



NottinghamHousing

Notting Hill Housing Trust

Financial Statements for the year to 31 March 2014





Front cover:

In March 2014, we signed an agreement with Sellar Design & Development to join forces on a 1.5m sqft Docklands residential scheme in Southwark.

The project will deliver a total of 1,030 new homes, ranging from studios to four bed apartments, as part of a widescale regeneration of the Canada Water area. The properties will be available in a mix of private sale, private rent and affordable, and will be created alongside 40,000sqft of commercial space and a host of new community facilities.

Work is set to get underway in autumn 2014 with the construction of the first of the five buildings planned for the site.

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Board members, senior staff, advisers and bankers

Vice President	Lionel Morrison OBE
Board	
Chairman	Paul Hodgkinson CBE
Vice Chairman	Alexander Phillips
Other Members	Bukky Bird Linde Carr Sue Hunt Alastair Moss Sophie Warner Mohan Yogendran Debra Yudolph Kate Davies Paul Phillips Andy Belton
Secretary	Andrew Nankivell
Executive Board	
Chief Executive	Kate Davies
Group Finance Director	Paul Phillips
Group Development Director	John Hughes
Chief Operating Officer	Andy Belton
Group Corporate Services Director	Andrew Muir
Group Director of Asset Management	Kath King (on adoption leave from 25 March 2014)
Group Director of Notting Hill Housing Trust and Notting Hill Pathways	Mark Vaughan (Appointed 5 August 2013)

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Principal Bankers
Barclays Bank plc
Business Banking
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Registrations
Registered Industrial and Provident Society Number:
16558R

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



Chairman's report April 2013 - March 2014

In the year we celebrated our 50th anniversary, it's a great pleasure to report such excellent results not only in terms of our surplus but also our overall activity and shape of the year's outcomes.

These formal accounts provide an invaluable report for not only our shareholders, funders, banking partners, joint venture partners, but also our residents, leaseholders, local authority partners, and regulators. We also have key relationships with house builders, developers, consultants and suppliers who all want to understand our plans and our views on the dynamics of the London property market.

Notting Hill Housing (NHH) was formed in December 1963 by Reverend Bruce Kenrick, who was responding to the dreadful conditions that he saw around his church, and the problems that people had with overcrowding and disreputable landlords. We celebrated our 50th anniversary in a number of ways including a staff party in the summer and a service in the autumn at the very church Bruce Kenrick attended when he founded the Trust. We have also published a book and had a film made to mark the occasion.

We were saddened to hear of the death of John Coward in November 2013. He was the first Director (Chief Executive) of Notting Hill Housing Trust and worked for us from 1965 to 1986. He played an enormous part in the growth of the Trust, growing it from its small beginnings to almost 8,000 homes over that 21 year period. These celebrations remind us of how far we have come in a short time, and how those achievements are due to the leadership and energy of the executive teams.

The year has been characterised with significant political debate around housing benefits and changes being introduced by the coalition government.

As noted last year, we are now charging higher rents called 'affordable' rents. They are considerably more expensive than the older target rent levels. In NHH's case, the average differential to date is about £87 per week. We have found that the demand for these properties, although lower than before, remains high and we have been able to let them quickly in most cases. The number of affordable rent homes in our stock increased substantially by 486 homes, from 231 homes to 717 homes in 2013/14. One hundred and forty seven of the total arises from new lettings of properties developed under the new regime and 339 from relets. We are, therefore, becoming more familiar with this product. We were nevertheless, pleased to be able to bid for a new programme of rented homes at rents close to target rents for the 2015-2018 programme from the Mayor.

In addition to increasing the levels of rents to be charged by developing Registered Providers, the Government is making modifications to the housing benefit system. In particular, from 1 April 2013, it reduced the amount of benefit paid to some tenants who are under-occupying their home by one or more bedrooms. Our Altogether Better officers have spent much time in 2013/14 preparing for this change by advising residents of the position and explaining the options open to them. We estimate that the reduction in benefits payable to tenants as a result of this change was about £800,000. We were still able to continue to collect most of the rent due. Some residents secured discretionary housing benefit from their local authority, some got work, some took in a lodger and some simply found the money. Overall, we believe that this has cost us about £300,000 in the year. We also saw the introduction of an overall cap on the benefit payable per family, but this had a much smaller effect to date.

The final change, payment of benefits direct to residents, has not really begun to take effect and it is hard for us to gauge the likely effects. We will report on this next year.

A considerable amount of work has gone into development during 2013/14. In particular, we acquired 2,216 plots for the construction of new homes as well as 94 homes for refurbishment and 549 homes transferred from other Registered Providers. We are also supporting the construction industry - we started 1,412 new homes in 2013/14, orders of £151m being placed for new construction, a substantial increase on 2012/13 and providing much needed support to the London economy. We also placed contracts for £11m for the refurbishment of newly acquired homes. Finally, we completed 676 newly built homes and 249 refurbished homes.

We have had two recent substantial successes in terms of our growth strategy. In early 2014, we were selected, along with our partner, Barratt, by the London Borough of Southwark to take forward the regeneration of the Aylesbury Estate. This will lead to NHH investing about £800m over two decades to construct about 3,500 new homes. We have signed the agreements with Southwark and hope to start on site on the first homes in April 2016. We have entered into a partnership with the Sellar Group to build more than 1,000 new homes in the Canada Water also in Southwark. This will take about seven years to complete and will result in a significant mixed tenure scheme in this important location, one stop from Canary Wharf.

We have also started to build the large scheme at Great Eastern Quay for 819 homes in the London Borough of Newham, adjacent to the river and at the dockland light railway stop of Gallions Reach. These three huge schemes will provide an important platform for new projects in the years to come.

NHH was able to secure the largest publicly funded development programme in London (and the third largest in the country) for the period 2011-2015. The programme will deliver about 2,130 rented and shared ownership homes in that period, with the homes to be completed by March 2015. During 2013/14 we reviewed the programme with the Greater London Authority (GLA) and overall, we now expect to invest about £470m, of which £48m will come from the GLA. The balance will come from a combination of recycled grants (£21m), funds secured on the rental streams from the homes constructed (£190m), funds secured on increased rents on existing homes (£49m), sales of part of the equity in shared ownership homes (£133m) and finally, contributions from NHH's existing resources (£29m). As can be seen from these numbers, every pound provided by Government to the NHH development programme leads to ten pounds of investment in new homes for Londoners. The GLA has recently sought bids for a 2015-2018 programme and we are hopeful of securing a programme of a similar scale to our 2011-15 one.

During the year, we continued our active asset management strategy which involved disposing of smaller homes in expensive parts of London and replacing them with larger homes in outer London. Some will be sold and the rest will be converted to market rent. Taken overall, we expect the five year strategy to consist of disposals of about 200 homes (including conversions to market rent). The proceeds will be combined with additional debt and used to purchase around 600 family houses in outer London boroughs. The number of new homes has fallen by about 50 since last year's projection as sites originally intended for development using these proceeds have been used in our bid to the GLA for grant. As a result we have had to increase the proportion of homes purchased, rather than constructed, which leads to fewer homes being added.

Operationally, we have continued to develop our Altogether Better model, where housing officers take responsibility for 125 tenants and their properties. As mentioned above, this has been effective when discussing new benefit arrangements with our tenants and has allowed us to gain much more awareness and knowledge of our customer base.

One of the big operational challenges for the Trust continues to be our provision of planned and responsive maintenance on our total portfolio of properties. In 2012 we terminated our long-term relationship with one of our suppliers and have been working since on an interim basis to allow us to re-tender the work under OJEU (Official Journal of the European Union) notice rules. The balance of work has been successfully completed by Lovells, Mears and Linbrook, and the damage to our customer satisfaction scores has been addressed. We continue to be unable to get the cost savings we seek to allow us to measure up to the G15 (Group of largest 15 registered social providers in London) KPIs as part of our value for money drive. This will be a particular focus in 2014/15 and we hope to report improved results in this area.

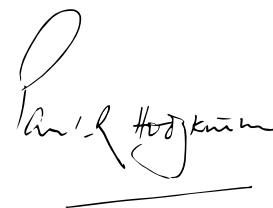
Given that we had completed a bond issue late in 2012, we decided not to access the bond markets in 2013, but to review the position early in 2014. We did, however, spend much of 2013 putting together a security package sufficient to be ready to secure a new £250m bond after the end of the year. In early 2014, we decided to consider our capital requirements. Following presentations on 9 January, we mandated Barclays, Lloyds and Santander to act as book runners for a new bond issue. We worked as quickly as possible and on 13 February, following a three day roadshow in London and Edinburgh, we launched and priced our next capital markets issue. The issue consisted of £250m 4.375% Secured Bonds due 2054. The bonds were priced to yield a margin of 0.98% points above the

yield of the benchmark Gilt, the lowest achieved to date on a new issue by a Registered Provider. The all in yield was 4.472%, the third lowest fixed rate issue of a Registered Provider (our 2012 issue was the absolute lowest). The funds were received on 20 February 2014, which means the time between the decision being taken to proceed and the cash being received was only six weeks. We intend to use the funds partly to refinance existing debt and partly to support our development programme.

The result of all this hard work and application has seen the Group achieve an excellent result to March 2014. We had a strong underlying result with all product sectors delivering profits. We had a particularly strong result from shared ownership stair casing alongside our traditional social and market activities.

We have a strong Executive Team led by Kate Davies. The year has been relatively stable, but Kath King has left us for a period as she adopts a new family member. Her place has been taken on a temporary basis by Mark Vaughan, the former Director of Notting Hill Home Ownership. Strong focus in the year on the succession strategies of senior management has been reinforced by the Board regularly reviewing the team's resilience to potential change to ensure it has plans for succession and contingency planning.

Our aim continues to be based on providing high quality housing for those who can't afford to otherwise live in London; and as such whilst we may be much larger than the organisation was 50 years ago, we continue to work to the same values that our founders initiated.



Paul Hodgkinson CBE
Chairman

Report of the Board and operating and financial review

The directors present the audited financial statements of the Group. The Group consists of two Registered Providers and a number of subsidiaries headed by Notting Hill Housing Trust, a charitable organisation founded in 1963.

At 31 March 2014, the two Registered Providers in the Group were Notting Hill Housing Trust ('the Trust') and its subsidiary, Notting Hill Home Ownership ('NHHO'). The Trust is a charitable organisation with three main businesses:

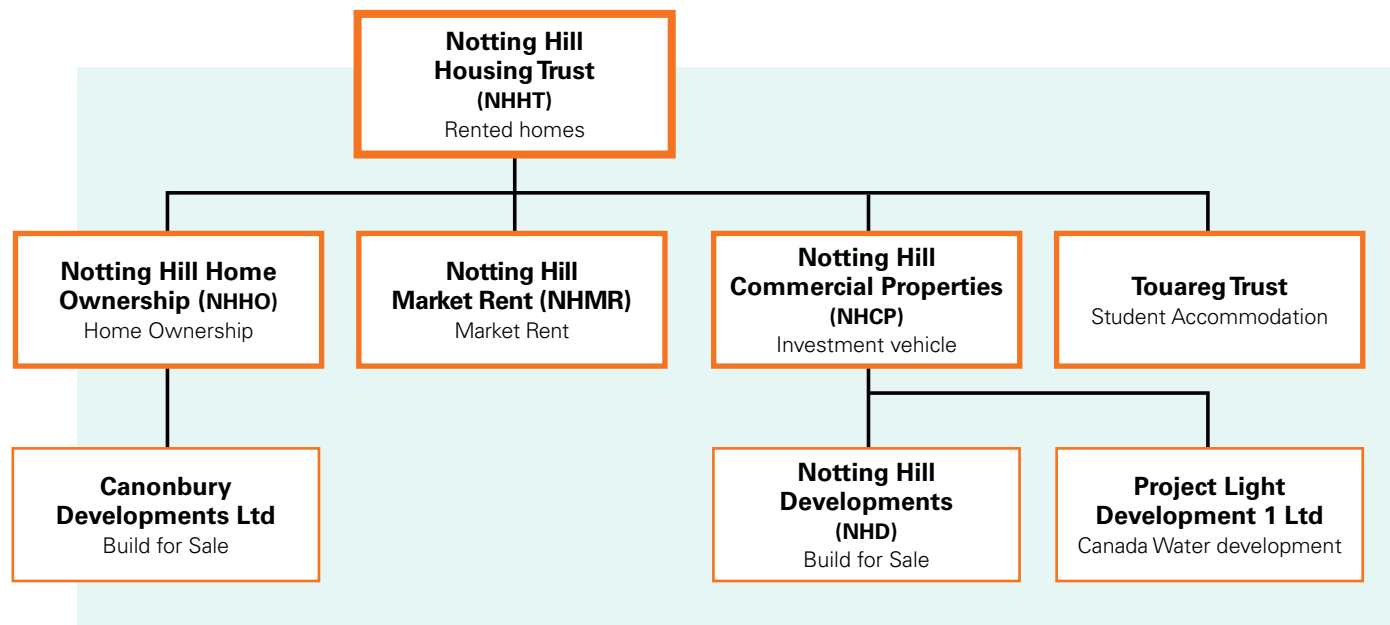
- the provision of general needs housing accommodation at affordable rents for those in housing need ('Rented Social Housing')
- temporary housing for those who would otherwise be homeless ('Temporary Housing')
- supported housing and care for those who need additional support ('Supported Housing').

