of Genesis Housing Association Limited, is 4 years, covering the years ending 31 March 2017 to 31 March 2020.

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

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

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP.

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

28 August 2020

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

Financial statements

/ Cobham Farm
/ LB Newham

Consolidated and Notting Hill Genesis statement of comprehensive income for the year ended 31 March 2020

	Notes	Group 2020 £m	Group Restated 2019 £m	NHG 2020 £m	NHG Restated 2019 £m
Turnover	2	731.5	670.6	489.3	561.6
Cost of sales	2	(156.4)	(110.7)	(31.0)	(97.5)
Operating costs	2	(421.5)	(424.6)	(365.9)	(373.2)
Subtotal	2	**153.6**	**135.3**	**92.4**	**90.9**
Surplus on sale of assets	4	27.8	34.0	9.7	12.9
Joint venture surplus/(deficit)	33	18.6	(0.9)	-	-
Fair value movement on investment properties		12.6	36.3	(1.9)	-
Operating surplus		**212.6**	**204.7**	**100.2**	**103.8**
Gift aid receivable		-	-	36.0	15.4
Surplus before interest		**212.6**	**204.7**	**136.2**	**119.2**
Interest receivable and similar income	5	2.0	1.3	37.6	31.4
Interest payable and similar charges	6	(124.1)	(109.0)	(130.2)	(116.9)
Gains in respect of financial derivatives	35	7.6	7.1	9.8	9.4
Surplus on ordinary activities before taxation	**7**	**98.1**	**104.1**	**53.4**	**43.1**
Taxation	8	-	1.9	-	1.9
Surplus for the financial year after taxation		**98.1**	**106.0**	**53.4**	**45.0**
Other comprehensive income/(expense)					
Movement in fair value of effective cash flow hedges		(22.9)	(4.8)	(22.3)	(4.6)
Pension creditor		-	(14.6)	-	(14.6)
Actuarial pension movement		30.5	(9.3)	30.5	(9.3)
Other comprehensive income/(expense) total		7.6	(28.7)	8.2	(28.5)
Total comprehensive income for the year		**105.7**	**77.3**	**61.6**	**16.5**

The notes on pages 49 to 97 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 2018	2,090.1	1,130.8	(46.5)	3,174.4	0.2
Prior year adjustment	(9.9)	-	-	(9.9)	-
Revised balance at 1 April 2018	**2,080.2**	**1,130.8**	**(46.5)**	**3,164.5**	**0.2**
Surplus for year	106.0	-	-	106.0	-
Transfers to general reserves upon asset sale	2.7	(2.7)	-	-	-
Fair value measurement of derivatives	-	-	(4.8)	(4.8)	-
Actuarial pension movements	(9.3)	-	-	(9.3)	-
Minority interest repaid	-	-	-	-	(0.2)
Pension creditor	(14.6)	-	-	(14.6)	-
Deferred tax	-	(0.5)	(0.8)	(1.3)	-
Revised balance at 1 April 2019	**2,165.0**	**1,127.6**	**(52.1)**	**3,240.5**	**-**
Surplus for the year	98.1	-	-	98.1	-
Transfers to general reserves upon asset sale	12.6	(12.6)	-	-	-
Fair value measurement of derivatives	-	-	(22.9)	(22.9)	-
Actuarial pension movements	30.5	-	-	30.5	-
Deferred tax	-	(0.8)	0.1	(0.7)	-
Balance at 31 March 2020	**2,306.2**	**1,114.2**	**(74.9)**	**3,345.5**	**-**

Statement of changes in reserves, continued

NHG	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total £m
Balance at 1 April 2018	1,668.8	1,049.1	(44.5)	2,673.4
Prior year adjustment	(9.9)	-	-	(9.9)
Revised balance at 1 April 2018	**1,658.9**	**1,049.1**	**(44.5)**	**2663.5**
Surplus for the year	45.0	-	-	45.0
Transfers to general reserves upon asset sale	0.2	(0.2)	-	-
Fair value measurement of derivatives	-	-	(4.6)	(4.6)
Actuarial pension movements	(9.3)	-	-	(9.3)
Pension creditor	(14.6)	-	-	(14.6)
Revised balance at 1 April 2019	**1,680.2**	**1,048.9**	**(49.1)**	**2,680.0**
Surplus for the year	53.4	-	-	53.4
Transfers to general reserves upon asset sale	9.6	(9.6)	-	-
Fair value measurement of derivatives	-	-	(22.3)	(22.3)
Actuarial pension movements	30.5	-	-	30.5
Balance at 31 March 2020	**1,773.7**	**1,039.3**	**(71.4)**	**2,741.6**

Consolidated and Notting Hill Genesis statement of financial position as at 31 March 2020

	Notes	Group 2020 £m	Group Restated 2019 £m	NHG 2020 £m	NHG Restated 2019 £m
Tangible fixed assets					
Housing properties	9	6,593.0	6,595.3	5,427.4	5,498.6
Investment properties	10	1,064.2	891.7	300.4	294.8
Other fixed assets	11	59.3	60.3	56.2	59.6
Total tangible fixed assets		7,716.5	7,547.3	5,784.0	5,853.0
Investments					
Homebuy	12	27.1	28.2	-	-
Investments in subsidiaries	14	-	-	295.1	251.0
Investment in joint ventures	33	41.4	45.3	-	-
Other investments	12	5.3	7.6	5.3	5.3
		7,790.3	7,628.4	6,084.4	6,109.3
Current assets					
Properties in the course of sale	15	623.9	667.4	163.5	184.1
Debtors falling due within one year	16	73.1	82.2	603.9	520.9
Debtors falling due after one year	17	34.4	26.7	528.8	563.1
Current asset investment	18	18.1	17.6	18.1	9.4
Cash at bank and in hand		118.3	133.0	77.1	87.4
		867.8	926.9	1,391.4	1,364.9
Current liabilities					
Creditors: Amounts falling due within one year	19	(413.6)	(384.2)	(321.1)	(355.2)
Net current assets		454.2	542.7	1,070.3	1,009.7
Total assets less current liabilities		8,244.5	8,171.1	7,154.7	7,119.0

	Notes	Group 2020 £m	Group Restated 2019 £m	NHG 2020 £m	NHG Restated 2019 £m
Creditors					
Creditors: Amounts falling due after more than one year	20	(4,634.7)	(4,651.6)	(4,187.9)	(4,198.4)
Pension deficit liability	28	(22.5)	(58.3)	(22.5)	(58.3)
Derivative financial instruments	35	(178.6)	(158.1)	(176.7)	(156.1)
Deferred tax	8	(52.5)	(51.8)	-	-
		(4,888.3)	(4,919.8)	(4,387.1)	(4,412.8)
Provisions for liabilities and charges	22	(10.7)	(10.8)	(26.0)	(26.2)
		(4,899.0)	(4,930.6)	(4,413.1)	(4,439.0)
Net assets		3,345.5	3,240.5	2,741.6	2,680.0
Capital and reserves					
Share capital	23	-	-	-	-
General reserves	24	2,306.2	2,165.0	1,773.7	1,680.2
Revaluation reserves	24	1,114.2	1,127.6	1,039.3	1,048.9
Cash flow hedge reserve	24	(74.9)	(52.1)	(71.4)	(49.1)
		3,345.5	3,240.5	2,741.6	2,680.0
Total funding		3,345.5	3,240.5	2,741.6	2,680.0

The notes on pages 49 to 97 form part of these financial statements. The financial statements on pages 43 to 97 were authorised and approved by the Board on 13 August 2020 and signed on its behalf by

Ian Ellis
Chair

Paul Phillips
Group Finance Director

Andrew Nankivell
Director of Governance

Consolidated statement of cash flows for the year ended 31 March 2020

Group	Notes	2020 £m	2019 £m
Net cash inflow from/(outflow used in) operating activities	25	233.7	(3.1)
Cash flows from investing activities			
Purchase and construction of housing properties		(296.8)	(365.4)
Sale of housing properties		154.8	138.3
Social housing grant received		10.8	140.4
Purchase of other fixed assets		(12.9)	(7.7)
Fixed asset investment		22.4	(19.7)
Interest received		2.0	1.3
Interest paid		(143.8)	(138.5)
Disposal of investments		2.3	0.3
Corporation tax received		1.4	-
(Decrease)/increase in cash on deposit		(0.5)	25.6
Net cash flow from investing activities		(260.3)	(225.4)

Group	Notes	2020 £m	2019 £m
Cash flows from financing activities			
Loans received		114.0	413.9
Loans repaid		(102.1)	(210.6)
Net cash inflow from financing		11.9	**203.3**
Net decrease in cash and cash equivalents		(14.7)	**(25.2)**
Cash and cash equivalents at 1 April		133.0	**158.2**
Cash and cash equivalents at 31 March		**118.3**	**133.0**

The notes on pages 49 to 97 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2020

/ Lampton Road
/ LB Hounslow

Note 1 – Accounting policies

Statement of compliance

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements of Notting Hill Genesis (NHG) and Notting Hill Genesis 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 2018 (SORP 2018) and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Legal status

Notting Hill Genesis is a registered society under the Co-operative and Community Benefit Societies Act 2014. Notting Hill Genesis is also registered with the Regulator of Social Housing as a Registered Provider of Social Housing. It is a public benefit entity.

Basis of preparation

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

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

Going concern

Due to the emergence of the Covid-19 pandemic, for which lockdown in the UK commenced during the last week of the financial year, the Board has considered the potential impacts from numerous multi-variant adverse scenarios, which include a decline in sales, increase in rental arrears, increase in voids, and tightening of liquidity among other factors. Options for mitigation to ensure the business can continue in the short and longer term have also been reviewed. Mitigations exist for all scenarios as a precaution, to ensure compliance with all covenant and regulatory requirements. In addition to the scenarios outlined, the Board has stress tested a number of different scenarios which could affect Notting Hill Genesis' future plans. The main areas the stress testing considered were building contracts, sales, operating income and costs. The outcome of stress tests performed focussed on liquidity and covenant compliance as a result of adjusting the key inputs. The resulting worst case scenario of the stress testing exercise, in which all adverse impacts described above would crystallise, indicates the probability of a covenant breach occurring in 2021 and 2022 is remote, and exhibited that Notting Hill Genesis is able to withstand these external pressures. Periodic updates to the financial business plan, management accounts forecasts and key performance indicator reporting enables continuous monitoring of the business. Furthermore, Notting Hill Genesis has enhanced short-term liquidity through its participation in the Covid Corporate Finance Facility established by the Bank of England, which has a limit of £300m, from July 2020.

After making these enquiries, the Board has a reasonable expectation that Notting Hill Genesis has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. For this reason, Notting Hill Genesis continues to adopt the going concern basis in the financial statements. No material uncertainties exist.

Basis of consolidation

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

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

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

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, segmental reporting is not required by geographical region. The chief operating decision-makers (CODM) have been identified as the Group's Executive Board. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the key operating segments as rented social housing, shared ownership lettings, temporary housing, key worker lettings, supported housing, home ownership sales, development, commercial properties, student accommodation and market rent lettings. The CODM assess the performance of the operating segments based on a measure of adjusted earnings. These vary by segment and unit costs prevail in most areas. Other information provided to them is measured in a manner consistent with that in the financial statements. See note 2 for further detail.

Turnover and revenue recognition

Rent	Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for the services rendered net of empty properties.
Service charge income	Fixed service charge income is recognised in the year to which it relates. Variable service charge income is recognised in the year the related cost is recognised.
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 NHG and the Group hold the support contract with the Supporting People Administering Authority and carry the financial risk, all the project's income and expenditure are included in NHG's and the Group's statement of comprehensive income.
Other income	Other income relates to management fees for services provided to leaseholders, administration fees in relation to extension of leases. These are recognised on a receivable basis.

Taxation

NHG has charitable status and is not subject to corporation tax on surpluses in furtherance of charitable objectives. The profits of trading subsidiaries are subject to corporation tax, however the subsidiaries elect to distribute profits to the parent or other charitable group entities via gift aid. Gift aid monies received by NHG from trading subsidiaries are used to further the delivery of the charitable objectives of NHG, which includes the provision of housing to those in necessitous housing circumstances.

Deferred taxation

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

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

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

Value added tax

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

Interest payable

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

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

Employee benefits

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

Pensions

The Group's employees and past employees are active members, deferred members or pensioners of five defined benefit pension schemes operated by the Group. These are the Social Housing Pension Scheme (SHPS DB), the Genesis scheme (Genesis), the PCHA 2001 scheme (PCHA 2001), the London Pension Fund Authority Pension Fund scheme (LPFA) and the Wandsworth Council Pension Fund (WCPF) (collectively, the "Plans"). All the Plans are closed to new entrants. Further information on each of the Plans is provided below.

SHPS DB

For SHPS DB, the Group is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. FRS 102 Section 28 requires the difference on transition from defined contribution to defined benefit accounting to be presented separately in other comprehensive income. The Group early adopted the amendment made to Section 28 of FRS 102, as issued in May 2019 by the Financial Reporting Council, and therefore recognised the difference on transition to defined benefit accounting in the year ended 31 March 2019.

The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. This has been recognised within the defined benefit pension liability on the face of the statement of financial position.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability, and remeasurements are reported in other comprehensive income. Refer to Note 28 for more details.

Genesis and PCHA 2001

The assets of these schemes are held separately from those of the group. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme assets and liabilities are recorded in the statement of financial position. Contributions payable, net interest and actuarial gains/losses are recognised in the statement of comprehensive income.

LPFA and WCPF

The LPFA and WCPF are accounted for as defined benefit schemes 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.

Defined contribution pension schemes

The Group currently contributes to a number of defined contribution pension schemes for certain employees, the most significant of which are operated by the Social Housing Pension Scheme (the SHPS DC) and Aviva. Employer contributions payable to the scheme in respect of the accounting period are charged to the statement of comprehensive income.

Government grant

Grants received in relation to assets that have been treated as deemed cost at the date of transition to FRS 102 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 Grand Fund (RCGF) until it is either reinvested in a replacement property or repaid to the Greater London Authority (GLA) or Homes England. Amortised grant liability is created by increasing the cost of sale of the asset, unamortised grant is transferred between deferred Government grant, and RCGF amortised grant is disclosed as a contingent liability in note 37.

Donated land

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

Properties for sale

Unsold shared ownership first-tranche sales and properties for outright sale whether completed, under construction or undeveloped land are valued at the lower of cost and net realisable value. Cost comprises land, payments to contractors, fees, direct development overheads and interest capitalised. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

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

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

Housing properties

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

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

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

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

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

Leasehold land is amortised over the term of the lease. Completed shared ownership properties are not depreciated. 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 – 2 to 5 years

Property impairment

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

Revaluation reserve

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

Homebuy

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

Provisions

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

Operating leases

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

Gift aid

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

Financial instruments

The Group has elected to recognise and measure its financial assets and liabilities in accordance with the Measurement and Disclosure requirements of sections 11 and 12 of FRS102 "Financial Instruments".

Interest rate swap financial instruments and hedging activities

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

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

The Group designates interest rate swaps as a hedge of the income/cost of a highly probable forecasted transaction or commitment ('cash flow hedge').

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

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity in the cash flow hedge reserve. Where the forecast transaction results in a financial asset or financial liability, only gains or losses previously recognised in the statement of comprehensive income are reclassified to the statement of comprehensive income in the same period as the asset or liability affects income or expenditure. Where the forecasted transaction or commitment results in a non-financial asset or a non-financial liability, any gains or losses previously deferred in the statement of comprehensive income are included in the cost of the related asset or liability. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in the statement of comprehensive income are transferred to the statement of comprehensive income in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are recognised in the statement of comprehensive income.

For the portion of hedges deemed ineffective or transactions that do not qualify for hedging, any change in assets or liabilities is recognised immediately in the statement of comprehensive income. Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the statement of comprehensive income when the committed or forecasted transaction is recognised in the statement of comprehensive income. However, where an entity applied cash flow hedge accounting for a forecasted or committed transaction that is no longer expected to occur, the cumulative gain or loss that has been recorded in the statement of comprehensive income is transferred to the cash flow hedge reserve. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income.

Financial assets

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

Cash and cash equivalents

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

Loans and receivables

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

Rental debtors

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

Financial liabilities

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

Fair value through the statement of comprehensive income

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

Other financial liabilities

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

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

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

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

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

Critical accounting judgements and estimation uncertainty

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

Critical accounting estimates and assumptions

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

Useful economic lives of other fixed assets

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

Impairment of debtors

The 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.

Investment properties

The fair value of investment properties is determined by using valuation techniques carried out by external specialists. 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.

The outbreak of Covid-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, impacted global financial markets, and consequently market activity. As such, valuations have been produced on the basis of a "material valuation uncertainty"' as per VPS 3 and VPGA 10 of the RICS Red Book Global. As a result of applying the material valuation uncertainty, less weight has been attached to previous market evidence for comparison purposes, resulting in a degree of caution being attached to the valuation. However, the investment properties owned by Notting Hill Genesis are mixture of ages, and are comprised of traditional brick/concrete and steel construction, and there are no unusual or complex assets within the portfolio. Therefore, other than the overall impact of Covid-19, the Board are not aware of any specific factors that may have a material impact on the accuracy of investment valuations. The Board therefore considers the valuation reports to be the current best estimate of market value on the investment property portfolio.

Deemed cost valuation

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

Onerous contracts

The Group reviews contracts for performance and onerous provisions or contractual obligations for performance. If such provisions or obligations exist, the Group recognises the liability as a provision.

Housing property cost allocation

Housing property costs include the cost of acquiring land and buildings, cost of construction, directly attributable management costs and capitalised interest. Directly attributable management costs are allocated at 2.0% (2019: 1.5%) of project acquisition and works costs to a maximum of costs incurred. Interest is capitalised up to the date of practical completion based on the weighted average cost of capital at a rate of 3.98% (2019: 3.98%), reviewed annually.

Impairment of properties held for sale

Due to the Covid–19 pandemic, there are delays in sales and there will be additional holding costs before we can sell homes to shared owners and others which we estimate may cost us up to 5% of selling value. We have therefore reassessed the net realisable value of our work in progress for homes being constructed for sale and reduced by 15%.

Impairment of housing properties

Housing properties are assessed for indicators of impairment at each balance sheet date. Where indicators of impairment are identified, a detailed assessment is undertaken to compare the carrying value of the assets or cash generating units for which impairment is indicated, to their recoverable amounts. The recoverable amount is considered to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of the value in use may involve considerations of the service potential of the assets, or cash generating unit concerned, or the present value of the future cash flows.

The group defines cash generating units as individual historic completed homes.

Where the recoverable amount of the asset or a cash generating unit is lower than its carrying value, an impairment is recorded and charged to the statement of comprehensive income and expenditure.

/ Shakespeare Road
/ LB Ealing

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

Group continuing activities – year ended 31 March 2020	Turnover £m	Cost of sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	478.3	-	(356.9)	121.4
Other social housing activities				
Development services	-	-	(8.6)	(8.6)
Sales and marketing services	-	-	(9.9)	(9.9)
Neighbourhood activities	0.5	-	(1.5)	(1.0)
First tranche shared ownership sales	78.1	(57.3)	-	20.8
Supporting people and care	12.7	-	(13.6)	(0.9)
Other income	-	-	-	-
Impairment	-	-	(3.6)	(3.6)
	91.3	**(57.3)**	**(37.2)**	**(3.2)**
Activities other than social housing activities				
Properties for sale	103.2	(99.1)	-	4.1
Charitable fundraising activities	0.3	-	(0.1)	0.2
Commercial rent properties	6.7	-	(2.2)	4.5
Student accommodation	7.1	-	(4.2)	2.9
Impairment	-	-	0.3	0.3
Market rent properties	44.6	-	(21.2)	23.4
	161.9	**(99.1)**	**(27.4)**	**35.4**
Total	**731.5**	**(156.4)**	**(421.5)**	**153.6**

Group continuing activities – year ended 31 March 2019 – Restated	Turnover £m	Cost of sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	476.3	-	(362.9)	113.4
Other social housing activities				
Development services	2.2	-	(9.8)	(7.6)
Sales and marketing services	-	-	(10.0)	(10.0)
Neighbourhood activities	0.9	-	(1.8)	(0.9)
First tranche shared ownership sales	43.5	(33.3)	-	10.2
Supporting people and care	11.5	-	(14.5)	(3.0)
Other income	-	-	0.2	0.2
Impairment	-	-	-	-
	58.1	**(33.3)**	**(35.9)**	**(11.1)**
Activities other than social housing activities				
Properties built for sale	91.4	(77.4)	-	14.0
Charitable fundraising activities	0.2	-	(0.1)	0.1
Commercial rent properties	6.8	-	(3.5)	3.3
Student accommodation	7.2	-	(4.9)	2.3
Impairment	-	-	-	-
Market rent properties	30.6	-	(17.3)	13.3
	136.2	**(77.4)**	**(25.8)**	**33.0**
Total	**670.6**	**(110.7)**	**(424.6)**	**135.3**

NHG continuing activities – year ended 31 March 2020	Turnover £m	Cost of sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	424.6	-	(328.9)	95.7
Other social housing activities				
Development services	20.0	(20.0)	(4.3)	(4.3)
Sales and marketing	-	-	(1.4)	(1.4)
Neighbourhood activities	0.5	-	(1.4)	(0.9)
First tranche shared ownership sales	5.9	(4.1)	-	1.8
Supporting people and care	12.7	-	(13.6)	(0.9)
Impairment		-	(1.8)	(1.8)
	39.1	**(24.1)**	**(22.5)**	**(7.5)**
Activities other than social housing activities				
Commercial rent properties	4.6	-	(1.6)	3.0
Private sales	0.9	(6.9)	-	(6.0)
Charitable fundraising activities	0.3	-	(0.1)	0.2
Market rent properties	19.8	-	(14.4)	5.4
Impairment write back	-	-	1.6	1.6
	25.6	**(6.9)**	**(14.5)**	**4.2**
Total	**489.3**	**(31.0)**	**(365.9)**	**92.4**

NHG continuing activities – year ended 31 March 2019 – Restated	Turnover £m	Cost of sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	427.8	-	(338.3)	89.5
Other social housing activities				
Development services	89.5	(88.0)	(4.4)	(2.9)
Sales and marketing	0.3	-	(2.0)	(1.7)
Neighbourhood activities	0.9	-	(1.8)	(0.9)
First tranche shared ownership sales	10.5	(9.5)	-	1.0
Supporting people and care	11.5	-	(14.5)	(3.0)
	112.7	**(97.5)**	**(22.7)**	**(7.5)**
Activities other than social housing activities				
Commercial rent properties	4.4	-	(3.2)	1.2
Private sales	-	-	-	-
Charitable fundraising activities	0.2	-	(0.1)	0.1
Market rent properties	16.5	-	(12.2)	4.3
Impairment write back	-	-	3.3	3.3
	21.1	**-**	**(12.2)**	**8.9**
Total	**561.6**	**(97.5)**	**(373.2)**	**90.9**