NHHO specialises in the provision of low cost home ownership homes, particularly shared ownership schemes, whereby residents own a percentage of the equity in their homes and rent the rest from NHHO ('Shared Ownership').

In 2009/10, Pathway Housing Association, Croydon Peoples Housing Association and Presentation Housing Association joined the Group as subsidiaries, and subsequently transferred their engagements to the Trust. The Trust and NHHO have a number of subsidiary companies and limited liability partnerships, which develop housing for outright sale, invest in commercial property, provide market rent accommodation and supply student accommodation. A structure chart detailing the key legal entities is shown at Figure 1 and fuller details are at note 34 to the financial statements.

The Group has retained excellent ratings for governance and financial strength. These assessments have recently been reconfirmed by the Homes and Communities Agency ('HCA') and are necessary for receipt of funding for new developments. Figure

Figure 1 – Key legal entities in the Notting Hill Housing Group



2 shows the mix of housing stock under management. The stock condition is considered by external consultants to be good.

All the same, more than £23.6m was spent in the year on improvement and renewal. The Group operates across all of London and beyond, having grown significantly from its roots in the Royal Borough of Kensington & Chelsea and the London Borough of Hammersmith & Fulham. Figure 3 illustrates the distribution of the Group's stock throughout London.

Figure 2 – Housing stock managed by the Group as at 31 March

	2014	2013
Rented social housing	16,437	15,600
Supported housing	1,453	1,415
Temporary housing	1,999	2,125
Shared ownership	4,980	4,700
Student accommodation	839	839
Market rent	665	712
Leasehold in management	2,045	1,779
Total	28,418	27,170

Figure 3 – Notting Hill Housing Group Stock Map at 31 March 2014

Total number of properties in management = **28,418**



339 properties outside London

GOVERNANCE

The Trust is governed by a Board ('the Board') composed of nine non-executive members plus three executives. NHHO has a separate Board ('NHHO Board'), chaired by Alexander Phillips which consists of seven non-executive members and three executives with the meetings taking place concurrently with the Trust. Details of Board members, who are drawn from a range of backgrounds, are set out on page 1. The Board delegates some of its responsibilities to functional committees, who each have a Group-wide remit. Each of these committees has clear terms of reference and delegated authority. They report back to the Board after each meeting, where their recommendations are considered and approved where appropriate. There are five main functional committees within the Group: the Audit Committee, the Treasury Committee, the Altogether Better Committee, the Development and New Business Committee and the People Committee.

The Audit Committee

The Audit Committee oversees the work of both the internal and external audit function as well as the risk management framework and internal control framework for the Group. The Committee reviews the audited financial statements for all parts of the Group and recommends them to the relevant Boards for approval. Through the reports it receives, the Audit Committee gains external assurance that the Group has appropriate systems of internal control and complies with the HCA's expectations in this area. The Audit Committee met four times during the year. It comprised Sue Hunt (Chair) Alexander Phillips, Alastair Moss, Duncan Beardsley (until 5 September 2013) and James Wardlaw (from 5 December 2013).

The Treasury Committee

The Treasury Committee undertakes an annual review of the Group's Treasury Policy and hedging strategy. It also oversees the Group's treasury activities including, in particular, the strategy for sourcing of new finance. The Treasury Committee met five times during the year. It comprised Alexander Phillips (Chair), Sue Hunt, Alastair Moss, James Wardlaw (from 5 December 2013) Duncan Beardsley (until 5 September 2013) and Paul Phillips.

The Altogether Better Committee

The Altogether Better Committee is responsible for overseeing the provision of services to the Group's residents and other customers.

The Altogether Better Committee met six times during the year. It comprised Debra Yudolph (Chair), Annabelle Louvros, Michael Larbalestier, Emmanuel Kotey (until 4 December 2013), Paul McKay (until 9 July 2013), Robert Dyer, Emina Trozic, Mary Ann Bowring, John German (until 27 March 2014), Samantha Tennakoon, Catherine Stevenson Michael O'Connell (from 5 December 2013), Kevin Williamson (from 5 December 2013) and Laura Wilkes.

The Development and New Business Committee

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

The Development and New Business Committee met nine times during the year. It comprised Sophie Warner (Chair), Bukky Bird, Joanna Embling, John Bullough, Jon Manley (until 31 December 2013), John German (from 27 March 2014), Robin Bye (from 27 March 2014) and John Hughes.

The People Committee

The People Committee considers remuneration of the Board

members and of the Executive Board. In addition it oversees the process for board member appraisal and reviews the process for board member appointment and reviews significant human resource and governance issues across the Group.

The People Committee met five times during the year. It comprised Mohan Yogendran (Chair), Akin Adepoju, Paul da Gama, Angela Paradise and Romny Gray.

The Executive Board ('the EB')

The Group is managed by the EB, headed by the Chief Executive and supported by Group Directors of Finance, Operations, Development, Corporate Services and NHHT & Pathways. Mark Vaughan was appointed as Group Director Notting Hill Housing Trust and Notting Hill Pathways on 5 August 2013. Kath King (Group Director Asset Management) went on adoption leave from 25 March 2014. There were no other changes to the EB in 2013/2014.

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

The Chief Executive and the EB members are on notice periods ranging from three to six months. Details of Board and EB remuneration are shown in note 31.

Board members, senior staff and committee members are insured against personal liability when acting on behalf of the Group. From 1 January 2014, the EB members were either members of a defined contribution pension scheme or received a pension allowance.

Tenant involvement

Tenants are actively encouraged to become involved in decision making by the Group, which promotes mechanisms through which tenants can influence operations. We have a

Board member who is a tenant and one who is a leaseholder, and there are clear reporting arrangements between resident groups and the Board.

Code of governance

The Group has adopted a code of governance from the National Housing Federation, 'Excellence in Governance' and has committed to uphold it and keep to the high standards expected. Compliance with it is reviewed annually by the People Committee. The Group complies with all areas of the Code apart from one.

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

Employees

The strength of the Group lies in the quality of all its employees. Our ability to meet our objectives and commitments to tenants in an efficient and effective manner depends on their contribution.

The Group is committed to equal opportunities and in particular we support the recruitment of disabled people and the retention of employees who become disabled whilst in the employment of the Group. The Group has received recognition from the Department for Education and Skills for establishing policies of positive promotion of employment opportunities for candidates and employees with disabilities. The Group is an Investor In People.

STRATEGY, OBJECTIVES AND PERFORMANCE

Strategy

The strategy of the Group is set out in a strategic plan that is reviewed annually and approved by the Board. The business planning process includes an assessment of strengths and weaknesses, opportunities and threats, which are discussed by the Board. The Group's key strategic objectives focus on:

- Customer satisfaction
- Customers' homes
- People
- How we work
- Growth

Objectives

The main business targets for 2013/14 and comments on their achievements are set out in Figure 4.

Figure 4 – Key objectives and their achievement

Finance	Comment
To generate sufficient surpluses to maintain adequate financial strength, support the development programme and meet lenders' covenants.	The Board set a budget to achieve a surplus of £40.9m. The result was £65.7m. This is discussed further within the Financial Review section.
To secure sufficient private finance in the current markets to support the Group's funding needs.	New finance of £250m was secured from a new bond issue.
Development	Comment
To remain a preferred provider in receipt of HCA capital grant and meet their delivery standards.	The Group maintained a strong relationship with the HCA through the continued development of new units for housing.
To progress the Affordable Housing programme from the GLA for 2011-2015 and 2015-18 and secure new capital support from public sector resources.	The Group secured London's largest 2011-15 allocation for new housing totalling £58.9m. In 2012-13 we signed a £45m facility with the HCA under the 'Get Britain Building' banner to acquire 140 market rent homes from Berkeley Homes.
Asset management	Comment
To continue with the active asset management strategy, whereby smaller homes are sold (or converted into market rent properties) and the proceeds are invested in family properties in cheaper parts of London.	By 31 March 2014, 28 sales had been completed and 102 new homes had been secured. By March 2018, we plan to dispose of 200 homes and secure 600 new homes.
To minimise the asset sales needed to meet reinvestment obligations.	The new asset management strategy does not rely on asset sales to finance reinvestment.
Customer service	Comment
To continue with the Altogether Better (A2B) model across the organisation.	The A2B model was rolled-out for all businesses. We are reviewing its effectiveness for leasehold, where satisfaction has dipped to 47% in 2013/14.
To introduce replacement arrangements for maintenance following the decision by Notting Hill and Willmott Dixon Partnerships (WDP) to end their contract.	Short term arrangements were put in place to replace WDP using Lovells, Mears and Linbrook. Procurement of long-term arrangements is underway with a plan to award new contracts in September 2014.

Performance:

Figure 5 sets out the key indicators used by the EB and the Board to monitor performance.

Figure 5 – Key performance indicators

Indicator	2013/14 Performance	2013/14 Target	2012/13 Performance	2012/13 Target
Number of homes currently owned or managed	29,475	29,890	28,376	28,791
Average overhead costs of developing a new home	£3,814	£4,132	£3,531	£4,038
Cost per square metre of homes constructed	1,660	1,900	–	–
Sales time to completion (weeks)	8	12	10	12
Rent collection rate over 12 months	100.6%	100.5%	101%	100%
Current tenant rent arrears	6%	6%	–	–
Rent loss due to voids	1.6%	1.2%	1.6%	1.6%
Number of voids	337	254	294	187
Customer satisfaction – overall	70%	78%	75%	78%
Customer satisfaction with sales process	85%	85%	82%	80%
Number of ombudsman investigations	13	25	29	0
Number of adverse findings by ombudsman	0	0	7	0
Percentage of homes with valid gas certificate	99.9%	100%	99.8%	100%
Plots acquired	2,310	2,660	2,145	1,067
Homes started	1,412	2,408	981	1,967
Homes completed	925	1,332	536	757

Comments on performance.

The reasons for failing to meet some of the indicators are as follows.

- **Number of homes currently owned or managed** - The shortfall in terms of units was mainly due to a reduction in our temporary housing business.
- **Rent loss due to voids and number of voids** - The over target figure was largely due to a high number of supported housing voids. This was caused by some boroughs withdrawing support services, or new services yet to be commissioned. We also have a number of properties awaiting demolition or refurbishment as part of our regeneration of the North Circular Road. Finally, we have 99 properties unavailable for letting because they are part of a refurbishment programme or undergoing major works.
- **Customer satisfaction** - We have struggled to meet customer satisfaction targets in all parts of the business, but the main factor has been poor satisfaction amongst our leaseholders where satisfaction was only 47% at year end. We continue to work to better understand the drivers of leaseholder dissatisfaction.
- **Percentage of homes with valid gas certificate** - The small number of homes where the certificate is out of date arise because of access issues, which are being addressed.
- **Development programme (acquisitions, starts and completions)** - The development programme progressed well, but there were some delays in achieving completions towards the end of the year. We also hoped to start one particularly large development in 2013/14 which should now start in 2014/15.

VALUE FOR MONEY (VFM)

What VFM means to Notting Hill Housing

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

How do we approach VFM

The approach to VFM has been developed from the corporate strategy and corporate plans. It is based on what is required to deliver our purpose against the background of our own performance in previous years what our peers are achieving and changes in the external environment. The VFM strategy is agreed by the Group Board who will also monitor performance on VFM in order to gain assurance that the strategy is being delivered. How we approach VFM and the results we achieve will be transparent. Over time our VFM standards will continue to rise. We consult with residents to get their input to future development of the strategy.

Delivery of VFM

Our business planning uses the objectives and outcomes in the corporate strategy to drive the plan for each business. These plans are developed by each business team within a Group-wide process, which ensures that the use of assets and resources required to meet service, quality and other non-financial objectives are recognised in financial plans and budgets. Because of the balance between the required objectives and the limited assets and other resources used

to achieve them, it is essential that VFM is maximised. Our business planning process therefore helps ensure that resources and assets are used in the most appropriate way to deliver our purpose.

NHH has a VFM strategy which was updated in May 2014 and is supplemented by other strategies related to asset management, development, investments, ICT and environment. These strategies determine how we decide on investment and how we will increase the VFM of services we provide.

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

Our people are vital to delivering VFM. We have made significant progress in involving them in improvement processes via a number of streams including improving the core competence of our managers. This year we have set up a staff cost effectiveness group which is providing challenge and helping to support the VFM culture. Staff satisfaction has increased from 67% in 2011 to 76% in a survey carried out in September 2013, although this did represent a slight downturn from the figure of 79% in February 2013. In July 2013 our Investors in People accreditation was confirmed and we achieved a silver award. In order to emphasise the importance to all of our staff we have introduced a VFM section into our half yearly staff appraisals.