Note 3 – Income and expenditure from social housing lettings

Group – year ended 31 March 2020	Rented social housing £m	Shared ownership £m	Temporary housing £m	Key worker housing £m	Supported housing £m	Total £m
Income						
Rent receivable	247.5	46.0	63.5	10.4	27.7	395.1
Service charges receivable	18.2	20.9	-	0.6	15.9	55.6
Net rents receivable	**265.7**	**66.9**	**63.5**	**11.0**	**43.6**	**450.7**
Amortised government grants	8.1	1.0	-	-	1.2	10.3
Management fee	-	3.0	0.2	-	2.4	5.6
Other income	2.7	3.5	-	0.1	2.6	8.9
Other grants	1.8	-	-	-	1.0	2.8
Total income from social housing lettings	**278.3**	**74.4**	**63.7**	**11.1**	**50.8**	**478.3**
Expenditure						
Management	(44.0)	(12.6)	(6.6)	(3.4)	(16.0)	(82.6)
Service charges	(20.2)	(20.9)	(0.2)	(0.6)	(13.9)	(55.8)
Routine maintenance	(64.7)	(0.8)	(3.5)	(1.2)	(4.9)	(75.1)
Planned maintenance	(16.8)	(0.3)	-	(0.4)	(1.9)	(19.4)
Major repairs expenditure	(16.6)	(2.3)	(0.4)	-	(1.4)	(20.7)
Bad debts	(1.5)	(0.2)	(0.2)	(0.1)	(0.2)	(2.2)
Lease charges	-	-	(47.3)	(0.3)	(0.6)	(48.2)
Depreciation of housing properties	(45.8)	(0.3)	(0.2)	(1.5)	(5.1)	(52.9)
Operating costs on social housing lettings	**(209.6)**	**(37.4)**	**(58.4)**	**(7.5)**	**(44.0)**	**(356.9)**
Operating surplus on social housing lettings	**68.7**	**37.0**	**5.3**	**3.6**	**6.8**	**121.4**
Void losses	2.9	0.1	1.2	0.2	2.0	6.4

Group – year ended 31 March 2019 – Restated	Rented social housing £m	Shared ownership £m	Temporary housing £m	Key worker housing £m	Supported housing £m	Total £m
Income						
Rent receivable	242.5	44.1	70.6	10.1	28.0	395.3
Service charges receivable	17.9	17.9	-	0.6	16.8	53.2
Net rents receivable	**260.4**	**62.0**	**70.6**	**10.7**	**44.8**	**448.5**
Amortised government grants	8.1	1.0	-	-	2.1	11.2
Management fee	-	4.1	0.6	0.5	3.8	9.0
Other income	0.2	3.7	-	0.1	2.3	6.3
Other grants	1.2	-	0.1	-	-	1.3
Total income from social housing lettings	**269.9**	**70.8**	**71.3**	**11.3**	**53.0**	**476.3**
Expenditure						
Management	(46.0)	(17.4)	(10.3)	(4.1)	(17.5)	(95.3)
Service charges	(22.3)	(18.0)	(0.1)	(0.1)	(13.7)	(54.2)
Routine maintenance	(48.9)	(1.3)	(3.0)	(1.4)	(4.1)	(58.7)
Planned maintenance	(26.6)	-	(0.1)	(0.4)	(4.1)	(31.2)
Major repairs expenditure	(13.0)	(3.2)	-	-	(0.8)	(17.0)
Bad debts	(1.8)	(0.3)	(1.2)	-	(0.4)	(3.7)
Lease charges	-	-	(54.1)	-	-	(54.1)
Depreciation of housing properties	(42.0)	-	(0.2)	(1.6)	(4.9)	(48.7)
Operating costs on social housing lettings	**(200.6)**	**(40.2)**	**(69.0)**	**(7.6)**	**(45.5)**	**(362.9)**
Operating surplus on social housing lettings	**69.3**	**30.6**	**2.3**	**3.7**	**7.5**	**113.4**
Void losses	2.3	-	1.6	0.2	2.2	6.3

NHG – year ended 31 March 2020	Rented social housing £m	Shared ownership £m	Temporary housing £m	Key worker housing £m	Supported housing £m	Total £m
Income						
Rent receivable	241.2	17.8	63.5	10.4	27.7	360.6
Service charges receivable	18.2	7.5	-	0.6	15.7	42.0
Net rents receivable	**259.4**	**25.3**	**63.5**	**11.0**	**43.4**	**402.6**
Amortised grants	8.1	0.8	-	-	1.2	10.1
Other grants	1.8	-	-	-	1.0	2.8
Management fee income	-	0.8	0.2	-	2.4	3.4
Other fee income	2.8	0.1	-	0.1	2.7	5.7
Turnover from social housing lettings	**272.1**	**27.0**	**63.7**	**11.1**	**50.7**	**424.6**
Expenditure						
Management	(43.3)	(3.0)	(6.6)	(3.4)	(16.0)	(72.3)
Service charges	(20.2)	(7.4)	(0.2)	(0.6)	(13.9)	(42.3)
Routine maintenance	(64.4)	(0.3)	(3.5)	(1.2)	(4.9)	(74.3)
Planned maintenance	(16.8)	(0.3)	-	(0.4)	(1.9)	(19.4)
Major repairs expenditure	(16.6)	(0.5)	(0.4)	-	(1.4)	(18.9)
Bad debts	(1.4)	-	(0.2)	(0.2)	(0.2)	(2.0)
Lease charges	(0.1)	-	(47.3)	(0.3)	(0.5)	(48.2)
Depreciation of housing properties	(44.4)	(0.3)	(0.2)	(1.5)	(5.1)	(51.5)
Operating costs on social housing lettings	**(207.2)**	**(11.8)**	**(58.4)**	**(7.6)**	**(43.9)**	**(328.9)**
Operating surplus on social housing lettings	**64.9**	**15.2**	**5.3**	**3.5**	**6.8**	**95.7**
Void losses	2.8	-	1.2	0.2	2.0	6.2

NHG – year ended 31 March 2019 – Restated	Rented social housing £m	Shared ownership £m	Temporary housing £m	Key worker housing £m	Supported housing £m	Total £m
Income						
Rent receivable	238.6	17.7	70.6	10.1	28.1	365.1
Service charges receivable	17.8	5.6	-	0.6	16.0	40.0
Net rents receivable	**256.4**	**23.3**	**70.6**	**10.7**	**44.1**	**405.1**
Amortised grants	8.1	0.8	-	-	2.1	11.0
Other grants	1.2	-	-	-	-	1.2
Management fee	-	2.1	0.6	0.5	3.8	7.0
Other income	0.2	0.9	-	0.1	2.3	3.5
Turnover from social housing lettings	**265.9**	**27.1**	**71.2**	**11.3**	**52.3**	**427.8**
Expenditure						
Management	(45.9)	(11.6)	(10.3)	(4.1)	(17.5)	(89.4)
Service charges	(22.3)	(5.6)	(0.1)	(0.1)	(13.7)	(41.8)
Routine maintenance	(48.8)	-	(2.9)	(1.3)	(4.1)	(57.1)
Planned maintenance	(26.6)	-	(0.1)	(0.2)	(4.1)	(31.0)
Major repairs expenditure	(13.0)	(0.1)	-	-	(0.8)	(13.9)
Bad debts	(1.8)	-	(1.2)	-	(0.4)	(3.4)
Lease charges	-	-	(54.1)	-	-	(54.1)
Depreciation of housing properties	(40.8)	-	(0.2)	(1.7)	(4.9)	(47.6)
Operating costs on social housing lettings	**(199.2)**	**(17.3)**	**(68.9)**	**(7.4)**	**(45.5)**	**(338.3)**
Operating surplus on social housing lettings	**66.7**	**9.8**	**2.3**	**3.9**	**6.8**	**89.5**
Void losses	2.3	-	1.6	0.2	2.2	6.3

Note 4 – Surplus on disposal of assets

	2020			2019		
Group	Shared ownership £m	Other £m	Total £m	Shared ownership £m	Other £m	Total £m
Disposal proceeds	81.5	73.3	154.8	71.9	57.7	129.6
Social housing grant	(5.1)	16.6	11.5	(5.7)	7.2	1.5
Carrying value of assets sold	(59.3)	(78.3)	(137.6)	(36.7)	(59.5)	(96.2)
Selling costs	(0.3)	(0.6)	(0.9)	(1.2)	0.3	(0.9)
Year-ended 31 March	**16.8**	**11.0**	**27.8**	**28.3**	**5.7**	**34.0**

	2020			2019		
NHG	Shared ownership £m	Other £m	Total £m	Shared ownership £m	Other £m	Total £m
Disposal proceeds	22.1	73.3	95.4	24.7	57.8	82.5
Social housing grant	(0.9)	16.6	15.7	(1.2)	7.2	6.0
Carrying value of assets sold	(22.0)	(78.7)	(100.7)	(15.4)	(59.1)	(74.5)
Selling costs	(0.1)	(0.6)	(0.7)	(1.0)	(0.1)	(1.1)
Year-ended 31 March	**(0.9)**	**10.6**	**9.7**	**7.1**	**5.8**	**12.9**

Note 5 – Interest receivable and similar income

	Group		NHG	
	2020 £m	2019 £m	2020 £m	2019 £m
Bank deposits	1.0	0.5	0.9	0.4
Intercompany	-	-	35.7	30.2
Interest on financial assets held at amortised cost	**1.0**	**0.5**	**36.6**	**30.6**
Interest on financial assets held at fair value	1.0	0.8	1.0	0.8
	2.0	**1.3**	**37.6**	**31.4**

Note 6 – Interest payable and similar charges

	Group		NHG	
	2020 £m	2019 £m	2020 £m	2019 £m
Indexation on loans	-	0.2	-	0.2
Other loans	131.4	132.3	123.9	124.5
Interest on financial liabilities held at amortised cost	**131.4**	**132.5**	**123.9**	**124.7**
Interest paid on financial liabilities held at fair value	15.5	8.0	15.0	7.1
	146.9	**140.5**	**138.9**	**131.8**
Less: interest capitalised on developments	(22.8)	(31.5)	(8.7)	(14.9)
	124.1	**109.0**	**130.2**	**116.9**
Interest is capitalised at	3.69%	4.12%	4.11%	4.16%

Note 7 – Surplus on ordinary activities before taxation

	Group		NHG	
	2020 £m	2019 £m	2020 £m	2019 £m
Surplus on ordinary activities before taxation is stated after charging/(crediting):				
Depreciation on housing properties	53.2	49.0	51.5	47.6
Depreciation on other fixed assets	9.6	7.9	8.3	7.5
Rent on temporary housing leases (less than 28 days)	48.2	54.1	48.2	54.1
Office rents	0.8	1.4	0.8	1.4
Hire of other assets	0.4	0.5	0.4	0.5
Impairment of housing properties	3.3	-	0.2	(3.3)
Write down of inventories	6.7	-	5.2	-
Surplus on sale of listed investments	(0.1)	-	-	-
Auditors' remuneration	£'000	£'000	£'000	£'000
Audit services (excluding VAT)	262.6	247.0	167.6	143.0
Non-audit services (including VAT)	-	29.6	-	29.6