VFM achievements - return on assets

Our aim is to have a development programme of at least 1,400 homes per year and to have more than 35,000 homes by 2016.

Growth is important to us as it satisfies housing need, adds social value and enables us to reduce costs per home. Activity across our development programme increased substantially last year and the out-turn figures are given in Figure 6 below.

Figure 6 - Development units

Number of homes	2013/14	
	Start on site	Completion
Rented housing	541	162
Shared ownership	413	408
Market rent	338	176
Private sale	120	179
Total	1,412	925

We also invested some of the funds released from last year's sale of 867 out of London homes in transfers of London stock from other Registered Providers of social housing. The development completions above exclude 549 homes transferred into our management. This further consolidates our focus on London's housing needs.

In addition we achieved acquisitions of 2,310 plots this year, including a major redevelopment in Canada Water of around 1,000 units. Our total spend on development was just in excess of £300m.

As a result we are now actively developing across 16 boroughs ranging from Havering in the East to Hillingdon in the West. Our starts on site were the highest recorded by the Greater London Authority last year and our completions the second highest.

We have also submitted our bid to the Greater London Authority for the 2015/18 Funding Round and if we are successful, we will receive grant which will contribute to the delivery of 2,300 affordable homes across London.

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

Figure 7 - Return on capital employed by main business

	Operating surplus	Capital deployed	2014 Return	2013 Return
Rented housing	£31.1m	£708.4m	4.4%	4.1%
Shared ownership	£12.2m	£204.0m	6.0%	5.6%
Market rent (34% unrealised gain)	£3.9m	£141.1m	2.8%	3.6%
Student housing	£3.3m	£40.7m	8.1%	8.8%*

*The decrease in the student accommodation return arises because the Olympics created substantial summer lettings in 2012.

The decrease in return on market rent was caused by a significant amount of investment in condition of some of the stock.

We also review the returns from our existing stock, both financial and non financial in order to ensure that taxpayers' money received by grants or housing benefit is used to best advantage. Our active asset management strategy improves the use of our housing assets, selling older, more expensive and less suitable inner London properties to provide more

efficient and larger homes in cheaper areas. As well as increasing our overall stock of housing, this strategy helps deal with the impact of welfare reforms where larger families find it difficult to live in inner London and will increase opportunities for seriously overcrowded households.

This year we have sold 16 properties to add to the 12 sold last year. The proceeds generated by these sales have enabled us to subsidise the purchase of 102 affordable rent homes, a net gain of 74 homes. We plan in the five year programme to deliver a net gain of 400 largely family sized homes in London, and the new homes will give a significantly better return than those they replace.

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

SAP rating of 65. There are 3,000 properties which currently fall below this level. We will seek to maximise external sources of funding for these improvements.

VFM achievements - service costs

The following analysis relates to our rented social housing.

Performance on satisfaction and other quality measures are described in the Annual Standards Report for residents and in the Operating and Financial Review within the financial statements. Customer satisfaction rose for the fourth successive year and now stands at 76%.

We use Housemark to analyse our performance relative to peers, the Group of 15 large London providers of social housing (G15). We also track our unit costs using published accounts. Key results are shown in Figure 8.

Figure 8 - VfM Indicators for social homes from annual accounts and Housemark

	NHHG 2014	NHHG 2013	G15 2013 Average	G15 Peer group 2013 Ranking	Housmark 2013 Ranking
Operating cost per housing unit	£4,754	£4,722	£3,638	15	-
Maintenance costs per home - including capitalised repairs	£2,959	£3,325	£2,554	12	13
Management costs per home	£953	£921	£1,004	5	3
Service costs per home	£431	£413	£434	8	-
Overheads as a % of income	7.6%	8.2%	-	-	5
Overheads per home	£505	£515	-	-	-
Current rent arrears	6.75%	8.16%	-	-	-
Cash collection %	100.3%	99.3%	-	-	-
Bad debts per home	£50	£51	-	-	-
Spend per home on new supply	£6,731	£5,648	-	-	-
Total debt per home owned	£47,446	£41,103	-	-	-
Capital commitment as a % of fixed assets	25%	32%	-	-	-

Operating cost per home increased due to higher depreciation charges, partly driven by a catch-up from previous years which added £121, and service costs, which added £19. These were largely offset by a reduction in repairs costs which fell by £132 per home. Despite this, a reduction in repairs costs they remain high relative to other members of G15 largely because our investment in major repairs and cyclical maintenance charged to the income and expenditure account is higher as we continue to improve the quality and sustainability of our stock.

About 50% of our stock is in flat conversions within older properties (mostly Victorian) and this presents particular maintenance and asset management challenges.

Overhead costs were reduced this year. Office costs were £0.3m lower as this was our first full year in new offices and part of our Hammersmith office was let commercially. We are introducing more flexible working which is also helping reduce the number of desks required for our staff. There were also savings of £0.4m on ICT costs.

The downward trend on operating costs excluding service costs and depreciation but including capitalised repairs continued, more than reversing the increase last year and is projected to continue in the coming year. There are small increases in management costs from last year's exceptionally low figure.

The high starting point in 2009/10 coincided with the merger with Presentation. Since then the enlarged group has focused on cost reduction and has made a 20% reduction in costs, with further reductions projected.

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

NHH has significant exposure to liabilities from defined benefit pension arrangements for some of our employees.

Figure 9 - Trend on operating costs

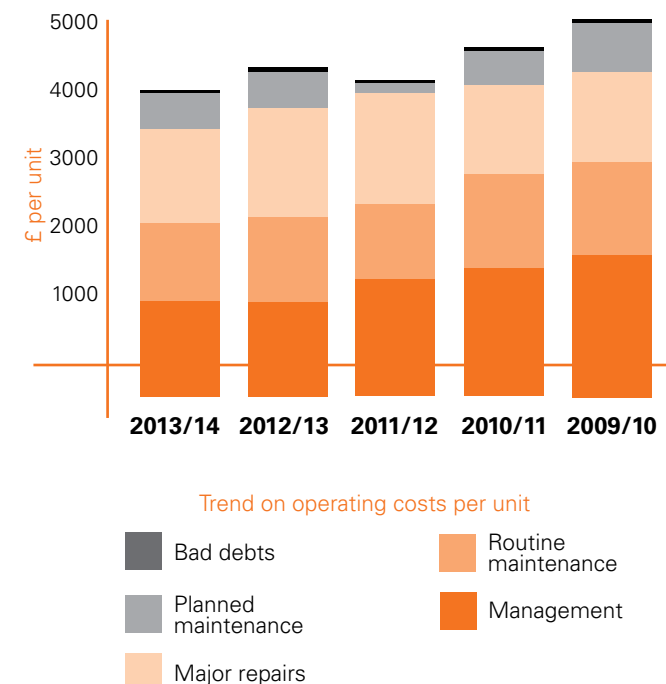
Cost per unit	2014/15					
	Budget	2013/14	2012/13	2011/12	2010/11	2009/10
Management	982	953	921	1,130	1,356	1,489
Routine maintenance	1,196	1,177	1,271	1,206	1,429	1,585
Major repairs	1,285	1,291	1,577	1,613	1,349	1,247
Planned maintenance	381	491	508	267	450	595
Bad debts	68	50	51	33	33	72
Total cost	3,912	3,962	4,328	4,249	4,617	4,988

We recognise the value to employees of a guaranteed pension, but felt that the risk of future costs to fund them was becoming too great and closed these schemes to future accruals from 31 December 2013.

We have continued to be effective at treasury management. In 2012/13 we achieved the lowest fixed rate ever achieved by a social housing provider for a bond issue. In February 2014 we made our fourth entry to the UK listed bond market issuing £250m for 40 years at an interest rate of 4.472%, which became the third lowest rate achieved. A recent report in Social Housing magazine showed that the average cost of borrowing for the larger providers in the sector was 4.54%. NHH's rate is 4.06%, which is particularly low given the high proportion of fixed rate debt.

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

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



VFM plans

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

Procurement has in the past been carried out within each business unit. Our new central procurement team is adding expertise and improved processes for purchasing goods and services.

We will improve VFM of our repairs services by procuring new contracts over the next year. The aim is to set in place long term contracts which will achieve customer satisfaction and cost effectiveness.

Data to back up our asset management activities has been significantly improved and we intend to continue this and use our electronic purchase order system in order to support control of this major area of expenditure.

There are several IT projects underway which will improve efficiency and support the delivery of services including one which is looking at data quality and management information systems. We are also looking at the way we use our offices in order to free more space to let off commercially.

Our staff and resident VFM Groups will help identify and deliver further savings and reinforce the VFM culture.

Assurance gained by Board

The Board contains executive members as well as non-executive members who have expertise in finance, development and

customer service. It considers performance reports and management accounts quarterly. The Board also approves strategies which impact on VFM. Risk identification and control including financial risks is also a major consideration, including stress testing of financial plans to assess the impact of significant changes in interest rates or the housing market.

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

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

Further information

Stakeholders can find more information on VFM on our website www.nottinghillhousing.org.uk. This includes the VFM Strategy, further details within the financial statements, the Corporate Strategy and Annual Standards Report.

STATEMENT OF BOARD'S RESPONSIBILITIES

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

The Friendly and Industrial and Provident Societies Act 1968 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Registered Social Landlord (RSL) 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
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RSL will continue in business.

The Board is responsible for keeping proper accounting records that are sufficient to show and explain the RSL's transactions and disclose with reasonable accuracy at any time the financial position of the RSL and to enable it to ensure that the financial statements comply with the Friendly and Industrial and Provident Societies Act 1968 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012. It is also responsible for safeguarding the assets of the RSL and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INTERNAL CONTROL

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

The Board recognises that no system of internal control can

provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

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

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

Identification and evaluation of key risks

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

Monitoring and corrective action

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

Control environment and control procedures

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

Information and financial reporting systems

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

Fraud

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

Anti-bribery policy statement

We seek to maintain the highest standards of ethics and integrity in the way we conduct our business. We recognise that bribery and corruption, in all its forms, is illegal and unacceptable. Our Bribery Policy Statement has been integrated into our Code of Conduct and our Gifts and Hospitality Policy, adopted by the

board, signed by the Chairman and Chief Executive and made available on our corporate website. We expect our business partners to adopt a similar approach to bribery or corruption and make this a condition for new contracts awarded.

Audit assurance

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

An audit plan was agreed by the Audit Committee for 2013/2014 and was completed. The internal auditors have direct access to the Audit Committee. The Audit Committee met four times during the financial year and considered internal control and risk at each of its meetings.

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

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

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

RISK

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

Figure 10 - Key risks

Risk	Comments	Mitigation
Government funding risk	Approximately 30% of the Group's income is dependent on Government support through housing benefit. Welfare reform changes in 2013, resulting in reductions in benefit paid to those who are regarded as under occupying their homes. It is also expected that the total amount of benefit payable to out of work families will be limited to £500 per week and that housing benefit may not be payable direct to landlords.	We have assessed the occupancy of our homes and will make offers of smaller accommodation to at risk households. We set rents for our new homes so they are likely to be affordable to those who find their total income capped. The effects of direct payment to residents are being assessed by the Government through a series of demonstration projects. We await the outcome and, if the effects on arrears are severe, we will lobby for changes that protect our position.
Downturn in the housing market	A large part of the Group's development programme relates to low cost home ownership and outright sale. The Group's ability to deliver this will be adversely affected if there is a lack of demand for the resulting homes at the right price.	The Group keeps the level of work in progress and completed unsold, homes under review. Appraisal assumptions allow for falls in value and delays in sales.
Availability of finance	There is little in the way of new long-term money available to Registered Providers from banks at the present time, although other options are currently available via the capital markets. If finance becomes unavailable, the Group's plans could be put at risk.	Commitments are monitored against available facilities. The Group has established itself in the capital markets, which offer long term-finance and are prepared to invest in highly rated organisations like the Trust. At 31 March 2014, we had £471m in committed, undrawn facilities which is sufficient for the Group's operations for over 12 months. The bond markets have been open, as have other, less competitive sources of finance. If this changes significantly, the Group may need to adapt its plans.
Health and Safety	Given the death in 2008 of one of our residents from carbon monoxide poisoning, we remain concerned about health and safety.	The Group continues to monitor this area closely. All new schemes are fitted with carbon monoxide detectors and fire prevention measures are reviewed regularly.
Interest rates	At the year end, the Group had £115.7m of variable rate borrowings, so each 1% increase in prevailing interest rates costs about £1.2m per annum. Of the Group's total debt, 82% is fixed, 8% is variable and 10% is inflation linked.	The Group has in place a treasury policy which sets out the limits of fixed, variable and inflation linked debt as well as how to manage the exposure to other treasury risks. This is approved annually by the Board and is prepared jointly with our treasury advisors.

INVESTMENT FOR THE FUTURE

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

To achieve this, the Board has approved a land bank of up to £250m. This has enabled advantage to be taken of low prices and maximise investment/acquisition opportunities across London. At the year end, the Group had invested £206m in undeveloped sites.