Note 8 – Taxation

	Group		NHG	
Total tax reconciliation	2020 £m	2019 £m	2020 £m	2019 £m
Surplus on ordinary activities before tax	98.1	104.1	53.4	43.1
Theoretical tax at UK corporation tax rate 19% (2019: 19%)	18.6	19.8	10.1	8.2
Charitable activities	(15.9)	(9.4)	(10.1)	(8.2)
Capitalised interest	(0.2)	(0.8)	-	-
Adjustment to tax charge in respect of previous periods	(0.6)	-	-	-
Fixed asset differences	-	(0.1)	-	-
Tax refund	-	1.9	-	1.9
Land redemption relief	-	(0.1)	-	-
Expenses not deductible for tax purposes	(2.2)	-	-	-
Other permanent differences	-	(5.9)	-	-
Chargeable (losses)/gains	(7.4)	6.7	-	-
Deferred tax not recognised	4.3	(10.6)	-	-
Effect of rate change on deferred tax	3.4	-	-	-
Joint venture taxable profits	-	0.4	-	-
Total tax charge	**-**	**1.9**	**-**	**1.9**

	Group		NHG	
Deferred tax is recognised at 19% (2019: 17%)	2020 £m	2019 £m	2020 £m	2019 £m
Balance at 1 April	51.8	50.5	-	-
Deferred tax charged to revaluation reserve	0.8	0.5	-	-
Deferred tax charged to cash flow hedge reserve	(0.1)	0.8	-	-
Balance at 31 March	**52.5**	**51.8**	**-**	**-**

Note 9 – Housing properties

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

The valuation was carried out as a desktop exercise on an EUV-SH basis using discounted cash flows.

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

The carrying value of the properties under the cost model would be £6,441.0m (2019: £6,389.0m) compared with £6,593.0m (2019: £6,595.0m) shown in the table.

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 2019	5,323.5	236.9	1,089.9	314.1	6,964.4
Additions	1.8	118.9	-	74.9	195.6
Works to existing properties	12.6	-	-	-	12.6
Properties completed	188.8	(188.8)	130.8	(130.8)	-
Disposals	(79.5)	(10.1)	(59.8)	-	(149.4)
Transfers	-	74.0	(4.3)	(89.4)	(19.7)
At 31 March 2020	**5,447.2**	**230.9**	**1,156.6**	**168.8**	**7,003.5**
Depreciation					
At 1 April 2019	(357.6)	-	(11.5)	-	(369.1)
Charge for the year	(53.2)	-	-	-	(53.2)
Disposals	11.3	-	0.5	-	11.8
At 31 March 2020	**(399.5)**	**-**	**(11.0)**	**-**	**(410.5)**
Net book value					
At 31 March 2020	**5,047.7**	**230.9**	**1,145.6**	**168.8**	**6,593.0**
At 31 March 2019	**4,965.9**	**236.9**	**1,078.4**	**314.1**	**6,595.3**
Historical cost at 31 March 2020	4,959.0	230.9	1,082.0	168.8	6,440.7
Historical cost at 31 March 2019	4,826.0	236.9	1,012.2	314.1	6,389.2

NHG

	Completed properties £m	Housing properties in the course of development £m	Completed shared ownership properties £m	Shared ownership properties in the course of development £m	Total £m
At 1 April 2019	5,159.3	161.8	445.9	86.4	5,853.4
Additions	1.8	70.1	-	6.8	78.7
Works to existing properties	12.6	-	-	-	12.6
Properties completed	96.3	(96.3)	39.7	(39.7)	-
Disposals	(79.9)	(10.1)	(22.0)	-	(112.0)
Transfer	-	6.3	-	(16.6)	(10.3)
At 31 March 2020	**5,190.1**	**131.8**	**463.6**	**36.9**	**5,822.4**
Depreciation					
At 1 April 2019	(354.7)	-	(0.1)	-	(354.8)
Charge for the year	(51.5)	-	-	-	(51.5)
Disposals	11.3	-	-	-	11.3
At 31 March 2020	**(394.9)**	**-**	**(0.1)**	**-**	**(395.0)**
Net book value					
At 31 March 2020	**4,795.2**	**131.8**	**463.5**	**36.9**	**5,427.4**
At 31 March 2019	**4,804.6**	**161.8**	**445.8**	**86.4**	**5,498.6**
Historical cost at 31 March 2020	4,720.6	131.8	436.6	36.9	5,325.9
Historical cost at 31 March 2019	4,680.0	161.8	417.8	86.4	5,346.0

	Group		NHG	
Housing properties comprise	2020 £m	2019 £m	2020 £m	2019 £m
Freeholds	5,889.6	5,894.9	4,382.0	4,769.9
Long leaseholds	687.2	696.7	1,024.5	710.4
Short leaseholds	16.2	3.7	20.9	18.3
	6,593.0	**6,595.3**	**5,427.4**	**5,498.6**

	Group		NHG	
Additions to properties include	2020 £m	2019 £m	2020 £m	2019 £m
Capitalised interest	22.8	31.5	8.7	14.9
Capitalised development salaries and overheads	7.1	7.8	2.1	2.2

	Group		NHG	
Expenditure on works to existing properties	2020 £m	2019 £m	2020 £m	2019 £m
Amounts capitalised	12.6	16.6	12.6	16.6
Amounts charged to income and expenditure account	20.7	17.0	18.9	13.9
	33.3	**33.6**	**31.5**	**30.5**

Note 10 – Investment properties

The market rent properties were valued at 31 March 2020 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 4.1% and 5.1% dependent on the scheme. The discount rate used is between 6% and 7%.

The financial statements include commercial properties at open market value with vacant possession. The valuation has been completed for Internal Accounts Purposes and complies with VPGA1 - valuation for inclusion in financial statements. RICS Valuation - Global Standards 2017. 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 2020.

Impairment

An impairment charge of £6.5m was applied to a market rent scheme in 2018. This scheme was revalued in 2019 and £4.9m of this impairment was reversed. The same scheme was revalued in 2020, and the final £1.6m impairment was reversed. Due to the Covid –19 pandemic, there are delays in sales and there will be additional holding costs before we can sell homes to shared owners and others which we estimate may cost us up to 5% of selling value. We have therefore reassessed the net realisable value of our work in progress for homes being constructed for sale and reduced by 15%.

Group	Completed market rent properties £m	Market rent properties in the course of development £m	Sub total £m	Completed commercial properties £m	Commercial properties in the course of development £m	Sub total £m	Total £m
Valuation 1 April 2019	**716.9**	**96.3**	**813.2**	**75.2**	**5.7**	**80.9**	**894.1**
Additions	-	108.7	108.7	-	6.1	6.1	114.8
Transfer from shared ownership and lettings	-	43.0	43.0	-	-	-	43.0
Completed properties	96.8	(96.8)	-	3.0	(3.0)	-	-
Revaluation of property	13.1	-	13.1	-	-	-	13.1
At 31 March 2020	**826.8**	**151.2**	**978.0**	**78.2**	**8.8**	**87.0**	**1,065.0**
Impairment							
At 1 April 2019	-	(1.6)	(1.6)	(0.8)	-	(0.8)	(2.4)
Provision for impairment	-	1.6	1.6	-	-	-	1.6
At 31 March 2020	**-**	**-**	**-**	**(0.8)**	**-**	**(0.8)**	**(0.8)**
Net book value							
At 31 March 2020	**826.8**	**151.2**	**978.0**	**77.4**	**8.8**	**86.2**	**1,064.2**
At 31 March 2019	**716.9**	**94.7**	**811.6**	**74.4**	**5.7**	**80.1**	**891.7**

NHG	Completed market rent properties £m	Market rent properties in the course of development £m	Sub total £m	Completed commercial properties £m	Commercial properties in the course of development £m	Sub total £m	Total £m
Valuation at 1 April 2019	**229.0**	**20.1**	**249.1**	**47.1**	**0.9**	**48.0**	297.1
Transfer to properties for sale	-	-	-	(1.0)		(1.0)	(1.0)
Additions	-	6.4	6.4	-		-	6.4
Completed properties	25.1	(25.1)	-	0.9	(0.9)	-	-
Revaluation of property	(1.2)	-	(1.2)	(0.2)	-	(0.2)	(1.4)
At 31 March 2020	**252.9**	**1.4**	**254.3**	**46.8**	**-**	**46.8**	**301.1**
Impairment							
At 1 April 2019	-	(1.6)	(1.6)	(0.7)	-	(0.7)	(2.3)
Provision for impairment	-	1.6	1.6	-	-	-	1.6
At 31 March 2020	**-**	**-**	**-**	**(0.7)**	**-**	**(0.7)**	**(0.7)**
Net book value							
At 31 March 2020	**252.9**	**1.4**	**254.3**	**46.1**	**-**	**46.1**	**300.4**
At 31 March 2019	229.0	18.5	247.5	46.4	0.9	47.3	294.8

Note 11 – Other fixed assets

Group	Other land and buildings £m	Other tangible fixed assets £m	Total assets £m
Cost			
At 1 April 2019	61.8	66.6	128.4
Prior year adjustment	(6.0)	(2.2)	(8.2)
Restated cost at 1 April 2019	55.8	64.4	120.2
Additions	5.7	7.4	13.1
Reclassification	-	-	-
Disposals	(1.2)	(3.4)	(4.6)
At 31 March 2020	**60.3**	**68.4**	**128.7**
Accumulated depreciation			
At 1 April 2019	17.7	44.9	62.6
Prior year adjustment	(0.8)	(1.9)	(2.7)
Restated depreciation at 1 April 2019	16.9	43.0	59.9
Charge for the year	2.2	7.4	9.6
Disposals	-	(0.1)	(0.1)
At 31 March 2020	**19.1**	**50.3**	**69.4**
Net book value			
At 31 March 2020	**41.2**	**18.1**	**59.3**
At 31 March 2019	**38.9**	**21.4**	**60.3**

NHG	Other land and buildings £m	Other tangible fixed assets £m	Total assets £m
Cost			
At 1 April 2019	61.8	63.6	125.4
Prior year adjustment	(6.0)	(1.1)	(7.1)
Restated cost at 1 April 2019	55.8	62.5	118.3
Additions	5.5	3.9	9.4
Reclassification	-	(3.4)	(3.4)
Disposals	(1.2)	-	(1.2)
At 31 March 2020	**60.1**	**63.0**	**123.1**
Accumulated depreciation			
At 1 April 2019	17.8	42.5	60.3
Prior year adjustment	(0.8)	(0.8)	(1.6)
Restated depreciation at 1 April 2019	17.0	41.7	58.7
Charge for the year	2.0	6.3	8.3
Disposals	-	(0.1)	(0.1)
At 31 March 2020	**19.0**	**47.9**	**66.9**
Net book value			
At 31 March 2020	**41.1**	**15.1**	**56.2**
At 31 March 2019	**38.8**	**20.8**	**59.6**

Group – other land and buildings	2020 Total £m	2019 Total Restated £m
Freehold	41.0	38.6
Short leasehold	0.2	0.3
Total	**41.2**	**38.9**

NHG – other land and buildings	2020 Total £m	2019 Total Restated £m
Freehold	40.9	38.6
Short leasehold	0.2	0.2
Total	**41.1**	**38.8**

Note 12 – Investment in Homebuy and other investments

Group	Homebuy loans to customers £m	Total £m
At 1 April 2019	28.2	28.2
Paid in year	(1.1)	(1.1)
Written off in the year	-	-
At 31 March 2020	**27.1**	**27.1**

Other investments

Other investments consist of listed investments and investments in associate.