FINANCIAL REVIEW

Going concern

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

Key accounting policies

Accounting policies are set out on pages 24 to 28. The Group adheres to the requirements of the Statement of Recommended Practice: Accounting by registered social housing providers Update 2010 (the SORP 2010), which is mandatory for registered providers of social housing.

Following the issue of the NHH bond and its subsequent listing on the London Stock Exchange in 2010, the Group adopted Financial Reporting Standard 26 Financial Instruments: Recognition and Measurement (FRS 26) and Financial Reporting Standard 29 Financial Instruments: Disclosures (FRS 29). The application of FRS 26 means that the Group's interest rate swap transactions (which consist wholly of interest rate swaps and embedded instruments), must be held at market value, or at amortised cost on its balance sheet.

These interest rate swaps are entered into to manage the Group's interest rate risk (and other risks) and hence to provide

increased certainty of cash flows for the Group. The financial assets and liabilities can also be accounted for using hedge accounting. This matches the accounting treatment of the interest rate swaps and hence negate the potential volatility that results from changes in market value. In accordance with accounting standards, hedge accounting is only permitted under very limited circumstances and to specific instruments. As such, the Group is not always able to apply hedge accounting. Where hedge accounting is not applied, market value movements are recorded in the income and expenditure account as a gain or loss on financial interest rate swaps.

Other accounting policies that are critical to the results are:

- The method of accounting for capital grant
- Capitalisation of interest
- Capitalisation of repairs
- Administration costs in carrying out the development programme
- The calculation of housing property depreciation
- Impairment
- Shared ownership sales

RESULTS

Five year trends for the Group are set out on page 18.

Turnover for 2013/14 (£299.1m) was lower than 2012/13 (£340.4m). 2012/13 saw a sharp increase over the previous year due to property sales.

The surplus for the year at £65.7m after interest was above the approved budget of £40.9m and £10.2m greater than 2012/13. The key reasons for this were as follows.

- The surplus from staircasing sales within our shared ownership business and additional property sales was £21.6m above budget.

- The sale of fixed assets due to our active asset management strategy produced £12m additional surplus, offset by impairments and deficits on commercial properties of £2.7m.
- The costs of mark-to-market movements at £5.4m were unbudgeted for.

The surplus for the year is £65.7m (2013: £55.5m). Group reserves at the year end amounted to £468.2m (2013: £342.3m). See note 25.

CAPITAL STRUCTURE AND TREASURY POLICY

Borrowings at the year end were £1206.6m (2012: £997.6m) and undrawn facilities were an additional £471.3m. This debt is borrowed from banks and building societies in the UK as well as from the capital markets through bond issuance.

Borrowings management is the responsibility of the Group Finance Director. The treasury strategy is set annually and approved by the Board. The current interest rate strategy, along with the year end position is set out in Figure 11.

Figure 11 - Interest rate strategy

Item	Target			Actual
	Lower	Central	Upper	Position
Floating	0%	15%	40%	10%
Inflation linked	0%	10%	20%	8%
Fixed	40%	75%	95%	82%

The above interest rate targets were set by the Board following the issue of the NHH bond in early 2014. The intention is to reduce the proportion of debt that is on a fixed rate basis and duration within these targets, with a view to reconsidering them by 31 March 2015.

The figure shown as 'lower' is the minimum approved by the Board and the figure shown as 'upper' is the maximum. The Group also has a target duration of 10 years and a permitted range of 8 - 13 years. The year end position was 12.9 years. The Group Finance Director is authorised to enter into interest rate interest rate swaps to modify the Group's exposures provided they remain within this range.

Figure 12 provides an analysis of when the debt falls due for repayment:

Figure 12 - Debt maturity

Maturity	Group £m	Trust £m
0 - 1 years	4.8	3.4
1 - 2 years	5.0	3.9
2 - 5 years	54.4	42.7
5 - 10 years	61.0	16.9
10 - 20 years	448.8	301.6
20 - 30 years	384.2	325.1
30 - 40 years	248.4	248.4
Total	1,206.6	942.0

The Group has entered into interest rate swaps with a gross notional value at 31 March 2014 of £340.4m (2013: £268.8m).

The Group's policy in relation to cash surpluses is to preserve capital. Cash surpluses are thus invested in money market funds rated AAAmf and approved UK institutions rated ukA1 by Standard and Poor's.

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

The maximum amount of cash and properties pledged as security during the financial year was £5.0m (2013: £2.6m) and the amount at 31 March 2014 was £4.0m (2013:£0.9m). The Group borrows and lends only in Sterling and so does not have any currency risk. All loans are secured by first fixed charges over housing properties. The Trust and NHHO have a policy of not granting floating charges, although this policy does not extend to subsidiaries.

Figure 13 – Property valuation

Item	Rented social housing £m	Shared ownership housing* £m	Total £m
Cost (excluding depreciation and social housing grant)	1,958.7	406.0	2,364.7
Net book value	783.6	221.2	1,004.8
Value			
- on a vacant possession basis	5,862.6	1,312.3	7,174.9
- on a market value subject to tenancy basis	3,815.0	376.1	4,191.1
- on an existing use for social housing basis	1,347.4	376.1	1,723.5

* Valuation of the shared ownership properties is based on the equity share retained by the Group, which typically represents 60% of the whole property, with the balance owned by the leaseholder.

Housing properties

Housing properties are held at cost in the balance sheet. At 31 March 2014, 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 Figure 13.

INDEPENDENT AUDITORS AND AGM

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

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

STATEMENT OF COMPLIANCE

In preparing the Operating and Financial Review the Board has followed the principles set out in the Statement of Recommended Practice (SORP) – Accounting by registered social landlords – 2010.



Kate Davies
Chief Executive



Paul Phillips
Group Finance Director

Aylesbury Regeneration

In April we signed an agreement with Southwark Council, to deliver one of the most ambitious regeneration projects in Europe

Construction of the new homes will start in 2016. The entire regeneration project is expected to be finished in 2032.

An artist's impression of the regenerated Aylesbury Estate.

Group highlights – five year summary for the year ended 31 March	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Group income and expenditure account					
Total turnover	299.1	340.4	216.0	250.3	213.8
Income from lettings	184.2	175.5	170.9	177.5	161.2
Depreciation and amortisation of housing properties	16.7	14.3	15.7	9.9	4.7
Operating surplus	86.8	87.6	47.7	40.9	29.7
Surplus for the year	65.7	55.5	31.6	9.8	8.1
Surplus/(deficit) before asset sales	9.4	6.6	4.7	(12.2)	(3.7)
Group balance sheet					
Tangible fixed assets at cost	2,535.9	2,399.9	2,329.5	(2,226.0)	2,129.6
Social housing grant	(1,309.4)	(1,301.7)	(1,291.1)	(1,237.8)	(1,145.8)
Net current assets	218.3	144.2	155.2	69.3	58.8
Indebtedness	1,206.6	997.6	1,008.6	832.0	811.1
Total reserves	468.2	343.3	284.4	240.1	209.9
Accommodation managed at year end					
	Number	Number	Number	Number	Number
Rented social housing	16,437	15,600	15,926	15,628	14,606
Supported housing	1,453	1,415	1,348	1,233	1,296
Temporary housing	1,999	2,125	2,298	2,382	2,432
Student accommodation	839	839	839	839	839
Leased housing accommodation	–	–	–	102	179
Market rent accommodation	665	712	698	482	312
Intermediate market rent accommodation	–	–	–	54	54
Total rented housing	21,393	20,691	21,109	20,720	19,718
Shared ownership housing	4,980	4,700	4,406	4,523	4,360
Leasehold in management	2,045	1,779	1,620	1,579	2,183
Total housing	28,418	27,170	27,135	26,822	26,261
Statistics					
	2014	2013	2012	2011	2010
Surplus for the year as % of turnover	22%	16%	15%	4%	4%
Operating margin	29%	26%	22%	16%	14%
Operating margin – social housing lettings	27%	25%	24%	18%	17%
Surplus for the year as % of income from lettings	36%	32%	19%	6%	5%
Social housing rent losses (voids and bad debts as % of rent and service charges receivable)	2%	2%	2%	1%	4%
Social housing rent arrears (gross arrears as % of rent and service charges receivable)	9%	11%	11%	12%	14%
Gearing (total loans as % housing properties at cost)	48%	42%	43%	37%	38%
Interest cover (surplus before interest payable and depreciation and amortisation of housing properties as % of net interest payable)	311%	338%	243%	206%	144%

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

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion the financial statements, defined below:

- Give a true and fair view of the state of the group's and trust's affairs as at 31 March 2014 and of the group's and trust's income and expenditure and the group's cash flows for the year then ended; and
- Have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Notting Hill Housing Trust, comprise:

- The Group and Trust balance sheets as at 31 March 2014;
- The Group and Trust income and expenditure accounts for the year then ended;
- The consolidated cash flow statement for the year then ended;
- The Group and Trust statement of total recognised surpluses and deficits for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom generally accepted accounting practice).

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

What an audit of financial statements involves

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

- Whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- The reasonableness of significant accounting estimates made by the directors; and
- The overall presentation of the financial statements.

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

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

Under the Industrial and Provident Societies Acts 1965 to 2002 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

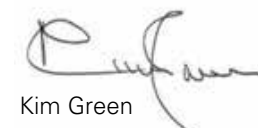
RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the Board

As explained more fully in the statement of board's responsibilities set out on page 12, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the trust's members as a body in accordance with Section 9(1) and Section 13(5) of the Friendly and Industrial and Provident Societies Act 1968 and the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Kim Green

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

18 July 2014

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

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

Consolidated and trust income and expenditure account for the year ended 31 March 2014

	Notes	Group		Trust	
		2014 £m	2013 £m	2014 £m	2013 £m
Turnover - continuing activities	2	299.1	340.4	181.0	184.8
Cost of sales	2	(51.3)	(95.6)	(4.8)	(15.1)
Operating costs	2	(161.0)	(157.2)	(139.6)	(135.0)
Operating surplus – continuing activities	2	86.8	87.6	36.6	34.7
Share of operating profit in joint venture	34	0.2	0.4	–	–
Profit on sale of fixed assets	4	25.8	12.9	11.9	5.3
Other income	5	–	–	47.0	35.7
Surplus before interest		112.8	100.9	95.5	75.7
Interest receivable and other income	6	2.6	1.8	6.9	5.6
Interest payable and similar charges	7	(44.2)	(35.7)	(39.5)	(29.6)
Net losses in respect of financial interest rate swaps	38	(5.5)	(9.0)	(9.2)	(6.3)
Surplus on ordinary activities before taxation	8	65.7	58.0	53.7	45.4
Minority interest	15	–	(2.5)	–	–
Surplus for the year		65.7	55.5	53.7	45.4

Statement of total recognised surpluses (deficits) for the year ending 31 March

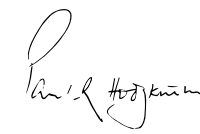
	Notes	Group		Trust	
		2014 £m	2013 £m	2014 £m	2013 £m
Surplus for the year	25	65.7	55.5	53.7	45.4
Surplus on revaluation	11	37.4	9.6	25.3	2.0
Actuarial loss		–	(0.1)	–	(0.1)
Disposal of quoted investments		–	(0.1)	–	(0.1)
(Losses)/gains in respect of financial interest rate swaps	25	23.3	(14.6)	18.9	(12.3)
Total recognised surpluses for the year		126.4	50.3	97.9	34.9

The notes on pages 24 to 61 form part of these financial statements. Historical cost surpluses and deficits were identical to those shown in the income and expenditure account. All amounts relate to continuing activities.