Group	Investment in associate	Listed investments		Total	
	Fair value £m	Cost £m	Fair value £m	Cost £m	Fair value £m
At 1 April 2019	5.3	2.2	2.3	2.2	7.6
Disposals	-	(2.2)	(2.3)	(2.2)	(2.3)
At 31 March 2020	**5.3**	**-**	**-**	**-**	**5.3**

NHG	Investment in associate	Listed investments		Total	
	Fair value £m	Cost £m	Fair value £m	Cost £m	Fair value £m
At 1 April 2019	5.3	-	-	-	5.3
At 31 March 2020	**5.3**	**-**	**-**	**-**	**5.3**

Investment in Associate

The Group owns 25% of the voting shares in LINQ Housing plc. The company was set up to buy market rent properties from NHG and release funds on a 50-year lease. The other shareholders are LINQ Partners Limited (directors of LINQ are also directors of Centrus) and the balance is owned by NHG. It also owns 75% of the economic shares. NHG manages these market rent properties. The overage agreement stipulates that on sale of the market rent properties by LINQ within the 50-year lease term, NHG is entitled to a percentage ranging from 3.3%-14.2% of the open market value sale price. This is treated as deferred income and will be released once the properties are sold by LINQ.

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

Statement of comprehensive income	Group and NHG 2020 £m	2019 £m
75% of surplus for year	-	-
75% of turnover	-	-

Statement of financial position	Group and NHG 2020 £m	2019 £m
25% of deferred income	6.0	6.0
25% of investment in associate	5.3	5.3

Note 13 – Number of dwellings under development and in management

	Group 2020 No.	Group 2019 No.	NHG 2020 No.	NHG 2019 No.
In the development programme				
General needs housing	2,639	3,072	2,639	3,072
Shared ownership housing	3,696	4,716	-	-
Outright sales	3,745	4,838	-	-
Market rent	1,388	1,304	73	271
Intermediate market rent	280	429	-	49
	11,748	**14,359**	**2,712**	**3,392**
General needs rented housing includes affordable housing units	903	1,232	903	1,232
The development programme includes homes on site	3,716	4,704	1,236	1,573

	Group 2020 No.	Group 2019 No.	NHG 2020 No.	NHG 2019 No.
In management at the end of the year				
General needs housing	35,624	34,201	35,521	34,021
Key worker accommodation	1,348	1,183	1,348	1,183
Shared ownership housing	8,299	8,846	3,041	3,193
Temporary housing	3,325	3,718	3,311	3,708
Market rent accommodation	3,094	2,747	1,559	2,739
Student accommodation	839	839	-	-
Supported housing and housing for older people	4,225	4,026	4,138	4,026
Leasehold in management	8,093	7,915	3,422	4,520
	64,847	**63,475**	**52,340**	**53,390**
General needs rented housing includes affordable housing units	4,528	4,549	4,528	4,549
Owned but not managed				
General needs rented housing	369	568	369	568
Supported housing and housing for older people	1,210	1,176	1210	1,176
Market rent accommodation	2	2	2	2
Shared ownership housing	10	74	10	74
Leasehold in management	14	148	14	148
Temporary housing	1	15	1	15
	1,606	**1,983**	**1,606**	**1,983**

Note 14 – Investments

NHG	2020 £m	2019 £m
Cost		
At 1 April	251.0	216.9
Additions	44.1	34.1
Disinvestment in subsidiary	-	-
At 31 March	**295.1**	**251.0**
Impairment		
At 1 April	-	-
Provision for impairment	-	-
Disinvestment in subsidiary	-	-
At 31 March	**-**	**-**
Net book value		
At 31 March	**295.1**	**251.0**

As required by statute, the financial statements consolidate the results of Notting Hill Genesis and its subsidiaries at 31 March 2020 (see note 33). NHG has the right to appoint members to the boards of all of its subsidiaries, thereby exercising control.

During the year NHG provided management services for Canonbury Developments Limited, Notting Hill Home Ownership Limited, Notting Hill Developments Limited, Project Light Market Rent Limited, Folio London Limited, Notting Hill Commercial Properties Limited, Notting Hill Community Housing, Touareg NHG and Walworth Homes Limited and charged them £6.4m (2019: £6.4m). The Board believe that the carrying value of the investment is supported by their underlying net assets.

Note 15 – Properties in the course of sale

	Group		NHG	
	2020 £m	2019 £m	2020 £m	2019 £m
Properties under construction				
First tranche	39.5	104.0	7.8	40.1
Outright sales	233.3	262.8	38.1	68.9
Completed properties				
First tranche	48.8	69.3	20.2	1.8
Outright sales	96.9	35.2	18.4	1.3
Landbank				
Landbank held for development	205.4	196.1	79.0	72.0
	623.9	**667.4**	**163.5**	**184.1**

Note 16 – Debtors falling due within one year

	Group		NHG	
	2020 £m	Restated 2019 £m	2020 £m	Restated 2019 £m
Rental debtors	37.9	36.0	36.0	35.8
Less provision	(20.5)	(21.2)	(19.2)	(20.4)
	17.4	**14.8**	**16.8**	**15.4**
Trade debtors	7.4	13.4	5.3	4.6
Social Housing Grant receivable	-	-	-	7.6
Amounts receivable from local authorities	4.4	7.9	1.9	3.8
Amounts owed by subsidiary undertakings	-	-	120.2	149.5
Value added tax receivable	-	10.0	-	9.8
Other debtors	15.7	24.5	13.9	9.7
Prepayments and accrued income	28.2	11.6	7.8	8.5
Intercompany short-term investments	-	-	438.0	312.0
	73.1	**82.2**	**603.9**	**520.9**

Note 17 – Debtors due after more than one year

	Group		NHG	
	2020 £m	2019 £m	2020 £m	2019 £m
Other long-term debtors	8.4	8.2	7.6	7.8
Derivative instrument asset	26.0	18.5	29.2	19.1
Intercompany long-term investments	-	-	492.0	536.2
	34.4	**26.7**	**528.8**	**563.1**

Note 18 – Current asset investments

	Group		NHG	
	2020 £m	2019 £m	2020 £m	2019 £m
Short-term deposit	18.1	17.6	18.1	9.4
	18.1	**17.6**	**18.1**	**9.4**

Note 19 – Creditors: amounts falling due within one year

	Group		NHG	
	2020 £m	Restated 2019 £m	2020 £m	Restated 2019 £m
Housing loans (note 21)	121.5	105.2	113.5	97.3
Trade creditors	13.8	16.5	7.5	22.9
Amounts owed to Group undertakings	-	-	34.1	64.3
Other taxes and social security	2.4	2.0	2.9	2.0
Government grant	36.5	37.0	25.6	34.0
Other creditors	84.2	68.3	43.2	43.4
Accruals and deferred income	155.2	155.2	94.3	91.3
	413.6	**384.2**	**321.1**	**355.2**

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

	Group		NHG	
	2020 £m	2019 £m	2020 £m	2019 £m
Housing loans (note 21)	3,364.7	3,365.8	3,117.0	3,107.4
Recycled capital grant fund	21.3	29.3	8.9	14.3
Disposal proceeds fund	-	0.1	-	0.1
Deferred government grant	1,185.1	1,201.1	1,053.6	1,066.8
Homebuy grant	27.1	28.2	-	-
Other long-term creditor	36.5	27.1	8.4	9.8
	4,634.7	**4,651.6**	**4,187.9**	**4,198.4**

Recycled capital grant fund	Group Total £m	NHG Total £m
At 1 April 2019	53.1	35.1
Grants recycled	9.2	4.3
Interest accrued	0.2	0.1
Used to finance new provision	(5.2)	(4.9)
Payable	(10.3)	(9.4)
Homebuy redemption	1.1	-
At 31 March 2020	**48.1**	**25.2**

At the end of 31 March 2020, £22.9m (2019: £8.6m) of grants were due for repayment to the Greater London Authority.

	Group			NHG		
Deferred government grant	Completed properties £m	Work in progress £m	Total £m	Completed properties £m	Work in progress £m	Total £m
Opening balance at 1 April 2019	905.9	303.4	1,209.3	888.6	186.2	1,074.8
Grants received during year	0.3	9.2	9.5	0.3	8.2	8.5
Disposal	(11.3)	-	(11.3)	(15.5)	-	(15.5)
Transferred to completed schemes	19.6	(19.6)	-	11.5	(11.5)	-
Transferred to recycled capital grant	2.5	7.3	9.8	2.5	-	2.5
Recycled on disposal	(9.2)	-	(9.2)	(4.3)	7.0	2.7
Amortisation	(10.3)	-	(10.3)	(10.1)	-	(10.1)
Payable to GLA	-	(3.0)	(3.0)	-	-	-
Balance at 31 March 2020	**897.5**	**297.3**	**1,194.8**	**873.0**	**189.9**	**1,062.9**

Disposals proceeds fund	Group Total £m	NHG Total £m
At 1 April 2019	5.4	5.4
Grants recycled	-	-
Used to finance new provision	(4.6)	(4.6)
Adjustment	(0.8)	(0.8)
Interest	-	-
At 31 March 2020	**-**	**-**

Homebuy – Group	Homebuy grants receivable £m	Total £m
At 1 April 2019	(28.2)	(28.2)
Repaid in the year	1.1	1.1
Written back in year	-	-
At 31 March 2020	**(27.1)**	**(27.1)**

Note 21 – Loans

	Group		NHG	
	2020 £m	2019 £m	2020 £m	2019 £m
Secured loans and overdrafts	1,655.1	1,755.2	1,433.3	1,522.7
Unsecured loans and overdrafts	36.6	33.8	2.7	-
Public bonds	1,794.5	1,682.0	1,794.5	1,682.0
Housing loans	**3,486.2**	**3,471.0**	**3,230.5**	**3,204.7**

Analysis of loan repayments	Group		NHG	
	2020 £m	2019 £m	2020 £m	2019 £m
Repayable on maturity				
Within one year or on demand	80.5	54.2	74.4	48.5
Between one and two years	5.4	2.0	5.3	2.1
Within two and five years	159.0	230.0	158.7	221.6
In five years or more	2,260.3	2,104.8	1,979.6	2,076.9
Repayable by annual instalments				
Within one year or on demand	41.0	51.0	39.1	48.8
Between one and two years	37.1	40.7	34.7	38.4
Within two to five years	207.4	193.2	194.0	180.0
In five years or more	695.5	795.1	744.7	588.4
	3,486.2	**3,471.0**	**3,230.5**	**3,204.7**

Public bonds

The Group has six public bonds in issue: £250m 2.875% secured bonds due 2029, £350m 3.750% secured bonds due 2032, £250m 6.064% secured bonds due 2039, £300m 5.250 % secured bonds due 2042, £400m 3.25% secured bonds due 2048 and £250m 4.375% secured bonds due 2054.

Loans

The Group financing facility includes term and revolving facility loans with maturities out to 2056.

The loans are secured on property assets by a first secured charge. On undrawn revolving facilities, commitment fees are payable.

The Group has unsecured funding of ¥5bn (2019: ¥5bn) which has been hedged into £28m (2019: £28m) by a currency swap, to finance housing development in a subsidiary. The fixed rate coupon is 2.975% and there are seven years remaining to maturity. The Group also has two interest-free unsecured loans totalling £9.0m 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 35,429 with a value on a Market Value-Tenanted (MV-T) basis of £7,660.4m; for NHG it is 31,297 with a value on a MV-T basis of £7,080.0m (2019: Group 36,539 and NHG 32,440).

The Group has pledged as collateral against potential liabilities on free standing derivatives 1,443 properties with a total charge value of £380.4m (2019: 1,434 properties with a value of £369.0m) and for NHG 1,443 properties with a total charge value of £380.4m (2019: 1,434 properties and a value of £369.0m).

The rate of interest on loans ranges from 0.553% to 10.700%.

At 31 March 2020 the Group had undrawn loan facilities of £474.5m (2019: £642.8m).

The Group loan balance of £3,486.2m (2019: £3,471.0m) has been netted off by loan arrangement fees of £20.3m and receipts of loan premiums of £15.5m which are written off over the term of each loan.

The NHG loan amount of £3,230.5m (2019: £3,204.7m) has been netted off by loan arrangement fees of £17.3m and receipts of loan premiums of £10.9m which are written off over the term of each loan.

As at the year end, £791.0m (2019: £398.0m) of the Group's variable debt had its interest rate hedged by stand-alone interest rate swaps. As at the year end £42.0m (2019: £42.0m) of the Group's fixed debt had its interest rate hedged by stand-alone swaps. As at the year end, ¥5bn (2019: ¥5bn) of the Group's debt has been hedged into £28m (2019: £28m) by a currency swap. Note 35 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 2020.

Note 22 – Provisions for liabilities and charges

Group	Short-term leases total £m	Onerous contracts £m	Other provisions £m	Total £m
At 1 April 2019	2.0	2.4	6.4	10.8
Additional provisions	-	-	-	-
Release of provision	(0.1)	-		(0.1)
At 31 March 2020	**1.9**	**2.4**	**6.4**	**10.7**

NHG	Short-term leases total £m	Onerous contracts £m	Total £m
At 1 April 2019	1.9	24.3	26.2
Additional provisions	-	-	-
Release of provision	(0.2)	-	(0.2)
At 31 March 2020	**1.7**	**24.3**	**26.0**

During the year £nil (2019: £0.8m) was set aside for future repairs and £0.1m (2019: £0.2m) was used to carry out repairs to properties that were handed back during the year. All provisions are attributable to NHG.

During the year £nil (2020: £nil) was set aside to pay extra costs on a development scheme in NHG. In the Group the onerous contracts provision is recognised instead as an impairment of outright sales properties in the course of development.

During the year £nil (2019 £4.2m) of other provisions was set aside in respect of existing principal development agreements.

Note 23 – Called up share capital

	2020 £	2019 £
At 1 April	149	155
Redeemed during year	(21)	(6)
At 31 March	**128**	**149**

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

Note 24 – Reserves

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

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

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

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

Group	2020 £m	Restated 2019 £m
Operating surplus	212.6	204.7
Surplus on sale of properties	(27.8)	(34.0)
Fair value gains on investment	(12.6)	(36.3)
Fair value losses on financial instruments	(4.1)	3.0
Depreciation	62.6	58.0
Impairment charge	3.3	-
Amortisation of loan set up costs	1.2	2.5
Other assets written off	4.6	8.4
Joint venture income/(deficit)	(18.6)	(0.9)
Decrease/(increase) in properties and other assets in the course of sale	20.2	(176.6)
Decrease/(increase) in debtors	12.3	(10.9)
(Decrease) in creditors	(20.0)	(21.5)
Corporation tax	-	0.5
Net cash inflow from/(outflow used in) operating activities at 31 March	**233.7**	**(3.1)**

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

Group	2020 £m	2019 £m
Decrease in cash	14.7	25.2
Cash flow from decrease in liquid resources	(0.5)	25.6
Cash flow from increase in debt and lease finance	11.9	203.3
Non cashflow changes	3.3	-
Total changes in net debt for the year	29.4	254.1
Net debt at 1 April	3,320.4	3,066.3
Net debt at 31 March	**3,349.8**	**3,320.4**

Note 27 – Analysis of debt

	1 April 2019 £m	Cash flow £m	Non cash £m	31 March 2020 £m
Cash at bank and in hand	133.0	(14.7)	-	118.3
Current asset investment	17.6	0.5	-	18.1
Loans				
Short-term loans	(105.2)	(16.3)	-	(121.5)
Long-term loans	(3,365.8)	4.4	(3.3)	(3,364.7)
Changes in net debt	**(3,320.4)**	**(26.1)**	**(3.3)**	**(3,349.8)**

Note 28 – Pension obligations

The Group's employees and past employees are active members, deferred members or pensioners of five defined benefit pension schemes operated by the Group. These are the Social Housing Pension Scheme (SHPS DB), the Genesis scheme (Genesis), the PCHA 2001 scheme (PCHA 2001), the London Pension Fund Authority Pension Fund scheme (LPFA) and the Wandsworth Council Pension Fund (WCPF) (collectively, the "Plans"). All the Plans are closed to new entrants. Further information on the Plans is provided below.

SHPS

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

Other pension schemes

The remaining pension schemes are defined benefit schemes which are closed to future accrual. There is a separate trustee-administered fund holding the pension scheme assets to meet long-term pension liabilities. In all cases, a full actuarial valuation is carried out on a periodic basis, which is then updated by a qualified actuary, independent of the scheme's sponsoring employer, as at 31 March 2020. The date of the last full actuarial valuation is stated below. Each of the valuations has been updated to show the defined benefit obligation at the reporting date.

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

Name of pension scheme	Date of last full actuarial valuation	Deficit in valuation £m	Agreed past service deficit contributions per annum £m	Period of commitment for contributions
SHPS DB	30 September 2016	26.7	4.0	Until 2026
Genesis	30 September 2016	17.2	1.7	8 years and 6 months from 1 April 2018 (increasing by 3% each year)
PCHA 2001	30 September 2016	12.7	1.6	7 years from 1 April 2018
LPFA	31 March 2019	1.7	-	Until 2023
WCPF	31 March 2019	0.6	-	Until 2023
Total		58.9	7.3	

Further disclosures on the Plans

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

Pension scheme liabilities recognised in the statement of financial position:

	2020 £m	2019 £m
Pension obligations recognised as defined benefit schemes made up as:		
SHPS DB	16.2	41.3
Genesis	4.0	9.8
PCHA 2001	-	5.0
LPFA	1.9	1.7
WCPF	0.4	0.5
Total	**22.5**	**58.3**

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

	2020	2019
Discount rate	2.30-2.38%	2.31-2.40%
Inflation (RPI)	2.62-2.70%	3.29-2.30%
Inflation (CPI)	1.62-1.70%	2.29-2.30%
Salary growth	2.62-3.70%	3.29-4.30%
Allowance of commutation of pension for cash at retirement	75% of max	75% of max

The mortality assumptions applied at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2020	21.5 - 21.9
Female retiring in 2020	23.3 - 24.4
Male retiring in 2040	22.9 - 23.2
Female retiring in 2040	24.5 - 25.8

Amounts recognised in the income statement:

	2020 £m	2019 £m
Net interest on defined benefit liability	1.2	1.3
Current service cost	0.1	0.1
Expenses paid	0.4	0.3
Past service cost – plan amendments/curtailments	-	0.6
Other costs	-	0.2
Total expenses	**1.7**	**2.5**

Amounts recognised in other comprehensive income:

	2020 £m	2019 £m
Actual return on the assets held in the Plans	17.6	10.7
Return on assets included in net interest	(14.2)	(5.7)
Asset gain	3.4	5.0
Effects of changes in assumptions underlying the present value of the Plans' liabilities	27.3	(15.2)
Experiences gains arising on the Plans' liabilities	(0.2)	0.9
Actuarial gain/(loss) recognised	**30.5**	**(9.3)**

Statement of financial position:

	2020 £m	2019 £m
Fair value of the Plans' assets	239.0	230.0
Present value of funded retirement benefit obligations	(261.5)	(288.3)
Net liability	**(22.5)**	**(58.3)**

Reconciliation of movements on the defined benefit obligation:

	2020 £m	2019 £m
Defined benefit obligation at start of period	288.3	274.2
Current service cost	0.1	0.1
Expenses	0.1	0.1
Interest expense	6.7	7.0
Contributions by plan participants	-	-
Actuarial losses/(gains) due to scheme experience	(0.3)	(0.9)
Actuarial losses/(gains) due to changes in demographic assumptions	(3.2)	(1.2)
Actuarial losses/(gains) due to changes in financial assumptions	(24.0)	16.4
Past service cost/(credit) – plan amendments/curtailments	-	-
Unfunded pension payments	-	-
Benefits paid and expenses	(6.2)	(7.4)
Defined benefit obligation at end of period	**261.5**	**288.3**

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

	2020 £m	2019 £m
Fair value of plan assets at start of period	230.0	220.1
Interest income	5.4	5.7
Experience gain/(loss)on plan assets (excluding amount in interest income)	3.3	5.0
Other actuarial gains/(losses)	(0.4)	-
Expenses	(0.2)	(0.2)
Contributions by the employer	7.7	6.7
Contributions by participants	-	-
Unfunded pensions payments	-	-
Benefits paid and expenses	(6.8)	(7.3)
Fair value of the plan assets at the end of the period	**239.0**	**230.0**

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

Categories of assets held as a percentage of the total assets by the Plans are as follows:

	2020 £m	2019 £m
Equity	40.9	83.5
Bonds	109.0	98.4
Property and infrastructure	17.6	14.6
Cash	1.2	0.5
Absolute return	6.6	10.3
Alternative risk premia	8.7	6.9
Insurance linked securities	3.8	3.4
Other	51.2	12.4
	239.0	**230.0**

Note 29 – Employee information

The number of full-time equivalent persons (including part-time staff) employed on a weekly average basis of 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 and NHG	
	2020 No.	2019 No.
Staff engaged in managing or maintaining housing stock	731	765
Staff providing other housing services	194	143
Staff engaged in developing or selling housing stock	160	147
Staff providing central administration services	356	378
Staff providing care and support	606	598
	2,047	**2,031**

Staff costs for the above persons	Group		NHG	
	2020 £m	Reclassified 2019 £m	2020 £m	Reclassified 2019 £m
Wages and salaries	70.0	70.0	65.1	66.2
Social security costs	7.0	6.9	6.3	6.4
Other pension costs (see note 28)	6.9	6.7	6.2	6.3
	83.9	**83.6**	**77.6**	**78.9**

Redundancy payments of £724,564 (2019: £709,000) were made during the year.

Salary range	2020 £'000	2019 £'000
Lowest paid employee	17	16
Highest paid employee	275	268

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

Salary band £'000	2020 No.	2019 No.
60-70	88	69
70-80	39	36
80-90	19	20
90-100	20	12
100-110	11	5
110-120	3	8
120-130	6	6
130-140	5	1
140-150	4	4
150-160	-	1
160-170	-	1
170-180	1	-
180-190	1	-
200-210	1	2
210-220	1	-
220-230	-	1
230-240	1	3
240-250	2	-
250-260	-	1
290-300	-	1
300-310	1	-

Note 30 – Board and Executive Board Member's emoluments

The payments to current non-executive Board members represents 0.2% (2019: 0.1%) 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.