Consolidated and trust balance sheets at 31 March 2014

	Notes	Group		Trust	
		2014 £m	2013 £m	2014 £m	2013 £m
Tangible fixed assets					
Housing Properties at cost less depreciation	10	2,535.9	2,399.9	1,960.6	1,853.1
Less grants	10	(1,309.4)	(1,301.7)	(1,107.5)	(1,090.0)
		1,226.5	1,098.2	853.1	763.1
Investment properties	11	277.7	145.5	117.7	38.9
Other fixed assets	12	39.7	41.5	39.5	41.4
Investment in Homebuy and Homeoptions	13	37.2	40.1	0.5	0.7
Less Homebuy and Homeoptions grant repayable	13	(37.2)	(40.1)	(0.5)	(0.7)
Investments	15	–	–	255.7	145.0
Investment in joint venture					
- share of gross assets	35	0.2	9.0	–	–
- share of gross liabilities	35	(0.2)	(9.0)	–	–
		–	–	–	–
Total fixed assets		1,543.9	1,285.2	1,266.0	988.4
Current assets					
Properties in the course of sale	16	228.4	136.1	12.3	12.1
Debtors falling due within one year	17	19.5	25.3	69.8	40.3
Debtors falling due after one year	18	2.2	2.9	1.0	2.2
Current asset investment	19	5.4	11.9	0.8	0.1
Cash at bank and in hand		56.5	43.9	31.7	35.7
		312.0	220.1	115.6	90.4
Current liabilities					
Creditors amounts falling due within one year	20	(93.7)	(75.9)	(73.6)	(55.2)
Net current assets/(liabilities)		218.3	144.2	42.0	35.2
Total assets less current liabilities		1,762.2	1,429.4	1,308.0	1,023.6
Creditors					
Amounts falling due after more than one year	21	1,253.5	1,028.5	950.2	753.7
Pension deficit	29	0.8	0.8	0.8	0.8
Interest rate swap financial instruments	38	38.7	56.6	30.2	40.0
		1,293.0	1,085.9	981.2	794.5
Provisions for liabilities and charges	23	1.0	1.2	1.0	1.2
Capital and reserves					
Share capital	24	–	–	–	–
General reserves	25	382.1	316.4	300.8	247.1
Revaluation reserves	25	93.8	56.4	33.0	7.7
Cash flow hedge reserve	25	(7.9)	(31.2)	(8.0)	(26.9)
		468.0	341.6	325.8	227.9
Minority interest	35	0.2	0.7	–	–
		468.2	342.3	325.8	227.9
		1,762.2	1,429.4	1,308.0	1,023.6

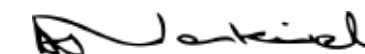
The notes on pages 24 to 61 form part of these financial statements. The financial statements on pages 20 to 61 were authorised and approved by the Board on 16 July 2014 and signed on its behalf by



Paul Hodgkinson CBE
Chairman



Paul Phillips
Group Finance Director



Andrew Nankivell
Company Secretary

Consolidated cash flow statement for the year ended 31 March 2014

	Notes	2014 £m	2013 £m
Net cash inflow from operating activities	26	43.5	137.4
Returns on investments and servicing of finance			
Interest received		2.6	1.8
Interest paid (including capitalised interest)		(50.6)	(32.2)
Joint venture income		0.2	0.4
Net cash outflow from returns on investments and servicing of finance		(47.8)	(30.0)
Taxation			
Corporation tax		–	–
Capital expenditure			
Purchase and construction of housing properties		(266.3)	(132.7)
Sale of housing properties		59.8	52.9
Social Housing Grant received		9.8	30.8
Purchase of other fixed assets		(0.7)	(0.8)
Net cash outflow from capital expenditure		(197.4)	(49.8)
Net cash (outflow)/inflow before use of liquid funds and financing		(201.7)	57.6
Management of liquid resources			
Decrease/(Increase) in cash deposit	28	6.5	(11.1)
		6.5	(11.1)
Financing			
Loans received		423.8	317.0
Loans repaid		(215.5)	(329.0)
Minority interests (outflow)		(0.5)	(6.5)
Net cash inflow/(outflow) from financing		207.8	(18.5)
Increase in cash and equivalents		12.6	28.0

The notes on pages 24 to 61 form part of these financial statements.

Brenley Park - Mitcham

This new development is situated on Cedars Avenue, less than half a mile from Mitcham town centre. Brenley Park provides 169 new homes, of which 72 are for private sale, with Notting Hill Housing offering a further 64 for shared ownership and 33 for affordable rent.

Most of the homes are one, two or three-bedroom apartments, with eight, four-bedroom terraced townhouses for affordable rent. Housed in seven low rise buildings, the apartments enjoy views over a new four-acre park in the heart of the development, which includes a children's play area and 'green' outdoor gym. The homes are highly energy efficient, built to the Code for Sustainable Homes Level 4.

Brenley Park received two awards at the 2013 Evening Standard New Homes Awards.

- Winner: Best Development in the Affordable Homes Sector
- Highly commended: Best First-Time Buy.



Notes to the financial statements for the year ended 31 March 2014

1. ACCOUNTING POLICIES

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

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain properties and financial instruments. They also comply with the Accounting Direction 2012, applicable accounting and financial reporting standards and follow the recommendations of the Statement of Recommended Practice Accounting by Registered Social Landlords Update 2010, issued in October 2010 (SORP 2010). They have been prepared on a going concern basis and in accordance with the applicable accounting standards in the United Kingdom. These have been consistently applied.

Basis of consolidation

The Group financial statements are the result of the consolidation of the financial statements of the Trust and its subsidiaries. Uniform accounting policies have been used throughout the Group.

Transfer of engagements

The engagements of Presentation Housing Association were transferred to Notting Hill Housing Trust on 8 July 2010. Upon transfer Presentation Housing Association's assets and liabilities were transferred to Notting Hill Housing Trust at fair value to the Group. No consideration was paid to Presentation Housing Association.

Turnover

Turnover comprises rental and service charges, income from shared ownership first tranche sales, revenue grants from local authorities, and proceeds of properties developed for sale. All income is recognised on a receivable basis and sales of

property are recognised at completion. Income is recognised on delivery of service. Inter-group charges are on an arm's length basis and are eliminated on consolidation.

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 income and expenditure account in the year by the effective interest rate method.

Pensions

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

For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

For the LBRPF, 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 income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

The Group also operates other defined contribution schemes. Employer contributions paid are charged to the income and expenditure account as incurred.

Donated land

Land donated by local authorities for development purpose is added to cost at the valuation of the donation made for the land, and the amount equivalent to the value is credited to other grants.

Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Properties for sale

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

Current asset investments

Current asset investments are classified as financial assets. Financial assets and financial liabilities are measured initially at fair value adjusted by transaction costs, except for financial assets and financial liabilities carried at fair value through profit and loss, which are measured initially at fair value.

Liquid resources

Liquid resources 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.

Revaluation reserve

The revaluation reserve is used to reflect fluctuations in the market value of investments and investment properties to the extent that this is greater than the historical cost.

Housing properties

Housing properties are principally properties available for rent and shared ownership, which are held at cost less depreciation and Social Housing Grant ("SHG").

Housing properties in the course of development are stated at cost less SHG and other grants.

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 and depreciated over the estimated useful life of the component (excluding land and grant) as follows:

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

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. The value of components is estimated to be equivalent to their depreciated historic cost.

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.

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.

Freehold land is not depreciated. Depreciation is charged on completed housing properties, excluding the land element and relevant SHG, on a straight line basis over the useful economic life of the component.

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 income and expenditure account.

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

Properties that are acquired by the group at a discount to market value as a result of a planning requirement under S106 Town and Country Planning Act 1990 are recorded in the financial statements at cost. Properties held as investments are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve. Any excess deficit over the balance on the revaluation reserve is charged through the income and expenditure account to the extent that this represents a permanent diminution in value of the property. No depreciation is provided in respect of investment 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.

Other fixed assets

Other fixed assets are stated at historical purchase cost less accumulated depreciation or valuation. 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.

1. ACCOUNTING POLICIES (continued)

Impairment

Housing properties, which are depreciated over a period in excess of 50 years, are, in accordance with Financial Reporting Standard No 15 and SORP 2010, subject to impairment reviews annually. Impairment reviews are also carried out on investment properties. Other assets will be reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, a review is conducted to ascertain whether its effect is to reduce the value of the property beyond that which meets the internal criteria for the approval of schemes. Deficits that fall within these criteria are regarded as planned internal subsidies, and are not treated as impairments. If an impairment above the acceptable level exists, a charge is made to the income and expenditure account to the extent that the impairment exceeds the acceptable deficit.

Homebuy

Homebuy transactions are grants received from the Homes and Communities Agency (formerly the Housing Corporation) and passed on to an eligible beneficiary. The Group has the benefit of a fixed charge on the property entitling the Group to a share of the proceeds on the sale of the property by the beneficiary. These are classified as investments and are carried at historical cost with the linked finance cost (the grant received) being deducted from the gross amount of the Homebuy asset.

Social housing and other grants

Where developments have been financed wholly or partly by SHG and other grants the cost of the development is shown gross with the amount of grant receivable as a deduction. SHG and other grants are split proportionally between land and structure with none allocated to components unless there is an excess. SHG and other grants which have not yet been received where claims have been submitted are recognised as debtors.

Where expenditure included in the income and expenditure account is wholly or partly financed by SHG and other grants, the relevant amount of SHG and other grants receivable is shown as revenue grant in the income and expenditure account.

In the event that SHG and other grants shown as receivable in respect of the current development programme exceed the cost incurred to date, or that SHG and other grants are repayable, the amount is shown as a creditor. SHG and other grants may be repayable where a property is sold or the development of a property is not completed.

Rental debtors

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

Taxation

The Trust has charitable status and is not subject to corporation tax on surpluses in furtherance of charitable objectives. The profits of trading subsidiaries are subject to corporation tax.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the incremental liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

In accordance with FRS 19, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over. Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Deficit/surplus agreements

Certain agreements entered into by the Trust have been guaranteed by local authorities so that any capital deficits or revenue deficits/surpluses are refundable by/to the local authority. Deficits or surpluses arising from these schemes are recorded either as debtors/creditors falling due within one year or as debtors/creditors falling due after more than one year.

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.

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.

Leases

Rentals paid under operating leases are charged to the income and expenditure account on an accruals basis.

Loan issue costs

Costs incurred in raising loan finance are recorded as a deduction from the gross proceeds of the loan and subsequently amortised in the income and expenditure account over the term of the loan.

Intra-group donations

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.

Supported housing services

Where the Trust and the Group hold the support contract with the Supporting People Administering Authority and carry the financial risk, all the project's income and expenditure are included in the Trust's and the Group's income and expenditure account (see note 3).

1. ACCOUNTING POLICIES (continued)

Joint ventures

Joint ventures are accounted for in accordance with Financial Reporting Standard 9 'Associates and Joint Ventures' in the consolidated financial statement using the 'gross equity' methods. Further information on the financial transactions and background can be found in note 34.

Investment in subsidiaries

Investments in subsidiaries are shown at cost.

Debtors falling due after more than one year

Debtors falling due after more than one year either relate to amounts due as a result of agreements entered into by the Trust (see note on deficits/surplus agreements) or the obligation to refurbish properties transferred from the local authorities under stock transfer arrangements. The VAT saving under this agreement will be shared between the Trust and local authority.

Service charges

Fixed service charge income is recognised in the period to which it relates. Variable service charge income is recognised in the period the related cost is recognised.

Accommodation owned but not managed

Where accommodation is owned by the Group but managed by third parties, the Supported Housing Management Grant is accounted for on an accruals basis.

Interest rate swap financial instruments and hedging activities

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 remeasurement is taken to the income or expenditure account except where the interest rate swap is a designated cash flow hedging instrument. The accounting treatment of interest rate swaps classified as hedges depends on their designation, which occurs on the date that the interest rate swap contract is committed to.

The group designates interest rate swaps as:

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

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

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

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Where the forecast transaction results in a financial asset or financial liability, only gains or losses previously recognised in equity are reclassified to income or expenditure 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 equity 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 equity are transferred to the income and expenditure account 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 income and expenditure account.

For the portion of hedges deemed ineffective or transactions that do not qualify for hedge accounting under FRS 26, any change in assets or liabilities is recognised immediately in the income and expenditure account. Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the income and expenditure account when the committed or forecasted transaction is recognised in the profit and loss account. 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 equity is transferred to the profit and loss account. 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 profit and loss account.

Financial instruments

The Group categorises its financial assets and liabilities in accordance with FRS 26 "Financial Instruments: Recognition and measurement". This became effective from the year ended 31 March 2011 as a result of the Trust issuing a listed bond during the year.

Financial assets

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

Fair value through income and expenditure

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

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.

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 income and expenditure

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 income and expenditure.

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.

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

The Bloom - Hammersmith

The Bloom comprises 170 new homes, available through Private Sale, Discount Market Sale or Shared Ownership.



2. TURNOVER AND OPERATING SURPLUS BEFORE TAXATION

Group – continuing activities				
	Turnover	Cost of sales	Operating costs	Operating surplus
Year ended 31 March 2014	£m	£m	£m	£m
Social housing lettings (note 3)	184.2	–	(134.1)	50.1
Other social housing activities				
Development services	–	–	(2.3)	(2.3)
Sales and marketing services	1.3	–	(4.5)	(3.2)
Neighbourhood activities	0.2	–	(0.8)	(0.6)
First tranche on shared ownership sales	32.4	(21.3)	–	11.1
Supporting people and care	9.2	–	(10.0)	(0.8)
Other income	3.7	–	–	3.7
	46.8	(21.3)	(17.6)	7.9
Non-social housing activities				
Properties built for sale	49.4	(30.0)	–	19.4
Charitable fundraising activities	0.5	–	(0.2)	0.3
Commercial activities	4.8	–	(1.0)	3.8
Student accommodation	6.0	–	(2.7)	3.3
Market rent	7.4	–	(3.5)	3.9
Impairment	–	–	(1.9)	(1.9)
	68.1	(30.0)	(9.3)	28.8
Total	299.1	(51.3)	(161.0)	86.8

The commercial element of income within student accommodation has been disclosed under commercial activities. The previous year's figures have been reclassified accordingly.