The remuneration of the members of the Board, the Committees and the Executive Directors was:	2020 £'000	2019 £'000
Fees for members of the Board	151	99
Fees for Committee members	45	32
2019/2020 Management services of Executive Directors (including pension contributions and benefits in kind)	1,837	1,865
Remuneration for management services (excluding pension contributions) includes the amount paid to the highest paid Director	275	268

Current non-executive Board members at 31 March 2020	2020 £'000	2019 £'000
Ian Ellis (appointed 1 September 2019)	17.5	-
Linde Carr	15.0	9.0
Jenny Buck	15.0	9.0
Stephen Bitti	15.0	11.3
Elaine Bucknor	15.0	6.0
Alexander Phillips	15.0	12.5
Bruce Mew	15.0	12.5
Jane Hollinshead	15.0	12.5
Richard Powell	15.0	12.5
James Wardlaw (resigned 30 September 2019)	13.8	14.2

Current Executive Board members	Salaries £'000	Pension costs £'000	Bonus £'000	Total £'000
Kate Davies, Chief Executive	275	30	-	305
Andy Belton, Chief Operating Officer and Deputy Chief Executive	225	24	-	249
Paul Phillips, Group Finance Director	215	23	-	238
John Hughes, Group Development Director	215	29	-	244
Mark Vaughan, Group Director of Commercial Services	190	24	-	214
Carl Byrne, Group Director of Housing	181	8	-	189
Vipul Thacker, Group Central Services Director	159	12	-	171
Katie Bond, Group Director of Sales and Building Safety [1]	19	3	-	22
Elly Hoult, Group Director of Assets [2]	-	-	-	-

[1] Appointed 22 January 2020
[2] Appointed 30 April 2020

The Chief Executive is a preserved member of the pension scheme operated by the Social Housing Pension Scheme on behalf of all qualifying employees. No special or enhanced terms apply to her membership of the scheme.

During the year £nil was paid as loss of office payments to other Executive Board members (2019: £136,000).

Note 31 – Capital commitments

	Group		NHG	
	2020 £m	2019 £m	2020 £m	2019 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	733.0	888.6	182.3	187.7
Capital expenditure that has been authorised by the Board but has not yet been contracted for	95.5	203.5	12.1	44.1

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

Note 32 – Operating leases

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

	2020 £m	2019 £m
These leases can be cancelled within 28 days' notice after giving vacant possession. The amount shown is the full payment for the year		
Temporary housing leases less than one year	32.9	33.9

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

	2020 £m	2019 £m
Not later than one year	5.9	6.3
Later than one year and not later than five years	25.2	24.4
Later than five years	200.4	204.9

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

Note 33 – Incorporation, subsidiaries and joint ventures

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

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

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

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

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

Company (subsidiaries)	Principal activity	Parent	Country of registration
Notting Hill Home Ownership Limited	Performs the activities of a registered housing association	NHG owns one of eight shares and controls the Board. The remaining seven shares are held in trust for NHG.	England and Wales
Springboard Two Housing Association Limited	Registered provider; manages shared ownership properties	NHG – 100% shares	England and Wales
Folio London Limited	Rents properties at market rent	NHG – 100% shares	England and Wales
GenFinance 2 PLC	Incorporated for the £250 million bond issue	NHG – 100% shares	England and Wales
Notting Hill Community Housing Limited	Rents properties at sub-market prices	NHG – 100% shares	England and Wales
Notting Hill Commercial Properties Limited	Develops and lets commercial properties	NHG – 100% shares	England and Wales
Project Light Market Rent Limited	Rents properties at market rent	Project Light Development 1 Limited – 100% shares	England and Wales
Notting Hill Developments Limited	Develops and sells properties	Notting Hill Commercial Properties Limited – 100% shares	England and Wales
Genesis Oaklands Limited	Develops and sells property	NHG – 100% shares	England and Wales
Project Light Development 1 Limited	Develops and sells properties	Notting Hill Commercial Properties Limited – 100% shares	England and Wales
Canonbury Developments Limited	Develops and sells properties	Notting Hill Home Ownership Limited	England and Wales
Touareg Trust	Provides student accommodation	NHG is sole guarantee member and controls the Board	England and Wales
Project Light Development 2 Limited	Develops and sells properties	Notting Hill Commercial Properties Limited – 100% shares	England and Wales
Choices for Grahame Park Limited	Develops and sells properties	NHG – 100% shares	England and Wales
TLD Kidbrooke LLP	To invest in the Kidbrooke scheme and provides business manager services to Kidbrooke LLP	Notting Hill Commercial Properties Limited – 99% control	England and Wales
Walworth Homes Limited	Develops and sells properties	Notting Hill Commercial Properties Limited – 100% shares	England and Wales
Genesis Purchasing Limited	Procures contracting and consulting services on behalf of the Group.	NHG – 100% shares	England and Wales
Genesis Community Foundation Limited	A charity formed to run Community and Social regeneration projects	NHG – 100% shares	England and Wales
Igloo Insurance Protected Captive Cell NOT6	Provides insurance services	NHG – 100% shares	Guernsey
Central Chelmsford Development Agency Ltd	Develops and sells properties	NHG – 100% shares	England and Wales
GenInvest Limited	Develops and sells properties	NHG – 100% shares	England and Wales
Goat Wharf Limited	Develops and sells properties	Notting Hill Home Ownership Limited – 100% shares	England and Wales
Stoke Quay New Homes Ltd	Develops and sells properties	NHG – 100% shares	England and Wales
GenFinance Limited	Responsible for managing loan facilities	NHG – 100% shares	England and Wales
Presentation Market Rent Limited (dormant)	Rents properties at market rent	NHG – 100% shares	England and Wales
Shenstone (SPSL) – Pathmeads Property Services Ltd (dormant)	Develops and sells properties	NHG – 100% shares	England and Wales
European Urban St Pancras 2 Limited (dormant)	Develops and sells properties	NHG – 100% shares	England and Wales
Folio Buildings Limited (dormant)	Rents properties at market rent	Folio Treasury Limited – 100% shares	England and Wales
Folio Treasury Limited (dormant)	Incorporated for bond issue	Folio London Limited – 100% shares	England and Wales

Notting Hill Home Ownership Limited has a joint venture investment in KLA Twickenham LLP and Triangle London Developments LLP.

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

The Group's investment in joint venture projects amounted to £41.4m (2019: £45.3m). Joint venture income of £18.6m (2019: £(0.9)m) was achieved in the year.

Joint ventures

Name	Nature of business	Share of capital commitment	Proportion of holding	Year ended	Assets 2020 £m	Liabilities 2020 £m	Assets 2019 £m	Liabilities 2019 £m
Armada 1 South Developments LLP	To develop phase 1 of the Gallions Quarter site	Nil	50%	31 March	15.7	(15.7)	8.7	(8.7)
Kidbrooke Partnership LLP	To develop site adjacent to Kidbrooke Station; the scheme will comprise 10 blocks	Nil	50%	31 March	15.1	(15.1)	13.1	(13.1)
Chobham Farm North LLP	Development of 478 shared ownership, permanent rented, affordable key worker and private for sale residential accommodation	Nil	50%	31 March	3.2	(3.2)	22.4	(22.4)
Gallions 2B Development LLP	To develop phase 3 of the Gallions Quarter site	Nil	50%	31 March	1.0	(1.0)	0.9	(0.9)
Spray Street Quarter LLP	To acquire and develop sites in Woolwich town centre to construct 612 residential units and 8,770 square metres of non-residential space	Nil	50%	31 March	2.8	(2.8)	2.0	(2.0)
Rainham and Beam Park Regeneration LLP	To acquire and develop site in Rainham and Beam Park in the London Borough of Havering. The scheme will consist of 774 units of mixed tenure	Nil	50%	31 March	1.2	(1.2)	-	-
Gallions 2A Developments LLP	To develop phase 2 of the Gallions Quarter site	Nil	50%	31 March	3.4	(3.4)	1.0	(1.0)
Triangle London Developments LLP	Established to bid for Transport for London sites	Nil	50%	31 May	0.1	(0.1)	0.1	(0.1)
Brenley Park LLP	Development of 169 shared ownership, permanent rented, affordable key worker and private for sale residential accommodation	Nil	50%	31 December	0.1	(0.1)	0.1	0.1
KLA Twickenham LLP	Development of 280 shared ownership, permanent rented, affordable key worker and private for sale residential accommodation	Nil	50%	31 March	0.1	(0.1)	-	-
					42.7	**(42.7)**	**48.3**	**(48.3)**

Note 34 – Transactions with related parties

At 31 March 2020 there were two members on the Board who held tenancies/ lease agreements with NHG. They are Linde Carr and Stephen Bitti. The agreements have been granted on the same terms as for all other residents, and the housing management procedures, including those relating to management of arrears, have been applied consistently to these residents. In respect of Linde Carr, during the year, rents of £7,443 (2019: £7,443) were charged. A credit balance of £(821) was outstanding at year end (2019: (£642)). In respect of Stephen Bitti, during the year rents of £7,122 (2019: £7,340) were charged. A balance of £21 was outstanding at the year end (2019: (£6)).

During the year NHHO charged Project Light Development 2 Limited, a subsidiary of Notting Hill Commercial Properties Limited, a subsidiary of NHG £121,850 (2019: £108,802) in respect of administration costs. At the year ending 31 March 2020 £nil (2019: £nil).

During the year Chobham Farm North LLP contributed £4.6m (2019: £7.9m) into the members' capital account.

During the year the members received a repayment of total capital contributions of £24m (2019: £nil) as development work has now been completed.

During the year the members received total cash payments of £14.1m (2019: £nil) as sales took place in the year.

During the year NHHO charged Chobham Farm North LLP, a joint venture of Notting Hill Commercial Properties Limited, a subsidiary of NHG and Telford Homes Plc £66,967 (2019: £67,460) in respect of administration costs. At the year ending 31 March 2020 £nil (2019: £nil) was owed to NHHO. During the year the joint venture sold £192,217 (2019: £3,810,033) properties in the course of construction to NHHO.

During the year NHHO charged Project Light Development 1 Limited, a subsidiary of Notting Hill Commercial Properties Limited, a subsidiary of NHG £121,850 (2019: £108,802) in respect of administration costs. At the year ending 31 March 2020 £nil (2019: £nil) was owed to NHHO.

During the year NHHO charged Armada 1 South Development LLP, a joint venture of Notting Hill Commercial Properties Limited, a subsidiary of NHG and Telford Homes Plc £65,250 (2019: £nil) in respect of administration costs. At the year ending 31 March 2020 £nil (2019: £nil) was owed to NHHO. At 31 March 2020 the amount receivable from NHHO was £194,166 (2019: £nil). During the year the joint venture sold £4,310,343 (2019: £nil).

During the year NHHO charged Spray Street Quarter LLP, a joint venture of Notting Hill Commercial Properties Limited, a subsidiary of NHG and St Modwen Developments Limited £1 (2019: £nil) in respect of administration costs. At the year ending 31 Mar 2020 £nil (2019: £nil) was owed to NHHO.