Impairment of land bank site has been treated as a non-social activity. The previous year's figures have been reclassified accordingly.

Group – continuing activities reclassified				
	Turnover	Cost of sales	Operating costs	Operating surplus
Year ended 31 March 2013	£m	£m	£m	£m
Social housing lettings (note 3)	175.5	–	(131.7)	43.8
Other social housing activities				
Development services	–	–	(1.8)	(1.8)
Sales and marketing services	0.4	–	(2.9)	(2.5)
Neighbourhood activities	0.6	–	(0.8)	(0.2)
First tranche on shared ownership sales	51.9	(37.2)	–	14.7
Supporting people and care	9.7	–	(10.3)	(0.6)
Other income	3.0	–	–	3.0
	65.6	(37.2)	(15.8)	12.6
Non-social housing activities				
Properties built for sale	80.2	(58.4)	(0.5)	21.3
Charitable fundraising activities	0.3	–	(0.2)	0.1
Commercial activities	4.7	–	(1.0)	3.7
Student accommodation	8.2	–	(4.6)	3.6
Market rent	5.9	–	(2.2)	3.7
Impairment	–	–	(1.2)	(1.2)
	99.3	(58.4)	(9.7)	31.2
Total	340.4	(95.6)	(157.2)	87.6

2. TURNOVER AND OPERATING SURPLUS BEFORE TAXATION (continued)

Trust – continuing activities				
	Turnover	Cost of sales	Operating costs	Operating surplus
Year ended 31 March 2014	£m	£m	£m	£m
Social housing lettings (note 3)	158.7	–	(121.0)	37.7
Other social housing activities				
Development services	4.8	(4.8)	(0.9)	(0.9)
Neighbourhood activities	0.2	–	(0.7)	(0.5)
First tranche on shared ownership sales	–	–	–	–
Supporting people and care	9.2	–	(9.9)	(0.7)
Other income	1.4	–	–	1.4
	15.6	(4.8)	(11.5)	(0.7)
Non-social housing activities				
Commercial properties	3.2	–	(2.2)	1.0
Charitable fundraising activities	0.5	–	(0.2)	0.3
Market rent	3.0	–	(1.6)	1.4
Impairment	–	–	(3.1)	(3.1)
	6.7	–	(7.1)	(0.4)
Total	181.0	(4.8)	(139.6)	36.6

Trust – continuing activities				
	Turnover	Cost of sales	Operating costs	Operating surplus
Year ended 31 March 2013	£m	£m	£m	£m
Social housing lettings (note 3)	152.2	–	(119.5)	32.7
Other social housing activities				
Development services	15.5	(15.1)	(1.1)	(0.7)
Neighbourhood activities	0.6	–	(0.8)	(0.2)
First tranche on shared ownership sales	–	–	–	–
Supporting people and care	9.7	–	(10.3)	(0.6)
Other income	1.2	–	–	1.2
	27.0	(15.1)	(12.2)	(0.3)
Non-social housing activities				
Commercial properties	3.2	–	(2.0)	1.2
Charitable fundraising activities	0.3	–	(0.2)	0.1
Market rent	2.1	–	(0.7)	1.4
Impairment	–	–	(0.4)	(0.4)
	5.6	–	(3.3)	2.3
Total	184.8	(15.1)	(135.0)	34.7

3. INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	Rented Social Housing	Shared Ownership	Temporary Housing	Supported Housing	2014 Total	2013 Total
Group - reclassified	£m	£m	£m	£m	£m	£m
Year ended 31 March 2014						
Income from lettings						
Rent receivable	102.0	18.3	35.0	11.5	166.8	158.9
Service charges receivable	4.9	7.2	–	4.9	17.0	15.5
Net rents receivable	106.9	25.5	35.0	16.4	183.8	174.4
Other grants	0.4	–	–	–	0.4	1.1
Total income from social housing lettings	107.3	25.5	35.0	16.4	184.2	175.5
Expenditure						
Management	(15.3)	(4.7)	(4.5)	(5.9)	(30.4)	(30.1)
Service charges	(6.9)	(7.2)	(0.1)	(2.0)	(16.2)	(14.0)
Routine maintenance	(18.7)	–	(2.0)	(1.3)	(22.0)	(22.7)
Planned maintenance	(7.9)	(0.2)	–	(1.3)	(9.4)	(8.8)
Major repairs expenditure	(12.7)	–	–	(1.3)	(14.0)	(14.3)
Bad debts	(0.8)	–	(0.2)	(0.1)	(1.1)	(1.3)
Lease charges	–	–	(24.3)	–	(24.3)	(26.2)
Depreciation of housing properties	(13.9)	(1.2)	(0.1)	(1.5)	(16.7)	(14.3)
Operating costs on social housing lettings	(76.2)	(13.3)	(31.2)	(13.4)	(134.1)	(131.7)
Operating surplus on social housing lettings	31.1	12.2	3.8	3.0	50.1	43.8
Void losses	1.7	–	0.5	0.6	2.8	2.5

Impairment of land bank site has been treated as a non-social activity. The previous year's figures have been reclassified accordingly.

3. INCOME AND EXPENDITURE FROM SOCIAL LETTINGS (continued)

Trust	Rented Social Housing £m	Temporary Housing £m	Supported Housing £m	2014 Total £m	2013 Total £m
Year ended 31 March 2014					
Income from lettings					
Rent receivable	102.0	35.0	11.5	148.5	141.7
Service charges receivable	4.9	–	4.9	9.8	9.4
Net rents receivable	106.9	35.0	16.4	158.3	151.1
Other grants	0.4	–	–	0.4	1.1
Total income from social housing lettings	107.3	35.0	16.4	158.7	152.2
Expenditure					
Management	(15.3)	(4.5)	(5.8)	(25.6)	(25.8)
Service charges	(6.9)	(0.1)	(2.0)	(9.0)	(7.8)
Routine maintenance	(18.7)	(2.0)	(1.3)	(22.0)	(22.6)
Planned maintenance	(7.9)	–	(1.5)	(9.4)	(8.8)
Major repairs expenditure	(12.7)	–	(1.3)	(14.0)	(14.3)
Bad debts	(0.8)	(0.2)	(0.1)	(1.1)	(1.3)
Lease charges	–	(24.3)	–	(24.3)	(25.8)
Depreciation of housing properties	(13.9)	(0.1)	(1.6)	(15.6)	(13.1)
Total expenditure on lettings activities	(76.2)	(31.2)	(13.6)	(121.0)	(119.5)
Operating surplus on social housing lettings	31.1	3.8	2.8	37.7	32.7
Void losses	1.7	0.5	0.7	2.9	2.5

4. SURPLUS ON SALE OF FIXED ASSETS

	2014 Total	2013 Total
Group	£m	£m
Disposal proceeds	59.2	53.0
Social Housing Grant	–	20.1
Carrying value of fixed assets	(33.0)	(58.7)
Other costs	(0.4)	(1.5)
At 31 March	25.8	12.9

	2014 Total	2013 Total
Trust	£m	£m
Disposal proceeds	16.7	34.0
Social Housing Grant	–	20.1
Carrying value of fixed assets	(4.7)	(47.6)
Other costs	(0.1)	(1.2)
At 31 March	11.9	5.3

5. OTHER INCOME

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Cash donations from other Group entities - gift aid	–	–	47.0	35.7

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Bank deposits	2.6	1.8	2.2	1.6
Intercompany	–	–	4.7	4.0
	2.6	1.8	6.9	5.6

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Indexation on loans	0.5	1.0	0.5	1.0
Other loans	39.6	31.6	32.7	24.4
Interest paid on interest rate swaps	10.1	6.9	8.3	4.9
Loan set-up costs	0.4	1.0	0.2	0.8
	50.6	40.5	41.7	31.1
Less: interest capitalised on developments	(6.4)	(4.8)	(2.2)	(1.5)
	44.2	35.7	39.5	29.6
Interest is capitalised at	4.11%	3.98%	4.74%	4.60%

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Surplus on ordinary activities before taxation is stated after charging:				
Depreciation on housing properties	16.7	14.3	15.6	13.1
Depreciation on other fixed assets	2.7	3.5	2.4	3.4
Impairment	1.9	1.2	3.1	0.4
Computer hire	0.1	0.2	0.1	0.2
Rent on temporary housing leases (less than 28 days) (These properties are leased from private landlords for three to five years to house homeless families nominated through local authority partners.)	24.3	26.2	24.3	25.8
	£'000	£'000	£'000	£'000
Auditors remuneration:				
Audit services (excluding VAT)	119.5	129.4	70.2	83.2
Non audit services				
– Bond issue	9.0	11.0	9.0	11.0
– Training	–	2.0	–	2.0
– Loan finance	–	3.0	–	3.0

The comparatives in respect of audit services have been changed to reflect the additional costs incurred.

9. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Current tax				
UK corporation tax on surplus for the year	–	–	–	–

The tax assessed for the year is lower (2013:lower), than the standard rate of corporation tax in the UK (23%) (2013:(24%))

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Surplus or ordinary activities before tax	65.7	58.0	53.7	45.4
Current tax reconciliation				
Theoretical tax at UK corporation tax rate 23%(2013: 24%)	15.1	13.9	12.4	10.9
Capitalised interest	(0.3)	(0.2)	–	–
Charitable activities	(14.1)	(9.6)	(12.4)	(10.9)
Increases in losses carried forward/ (utilisation of tax losses)	0.3	(0.1)	–	–
Benefit of wear and tear allowances	(0.1)	(0.1)	–	–
Differences between accounting profit and capital disposals for tax purposes	(1.9)	(3.9)	–	–
Depreciation in excess of /(less than) capital allowances	–	0.3	–	–
Depreciation and impairment in excess of capital allowances	0.3	–	–	–
Expenses not deductible for tax purposes	0.7	0.2	–	–
Minority interest joint venture	–	(0.5)	–	–
Current tax charge	–	–	–	–
Deferred tax				
Provision for deferred tax	–	–	–	–

10. HOUSING PROPERTIES

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
Cost					
At 1 April 2013	1,826.8	190.2	381.5	85.1	2,483.6
Stock transferred	46.6	–	1.1	–	47.7
Additions	0.1	74.1	–	51.9	126.1
Impairment	–	(1.9)	–	–	(1.9)
Works to existing properties	9.6	–	–	–	9.6
Properties completed	77.5	(77.5)	47.7	(47.7)	–
Disposals	(1.9)	(3.0)	(24.3)	–	(29.2)
At 31 March 2014	1,958.7	181.9	406.0	89.3	2,635.9
Accumulated depreciation					
At 1 April 2013	79.8	–	3.9	–	83.7
Charge for the year	15.7	–	1.0	–	16.7
Disposals	(0.1)	–	(0.3)	–	(0.4)
At 31 March 2014	95.4	–	4.6	–	100.0
Depreciated cost					
At 31 March 2014	1,863.3	181.9	401.4	89.3	2,535.9
At 31 March 2013	1,747.0	190.2	377.6	85.1	2,399.9
Grants					
Social housing grant	(1,032.4)	(52.6)	(190.8)	(20.9)	(1,296.7)
Other grants	–	(5.0)	–	–	(5.0)
At 1 April 2013	(1,032.4)	(57.6)	(190.8)	(20.9)	(1,301.7)
Stock transferred	(14.4)	–	(0.2)	(0.3)	(14.9)
Additions	–	(3.6)	–	(0.5)	(4.1)
Schemes completed	(34.6)	34.6	–	–	–
Transferred to/(from) recycled capital grant fund	1.3	(1.2)	10.8	–	10.9
Transferred to contingent liability	0.4	–	–	–	0.4
At March 2014	(1,079.7)	(27.8)	(180.2)	(21.7)	(1,309.4)
Social housing grant	(1,079.7)	(22.8)	(180.2)	(21.7)	(1,304.4)
Other grant	–	(5.0)	–	–	(5.0)
	(1,079.7)	(27.8)	(180.2)	(21.7)	(1,309.4)
Net book value					
At 31 March 2014	783.6	154.1	221.2	67.6	1,226.5
At 31 March 2013	714.6	132.6	186.8	64.2	1,098.2

10. HOUSING PROPERTIES (continued)

Trust	Completed housing properties £m	Housing properties in the course of development £m	Total £m
Cost or valuation as previously stated			
At 1 April 2013	1,772.6	158.5	1,931.1
Stock transferred	46.5	–	46.5
Additions	0.1	73.9	74.0
Impairment	–	(1.9)	(1.9)
Works to existing properties	9.3	–	9.3
Properties completed	77.5	(77.5)	–
Disposals	(1.9)	(3.0)	(4.9)
At 31 March 2014	1,904.1	150.0	2,054.1
Accumulated depreciation			
At 1 April 2013	78.0	–	78.0
Charge for the year	15.6	–	15.6
Disposals	(0.1)	–	(0.1)
At 31 March 2014	93.5	–	93.5
Depreciated cost			
At 31 March 2014	1,810.6	150.0	1,960.6
At 31 March 2013	1,694.6	158.5	1,853.1
Grants			
Social housing grant	(1,032.4)	(52.6)	(1,085.0)
Other grants	–	(5.0)	(5.0)
At 1 April 2013	(1,032.4)	(57.6)	(1,090.0)
Stock transferred	(14.4)	–	(14.4)
Additions	–	(3.6)	(3.6)
Schemes completed	(34.6)	34.6	–
Transferred to/(from) recycled capital grant fund	1.3	(1.2)	0.1
Transferred to contingent liability	0.4	–	0.4
At March 2014	(1,079.7)	(27.8)	(1,107.5)
Social housing grant	(1,079.7)	(22.8)	(1,102.5)
Other grant	–	(5.0)	(5.0)
	(1,079.7)	(27.8)	(1,107.5)
Net book value			
At 31 March 2014	730.9	122.2	853.1
At 31 March 2013	662.2	100.9	763.1

10. HOUSING PROPERTIES (continued)

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Housing properties comprise:				
Freeholds	2,434.5	2,298.5	1,919.7	1,812.2
Long leaseholds	101.1	101.1	40.6	40.6
Short leaseholds	0.3	0.3	0.3	0.3
	2,535.9	2,399.9	1,960.6	1,853.1

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Additions to properties include:				
Capitalised interest	6.4	4.8	2.2	1.5
Capitalised development salaries and overheads	2.2	3.8	1.6	1.7


The amount of cumulative interest capitalised in housing properties is not separately identifiable.