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

	2020 £m	2019 £m
Notting Hill Commercial Properties Limited	146.6	165.5
Folio London Limited	110.8	83.8
Igloo Insurance Protected CaptiveCell NOT 6	0.7	0.7
Arawak Developments Limited	-	0.1
Genesis Oaklands Limited	0.1	-
Pathmeads Property Services Limited	0.9	0.9
At 31 March	**259.1**	**251.0**

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

	2020 £m	2019 £m
Notting Hill Commercial Properties Limited	-	-
Notting Hill Developments Limited	92.9	65.9
Folio London Limited	249.8	209.8
Touareg NHG	16.8	22.1
Notting Hill Community Housing	70.7	55.0
Project Light Development 1 Limited	28.7	28.7
Project Light Development 2 Limited	24.9	27.5
Project Light Market Rent Limited	72.2	72.6
Canonbury Developments Limited	53.9	80.1
Genesis Oaklands Limited	83.6	23.7
Choices for Grahame Park Limited	28.0	14.2
Genfinance 2 plc	-	1.5
Walworth Homes Limited	12.7	-
At 31 March	**734.2**	**601.1**

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

The transactions relate to: Notting Hill Commercial Properties Limited, Notting Hill Developments Limited, Canonbury Developments Limited, Folio London Limited, Touareg NHG, Goat Wharf Limited, Notting Hill Community Housing, Walworth Homes Limited, Choices for Grahame Park Limited, Genesis Purchasing Limited, Genesis Oaklands Limited, Stoke Quay New Homes Limited and Central Chelmsford Development Agency Limited.

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

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

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

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

After the merger, stocks between Notting Hill Genesis and Choices for Grahame Park Limited and Central Chelmsford Development Agency Limited were transferred to reflect correct entity ownership.

Other inter-company transactions	2020 £m	2019 £m
Excess cash invested / (returned)	45.5	(49.6)
Purchases	(1.4)	0.8
Overhead recharges	(0.7)	(1.9)
Payroll	(2.5)	(1.2)
Interest	(10.2)	(8.2)
Transfer of stock	(12.9)	-
Investment in subsidiary	-	-
Disinvestment in subsidiaries	(11.9)	-
	5.9	**(60.1)**

Note 35 – Financial instruments and risk management

Group	Financial assets at fair value		Financial assets at amortised cost	
	2020 £m	2019 £m	2020 £m	Restated 2019 £m
Financial assets that are debt instruments measured at amortised cost				
Current asset investments	-	-	18.1	17.6
Cash	-	-	118.3	133.0
Debtors	-	-	73.1	82.2
Debtors falling due after one year	-	-	8.4	8.2
Financial assets measured at fair value through the statement of comprehensive income				
Interest rate swaps fixed to floating	17.4	12.3	-	-
RPI option	-	-	-	-
Designated currency hedge	8.6	6.2	-	-
Total	**26.0**	**18.5**	**217.9**	**241.0**

NHG	Financial assets at fair value		Financial assets at amortised cost	
	2020 £m	2019 £m	2020 £m	Restated 2019 £m
Financial assets that are debt instruments measured at amortised cost				
Current asset investments	-	-	18.1	9.4
Cash	-	-	77.1	87.4
Debtors	-	-	603.9	520.9
Debtors falling due after one year	-	-	499.6	544.0
Financial assets measured at fair value through the statement of comprehensive income				
Interest rate swaps fixed to floating	29.2	19.1	-	-
RPI option	-	-	-	-
Designated currency hedge	-	-	-	-
Total	**29.2**	**19.1**	**1,198.7**	**1,161.7**

All financial assets or liabilities at fair value are calculated using measurements based on inputs that are observable for the asset/liability either directly or indirectly from prices. The valuation techniques used to measure the above interest rate swaps financial instruments maximise the use of market data where available. For all other financial instruments where fair value cannot be measured reliably, the fair value is considered to approximate to the carrying value of the instrument at historic cost less impairment.

Credit risk is assessed on all financial instruments in the tables above and an adjustment is made to the valuation to reflect the credit risk associated with each counterparty.

Group	Financial liabilities at fair value		Financial liabilities at amortised cost	
	2020 £m	2019 £m	2020 £m	Restated 2019 £m
Financial liabilities that are measured at amortised cost				
Trade and other payables	-	-	292.1	279.0
Public bonds	-	-	1,794.5	1,682.0
Loans and borrowings	-	-	1,691.7	1,789.0
Other long-term creditors	-	-	1,345.0	1,395.9
Financial liabilities that are measured at fair value through the statement of comprehensive income				
RPI swaps	8.7	7.3	-	-
Cancellable interest rate swaps	2.5	2.6	-	-
Interest rate swaps float to fixed	13.8	11.6	-	-
Designated interest rate hedges	153.6	136.6	-	-
Total	**178.6**	**158.1**	**5,123.3**	**5,145.9**

NHG	Financial liabilities at fair value		Financial liabilities at amortised cost	
	2020 £m	2019 £m	2020 £m	Restated 2019 £m
Financial liabilities that are measured at amortised cost				
Trade and other payables	-	-	207.6	257.9
Public bonds	-	-	1,794.5	1,682.0
Loans and borrowings	-	-	1,436.0	1,522.7
Other long-term loans	-	-	1,093.4	1,149.3
Financial liabilities that are measured at fair value through the statement of comprehensive income				
RPI swaps	8.7	7.3	-	-
Cancellable interest rate swaps	2.6	2.6	-	-
Interest rate swaps float to fixed	13.8	11.6	-	-
Designated interest rate hedges	151.6	134.6	-	-
Total	**176.7**	**156.1**	**4,531.5**	**4,611.9**

Group	2020		2019	
	Book value £m	Fair value £m	Book value £m	Fair value £m
A comparison of the book value to the fair value of the Group's long-term borrowings at 31 March				
Current portion of long-term debt	121.5	121.5	105.2	105.2
Long-term debt	3,364.7	3,364.7	3,365.8	3,365.8
	3,486.2	**3,486.2**	**3,471.0**	**3,471.0**

	Group		NHG	
	2020 £m	2019 £m	2020 £m	2019 £m
Gains in respect of financial derivatives held at fair value through the statement of comprehensive income				
Gains on disposal of financial interest rate swaps	-	-	-	-
Gains in respect of financial derivatives	7.6	7.1	9.8	9.4
	7.6	**7.1**	**9.8**	**9.4**

NHG	2020		2019	
	Book value £m	Fair value £m	Book value £m	Fair value £m
A comparison of the book value to the fair value of NHG's long-term borrowings at 31 March				
Current portion of long-term debt	113.5	113.5	97.3	97.3
Long-term debt	3,117.0	3,117.0	3,107.4	3,107.4
	3,230.5	**3,230.5**	**3,204.7**	**3,204.7**

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 policy requires that a minimum of 50% of its drawn funds should be at a fixed rate and the remaining debt is either held at a variable rate or on an index linked basis depending on prevailing market conditions and the 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 or floating rate and receives interest at a floating or fixed rate. The interest rate swaps are designated as a hedge of the variable debt interest payments which are linked to changes in the benchmark interest rate (LIBOR) which is the quoted price in an active market. This method reflects the risk management objective of the hedging relationship that swaps a series of future variable cash flows to a fixed rate. The interest rate swap agreements which do not meet the hedging tests contained in FRS102 are accounted for through the statement of comprehensive income.

The cash flows from the interest rate swaps are expected to occur monthly, quarterly or on a semi-annual basis dependent on each contract.

Hedge accounting

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

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

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

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

A cash flow hedge is accounted for as follows:

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

Where the forecast transaction results in a financial asset or financial liability, only gains or losses previously recognised in the statement of comprehensive income are reclassified to the statement of comprehensive income in the same period as the asset or liability affects income or expenditure. Where the forecasted transaction or commitment results in a non-financial asset or a non-financial liability, any gains or losses previously deferred in the statement of comprehensive income are included in the cost of the related asset or liability. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in the statement of comprehensive income are transferred to the statement of comprehensive income in the same period as the underlying income or expenditure.

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, 85% 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.

Note 36 – Prior year adjustment

During the year there were a number of prior year adjustments and the explanation for each one is included in the table below.

	Group 2019 £m	NHG 2019 £m
Total recognised surpluses per UK GAAP	107.2	46.1
Depreciation freehold offices	(1.2)	(1.1)
Restated total comprehensive income after prior year adjustments	**106.0**	**45.0**

Statement of changes in reserves

Group	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Minority interest £m	Total £m
Balance at 1 April 2018	**2,090.1**	**1,130.8**	**(46.5)**	**0.2**	**3,174.6**
Provision for historical debt	(2.2)				(2.2)
Write-off of communal electricity cost	(1.4)				(1.4)
Provision for overclaimed VAT	(1.9)				(1.9)
Accelerated office freehold depreciation	(4.1)				(4.1)
Additional historic depreciation	(0.3)				(0.3)
Revised balance at 31 March 2019	**2,080.2**	**1,130.8**	**(46.5)**	**0.2**	**3,164.7**

NHG	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total £m
Balance at 1 April 2018	1,668.8	1,049.1	(44.5)	2,673.4
Provision for historical debt	(2.2)			(2.2)
Write-off of communal electricity cost	(1.4)		-	(1.4)
Provision for overclaimed VAT	(1.9)			(1.9)
Accelerated office freehold depreciation	(4.1)			(4.1)
Additional historic depreciation	(0.3)			(0.3)
Revised balance at 31 March 2019	**1,658.9**	**1,049.1**	**(44.5)**	**2,663.5**

Note 37 – Contingent liability

	Group		NHG	
	2020 £m	2019 £m	2020 £m	2019 £m
At 1 April	1,536.5	2,398.6	1,386.7	2,244.6
Reclassification	-	(867.3)	-	(867.3)
Subtotal	**1,536.5**	**1,531.3**	**1,386.7**	**1,377.3**
Adjustments	6.9	-	6.4	-
Realised on disposal	(5.5)	(5.8)	(1.3)	(1.4)
Additions	10.3	11.0	10.1	10.8
Transfers to another registered provider	(9.0)	-	(9.0)	-
At 31 March	**1,539.2**	**1,536.5**	**1,392.9**	**1,386.7**

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

Note 38 – Post balance sheet events

The Covid-19 coronavirus pandemic has evolved rapidly in 2020 and the ultimate parent undertaking has evaluated the impact this is having on the housing market, paying specific consideration to reservations subsequent to the year-end, wider market data and observations from members of the Royal Institute of Chartered Surveyors. Management carried out an assessment on the potential impairment of stock and estimated that Covid-19 could result in a 10% reduction in values for residential properties and increase in 5% holding cost. The financial impact of this review was recognised in the financial statements for the year to 31 March 2020. Market uncertainties continue to persist, and the Board and management continue to review and monitor the carrying value of investment properties and inventories as outlined above, to assess for any significant changes to the carrying value of these assets.

Management have specifically considered the likelihood of recovery of all debtors with specific consideration of non-payment subsequent to the end of the year. These financial statements take into account relevant events that have occurred since the end of the financial year that may indicate that debtors due at the year may not be recoverable.

It is currently difficult to measure the potential impact of the Covid-19 crisis on every area of operations while restrictions remain in place. However, NHG remains a financially robust organisation with substantial liquidity. NHG retains good relationships with its banks, and is able to access the capital market as necessary.

The slowdown of the housing market and constraints on the development pipeline are likely to affect cashflow. NHG continues to manage cash carefully.

The Bank of England has confirmed that NHG is eligible for its Covid Corporate Finance Facility from July 2020 with a limit of £300m.

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