Expenditure on works to existing properties

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Amounts capitalised	9.6	12.9	9.3	12.9
Amounts charged to income and expenditure account	14.0	14.3	14.0	14.3
	23.6	27.2	23.3	27.2

Social housing grant

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Total accumulated SHG receivable at 31 March was:				
– Capital grants	1,304.4	1,296.7	1,102.5	1,085.0
– Revenue grants	18.3	18.3	18.3	18.3
	1,322.7	1,315.0	1,120.8	1,103.3



The Exchange - Bermondsey

The Exchange is a development offering parkside living in the heart of the city. Located in Bermondsey Spa, the development offers studios, 1, 2 and 3 bed apartments and duplexes, and 4 bed townhouses, and will provide 205 new homes and over 4,086sqft of amenity space, as well as shops and restaurants.

11. INVESTMENT PROPERTIES

Group	Completed market rent properties	Market rent properties in course of development	Subtotal	Completed commercial properties	Commercial properties in course of development	Subtotal	Total
	£m	£m	£m	£m	£m	£m	
Valuation	101.2	5.0	106.2	37.6	2.4	40.0	146.2
Reclassified (see note below)	–	(0.6)	(0.6)	–	0.6	0.6	–
At 1 April 2013	101.2	4.4	105.6	37.6	3.0	40.6	146.2
Additions	11.0	73.2	84.2	0.5	10.0	10.5	94.7
Transferred to completed schemes	34.4	(34.4)	–	3.0	(3.0)	–	–
Revaluation of property	34.8	–	34.8	2.6	–	2.6	37.4
At 31 March 2014	181.4	43.2	224.6	47.7	10.0	57.7	278.3
Impairment							
At 1 April 2013	0.3	–	0.3	0.4	–	0.4	0.7
Provision for impairment	(0.1)	–	(0.1)	–	–	–	(0.1)
At 31 March 2014	0.2	–	0.2	0.4	–	0.4	0.6
Net book value							
At 31 March 2014	181.2	43.2	224.4	43.3	10.0	53.3	277.7
At 31 March 2013	100.9	4.4	105.3	37.2	3.0	40.2	145.5

The financial statements include market rent accommodation at open market value commercial basis subject to tenancies. These were valued by Jones Lang LaSalle, Members of the Royal Institute of Chartered Surveyors at 31 March 2014.

The financial statements include commercial properties at open market value with vacant possession. These were valued by Dunphys Ltd, Savills, Jones Lang LaSalle, Tuckerman Chartered Surveyors, and Currell Chartered Surveyors. Members of the Royal Institute of Chartered Surveyors at 31 March 2014.

Reclassification

In the previous year certain commercial properties were shown under the heading of “market rent properties”. These have reclassified as commercial properties and comparatives have been adjusted accordingly.

11. INVESTMENT PROPERTIES (continued)

Trust	Completed market rent properties £m	Market rent properties in course of development £m	Subtotal £m	Completed commercial properties £m	Commercial properties in course of development £m	Subtotal £m	Total
Valuation							
At 1 April 2013	37.8	–	37.8	1.5	–	1.5	39.3
Additions	10.9	40.6	51.5	0.3	1.7	2.0	53.5
Transferred to completed properties	30.4	(30.4)	–	–	–	–	–
Revaluation of property	25.3	–	25.3	–	–	–	25.3
At 31 March 2013	104.4	10.2	114.6	1.8	1.7	3.5	118.1
Impairment							
At 1 April 2013	–	–	–	0.4	–	0.4	0.4
Provision for impairment	–	–	–	–	–	–	–
At 31 March 2014	–	–	–	0.4	–	0.4	0.4
Net book value							
At 31 March 2014	104.4	10.2	114.6	1.4	1.7	3.1	117.7
At 31 March 2013	37.8	–	37.8	1.1	–	1.1	38.9

The financial statements include market rent accommodation at open market value commercial basis subject to tenancies. These were valued by Jones Lang LaSalle, Members of the Royal Institute of Chartered Surveyors at 31 March 2014.

The financial statements include commercial properties at open market value with vacant possession. These were valued by Dunphys Ltd, Savills, Jones Lang LaSalle, Tuckerman Chartered Surveyors, and Currell Chartered Surveyors. Members of the Royal Institute of Chartered Surveyors at 31 March 2014.

12. OTHER FIXED ASSETS

Group	Other land and buildings £m	Other tangible assets £m	Total assets £m
Cost			
At 1 April 2013	46.2	27.1	73.3
Additions	–	0.7	0.7
Disposals	(0.1)	(10.4)	(10.5)
At 31 March 2014	46.1	17.4	63.5
Accumulated depreciation			
At 1 April 2013	7.1	24.7	31.8
Charge for the year	1.6	1.1	2.7
Disposals	(0.1)	(10.6)	(10.7)
At 31 March 2014	8.6	15.2	23.8
Net book value			
At 31 March 2014	37.5	2.2	39.7
At 31 March 2013	39.1	2.4	41.5

Trust	Other land and buildings £m	Other tangible assets £m	Total assets £m
Cost			
At 1 April 2013	46.2	25.4	71.6
Additions	–	0.5	0.5
Disposals	(0.2)	(10.2)	(10.4)
At 31 March 2014	46.0	15.7	61.7
Accumulated depreciation			
At 1 April 2013	7.1	23.1	30.2
Charge for the year	1.3	1.1	2.4
Disposals	–	(10.4)	(10.4)
At 31 March 2014	8.4	13.8	22.2
Net book value			
At 31 March 2014	37.6	1.9	39.5
At 31 March 2013	39.1	2.3	41.4

12. OTHER FIXED ASSETS (continued)**Group other land buildings**

	2014 Other land and buildings £m	Total £m	2013 Other land and buildings £m	Total £m
Freehold	37.3	37.3	38.6	38.6
Short leasehold	0.2	0.2	0.5	0.5
Total	37.5	37.5	39.1	39.1

Trust other land and buildings

	2014 Other land and buildings £m	Total £m	2013 Other land and buildings £m	Total £m
Freehold	37.4	37.4	38.6	38.6
Short leasehold	0.2	0.2	0.5	0.5
Total	37.6	37.6	39.1	39.1

13. INVESTMENT IN HOMEBUY AND TEMPORARY HOUSING ACTIVITIES

Group	Homebuy loans to customers £m	Temporary housing cost of lease £m	Total
At 1 April 2013	39.4	0.7	40.1
Paid in year	(2.7)	–	(2.7)
Written off in the year	–	(0.2)	(0.2)
At 31 March 2014	36.7	0.5	37.2

	Homebuy grants receivable £m	Temporary housing grants receivable £m	Total £m
At 1 April 2013	(39.4)	(0.7)	(40.1)
Received in year	2.7	–	2.7
Written back in the year	–	0.2	0.2
At 31 March 2014	(36.7)	(0.5)	(37.2)

Trust	Temporary housing cost of lease £m	Total £m
At 1 April 2013	0.7	0.7
Written off in the year	(0.2)	(0.2)
At 31 March 2014	0.5	0.5

	Temporary housing grants receivable £m	Total £m
At 1 April	(0.7)	(0.7)
Written back in the year	0.2	0.2
At 31 March 2014	(0.5)	(0.5)

14. NUMBER OF DWELLINGS UNDER DEVELOPMENT AND IN MANAGEMENT

	Group		Trust	
	2014 Number	2013 Number	2014 Number	2013 Number
In the development programme				
Commercial property	29	21	2	–
Rented social housing	2,582	2,064	2,582	2,064
Shared ownership housing	2,128	2,236	–	–
Outright sales	1,640	1,426	–	–
Market rent	921	483	921	483
	7,300	6,230	3,505	2,547
Rented social housing includes affordable housing units	2,582	1,344	2,582	1,344
In management at the end of the year				
Rented social housing	16,437	15,600	16,396	15,581
Shared ownership housing	4,980	4,700	120	53
Temporary housing	1,999	2,125	1,999	2,125
Market rent accommodation	665	712	368	392
Student accommodation	839	839	–	–
Supported housing and housing for older people	1,453	1,415	1,453	1,415
Leasehold in management	2,045	1,779	420	401
	28,418	27,170	20,756	19,967
Rented social housing includes affordable housing units	810	289	810	289
Owned but not managed				
General needs rented housing	463	463	463	463
Supported housing and housing for older people	502	542	502	542
Leasehold in management	61	60	60	60
Market rent accommodation	2	2	–	–
Shared ownership housing	29	139	–	–
	1,057	1,206	1,025	1,065

During the year the total amount of Supported Housing Management Grant payable to managing agents was £793,000 (2013: £1,060,000)

15. INVESTMENTS

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Cost				
At 1 April 2013	–	2.3	152.4	154.3
Additions	–	–	112.4	14.5
Repayment	–	(2.3)	(0.5)	(16.4)
At 31 March 2014	–	–	264.3	152.4
Impairment				
At 1 April 2013	–	–	7.4	7.4
Provision for impairment	–	–	1.2	–
At 31 March 2014	–	–	8.6	7.4
Net book value				
At 31 March 2014	–	–	255.7	145.0
At 1 April 2013	–	2.3	145.0	146.9

Investment in subsidiaries

As required by statute, the financial statements consolidate the results of Notting Hill Housing Trust and its subsidiaries at 31 March 2014 (see note 34). The Trust has the right to appoint members to the boards of all of its subsidiaries, thereby exercising control.

Notting Hill Commercial Properties had invested £14.3m as shares in Seward Street Developments LLP, a partnership with Mount Anvil PLC. This investment was made to fund the development of 107 private sale units and two commercial units. The company owns 75% of Seward Street Developments LLP. During the year the commercial units were sold and £2m was dis-invested. In 2013 private units were sold and £12m was dis-invested and profits of £2.5m were distributed.

During the year the Trust provided management services for Canonbury Developments Limited, Notting Hill Home Ownership Limited, Goat Wharf Limited, Grange Walk Notting Hill Limited, Notting Hill Market Rent Limited and Presentation Market Rent Limited and charged them £4.1m (2013:£4.0m)

The Board believe that the carrying value of the investment is supported by their underlying net assets.

16. PROPERTIES IN THE COURSE OF SALE

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Properties under construction	100.5	75.3	9.1	3.8
Completed properties	45.9	15.6	–	0.6
Landbank	82.0	45.2	3.2	7.7
	228.4	136.1	12.3	12.1

17. DEBTORS FALLING DUE WITHIN ONE YEAR

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Rental debtors	16.8	19.5	14.5	16.7
Less provision	(6.8)	(9.3)	(6.3)	(8.7)
	10.0	10.2	8.2	8.0
Trade debtors	1.4	0.4	0.6	0.2
Social Housing Grant receivable	0.4	6.2	0.2	3.1
Amounts receivable from local authorities	1.4	0.7	1.4	0.6
Amounts owed by subsidiary undertakings	–	–	55.2	22.6
Value added tax receivable	0.3	0.6	–	–
Stock transfer (see note 20)	2.0	2.4	2.0	2.4
Other debtors	1.7	2.0	1.3	1.6
Prepayments and accrued income	2.3	2.8	0.9	1.8
	19.5	25.3	69.8	40.3

18. DEBTORS DUE AFTER MORE THAN ONE YEAR

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Barnet surplus and deficit agreement	–	1.2	–	1.2
Other long term debtors	2.2	1.7	1.0	1.0
	2.2	2.9	1.0	2.2

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

19. CURRENT ASSET INVESTMENTS

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Short term deposits	5.4	11.9	0.8	0.1
	5.4	11.9	0.8	0.1

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Housing loans (note 22)	4.8	4.8	3.4	3.6
Trade creditors	12.0	6.1	7.3	3.5
Amounts owed to Group undertakings	–	–	17.7	11.9
Other taxes and social security	1.0	0.9	1.0	0.9
Stock transfer (see note below)	2.0	2.4	2.0	2.4
Other creditors	22.8	17.3	13.7	7.9
Accruals and deferred income	51.1	44.4	28.5	25.0
	93.7	75.9	73.6	55.2

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

21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Housing loans (note 22)	1,201.8	992.8	938.6	745.2
Recycled capital grant fund	44.2	30.7	4.2	3.5
Disposal proceeds fund	4.6	5.0	4.5	5.0
Barnet surplus and deficit agreement (see note below)	1.2	–	1.2	–
Other long term creditor	1.7	–	1.7	–
	1,253.5	1,028.5	950.2	753.7

The Trust has entered into an agreement with London Borough of Barnet which guarantees any capital deficits/surpluses and revenue deficits/surpluses and are refundable by/to the local authority. See note 18.

21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)**Recycled capital grant fund**

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
At 1 April	30.7	26.4	3.5	3.5
Homebuy redemption	2.9	1.7	–	–
Grants recycled	11.7	5.4	0.9	0.4
Interest accrued	0.2	0.2	–	–
Used to finance new properties	(0.4)	(3.0)	–	(0.4)
Payable	(0.9)	–	(0.2)	–
At 31 March	44.2	30.7	4.2	3.5

Disposals proceeds fund

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
At 1 April	5.0	8.2	5.0	8.2
Surplus on social homebuy and right to acquire properties	–	–	–	–
Grants recycled	0.4	0.1	0.4	0.1
Used to finance new properties	(0.5)	(3.3)	(0.6)	(3.3)
Payable	(0.3)	–	(0.3)	–
At 31 March	4.6	5.0	4.5	5.0

The end of the 31 March 2014 £1.2m (2013:£nil) of grants were due for repayment to the Homes and Communities Agency and no grants were due to Greater London Authority.

22. LOANS

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Secured loans and overdrafts	1,185.6	982.7	921.0	733.9
Non-recourse secured bank loans	21.0	14.9	21.0	14.9
Housing loans	1,206.6	997.6	942.0	748.8
Analysis of loan repayments				
Repayable on maturity				
- in five years or more	840.0	590.0	840.0	590.0
Repayable by annual installments				
- within one year or on demand	4.8	4.8	3.4	3.6
- between one and two years	5.0	9.7	3.9	4.0
- within two to five years	54.4	21.0	42.7	14.0
- in five years or more	302.4	372.1	52.0	137.2
	1,206.6	997.6	942.0	748.8

The loans are secured by fixed charges on individual properties. The number of charged properties for the Group is 15,542 and for the Trust is 11,640 (2013: Group is 15,226 and Trust is 10,137).

The bank and other loans are repaid in monthly, quarterly and half-yearly instalments at rates of interest ranging from 0.00% to 11.30%. The final instalments fall to be repaid in the period 2014 to 2054.

At 31 March 2014 the Group had undrawn loan facilities of £471.3m (2013: £461.3m). Included within the undrawn loan facilities are £40.7 of undrawn loan facilities from the Home and Communities Agency to be used for the acquisition of properties for private rental purposes.

On 20 February 2014 the Trust raised £250m via the issue of a bond due 2054 at a coupon of 4.375%. The bond was priced at 0.98% over the benchmark gilt, giving an effective interest rate of 4.472%.

The Group loan balance of £1,206.6m has been netted off by loan arrangement fees of £9.6m which are written off over the term of each loan. It also includes a £3.3m adjustment for the fair value of loans on the acquisition of Presentation Housing Association.

The Trust loan amount of £942.0m has been netted off by loan arrangement fees which are written off over the term of each loan.

As at the year end £278m (2013:£242m) of the Group's variable debt had its interest rate hedged by standalone interest rate swaps. As at the year end £92m (2013:£80m) of the Group's fixed debt had its interest rate hedged by standalone swaps. Note 38 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 2014.

23. PROVISIONS FOR LIABILITIES AND CHARGES

Group and Trust	Short term leases £m	Total £m
At 1 April 2013	1.2	1.2
Set aside in the year	0.1	0.1
Utilised in the year	(0.3)	(0.3)
At 31 March 2014	1.0	1.0

During the year £100,000 (2013: £300,000) was set aside for future repairs and £300,000 (2013: £300,000) was utilised to carry repairs to properties that were handed back during the year. All provisions are attributable to the Trust.

24. CALLED UP SHARE CAPITAL

Group and Trust	2014 £	2013 £
At 1 April	88	96
Issued during the year	6	5
Redeemed during the year	(6)	(13)
At 31 March	88	88

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

25. RESERVES

Group	General reserves £m	Revaluation reserves £m	Cash flow hedge reserve £m	Minority interest £m	Total Reserves £m
At 1 April 2013	316.4	56.4	(31.2)	0.7	342.3
Surplus in the year	65.7	37.4	–	–	103.1
Fair value movements on hedging instruments	–	–	2.6	–	2.6
Recycled to income and expenditure on cash flow	–	–	5.5	–	5.5
Recycled to income and expenditure on cessation of hedge accounting	–	–	15.2	–	15.2
Amount repaid to minority interest	–	–	–	(0.5)	(0.5)
At 31 March 2014	382.1	93.8	(7.9)	0.2	468.2

Trust	General reserves £m	Revaluation reserves £m	Cash flow hedge reserve £m	Minority interest £m	Total Reserves £m
At 1 April 2013	247.1	7.7	(26.9)	–	227.9
Surplus in the year	53.7	25.3	–	–	79.0
Fair value movements on hedging instruments	–	–	(0.4)	–	(0.4)
Recycled to income and expenditure on cash flow	–	–	4.1	–	4.1
Recycled to income and expenditure on cessation of hedge accounting	–	–	15.2	–	15.2
At 31 March 2014	300.8	33.0	(8.0)	–	325.8

The revaluation reserve relates to the surplus of current open market value over historical cost of market rent accommodation and commercial buildings (see note 11).

26. RECONCILIATION OF GROUP OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group	
	2014 £m	2013 £m
Operating surplus	86.8	87.6
Depreciation	19.4	17.8
Disposal of fixed assets	0.2	–
Impairment	1.9	1.2
Amortisation of loan set up costs	0.4	1.0
(Increase)/decrease in properties and other assets in the course of sale	(92.3)	42.0
Decrease in debtors	0.7	11.3
Increase/(decrease) in creditors	26.4	(23.5)
Net cash inflow from operating activities at 31 March	43.5	137.4

27. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Group	
	2014 £m	2013 £m
(Increase) in cash	(12.6)	(28.0)
Cash flow from decrease/(increase) in liquid resources	6.5	(11.1)
Cash flow from increase/(decrease) in debt and lease finance	208.3	(12.0)
Non cashflow changes	0.7	1.0
Total changes in net debt for the year	202.9	(50.1)
Net debt at 1 April 2012	941.8	991.9
Net debt at 31 March 2014	1,144.7	941.8

28. ANALYSIS OF CHANGES IN DEBT

Group	1 April 2013 £m	Cash flow £m	Non cashflow changes £m	31 March 2014 £m
Cash at bank and in hand	43.9	12.6	–	56.5
Current asset investment	11.9	(6.5)	–	5.4
Loans				
Short-term loans	(4.8)	–	–	(4.8)
Long-term loans	(989.5)	(208.3)	(0.7)	(1,198.5)
Financial interest rate swaps	(3.3)	–	–	(3.3)
Changes in net debt	(941.8)	(202.2)	(0.7)	(1,144.7)

29. PENSION OBLIGATIONS

With effect from 1 January 2014 all active membership of defined benefit pension schemes was ceased with the exception of one employee who is a member of the London Borough of Richmond Pension Fund (LBRPF). On the same day the Trust ceased participation in the London Borough of Islington Pension Fund (LBIPF). LPIPF have since confirmed that the Trust's liability in respect of its deferred members and pensioners is fully funded and no further contributions are required. Some of the Group's employees and past employees are deferred members or pensioners of the Social Housing Pension Scheme (SHPS) defined benefit section. Further information on SHPS and LBRPF defined benefit schemes is given below. The group currently contributes to a number of defined contribution pension schemes for certain employees, the most significant of which are operated by SHPS and Aviva.

Social Housing Pension Scheme (Group and Trust)

SHPS is a defined benefit scheme. It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is the multi-employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustees commission an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to address the level of future contributions required so that the scheme can meet its pension obligations as they fall due.

The last formal valuation of the scheme was performed as at 30 September 2011 by a professionally qualified actuary using the projected unit method. The market value of the scheme's assets at the valuation date was £2,062m. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035m, equivalent to a past service funding level of 67%.

The scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the scheme to £2,718m and indicated an increase in the shortfall of assets compared to liabilities to approximately £1,151m, equivalent to a past service funding level of 70%.

The Trustees of SHPS have asked members to contribute to meeting the deficit. The Group is required to make a series of payments to meet its share of the shortfall. The payments are spread over a number of years to 30 September 2026. The payment to be made in the year to 31 March 2015 is £2.0m and the aggregate of all the payments is £22.6m.

London Borough of Richmond Pension Fund (LBRPF)

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

Year ended 31 March	2014 £m	2013 £m
Fair value of plan assets	2.5	2.7
Present value of funded retirement benefit obligations	(3.3)	(3.5)
Net liability	(0.8)	(0.8)

The cumulative actuarial (deficit)/gains recognised in the statement of total recognised surpluses and deficits at 31 March 2014 was (£3,000) (2013: £64,000). The credit to the income and expenditure account was £14,000 (2013: (£4,000)).

Contributions to pension schemes

Group	Rate	2014 £m	Rate	2013 £m
SHPS (defined benefit)	10.0%-10.4%	2.6	8.8%-10%	2.0
SHPS (defined contribution)	4.5%-13.5%	0.7	–	–
London Borough of Islington	18.1%	–	18.1%	–
London Borough of Richmond	24.4%	–	24.4%	–
Defined contribution scheme	4.5%-13.5%	0.2	4.5%-13.5%	0.3
Total		3.5		2.3

Trust	Rate	2014 £m	Rate	2013 £m
SHPS (defined benefit)	10.0%-10.4%	2.4	8.8%-10%	1.8
SHPS (defined contribution)	4.5%-13.5%	0.6	–	–
London Borough of Islington	18.1%	–	18.1%	–
London Borough of Richmond	24.4%	–	24.4%	–
Defined contribution scheme	4.5%-13.5%	0.2	4.5%-13.5%	0.3
Total		3.2		2.1

30. EMPLOYEE INFORMATION

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

	Group		Trust	
	2014 Number	2013 Number	2014 Number	2013 Number
Staff engaged in managing or maintaining housing stock	366	340	327	306
Staff engaged in developing or selling housing stock	84	80	43	42
Staff providing central administration services	149	147	149	147
Staff providing care and support	285	280	285	280
	884	847	804	775

Staff costs for the above persons:

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Wages and salaries	30.8	29.4	27.5	26.5
Social security costs	3.1	2.9	2.8	2.6
Other pension costs (see note 29)	3.5	2.3	3.2	2.1
	37.4	34.6	33.5	31.2

Redundancy payments of £173,000 (2013: £789,000) were made during the year.

Salary range excluding pensions	2014 £'000	2013 £'000
Lowest paid employee	14	14
Highest paid employee	186	183

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

£'000	2014 number	2013 number
60 - 70	22	17
70 - 80	14	14
80 - 90	–	6
90 - 100	12	3
100 - 110	4	6
110 - 120	–	1
120 - 130	–	–
130 - 140	–	–
140 - 150	–	–
150 - 160	2	2
160 - 170	1	–
170 - 180	–	–
180 - 190	–	1
190 - 200	–	1
200 - 210	1	–

31. BOARD AND EXECUTIVE DIRECTORS' EMOLUMENTS

	Group	
	2014 £'000	2013 £'000
The emoluments of the members of the Board and the Executive Directors was:		
Fees for members of the Board	66	66
Fees for committee members	19	14
Management services of executive directors (including pension contributions and benefits in kind).	975	905
Emoluments for management services (excluding pension contributions) includes the amount paid to the highest paid director. (The Chief Executive was the highest paid director)	186	183

The payments to current non-executive Board members represents 0.02% (2013:0.02%) of turnover. Board members are appraised on an annual basis and there is an annual review of Board member payments.

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

Current non-executive Board members	2014 £'000	2013 £'000
Bukky Bird	5.5	5.5
Linde Carr	5.5	2.9
Paul Hodgkinson (Chairman)	16.5	16.5
Sue Hunt	8.3	4.4
Annabelle Louvros (Resigned 19 September 2012)	–	2.6
Barbara Matthews (Resigned 19 September 2012)	–	3.9
Alastair Moss	5.5	5.5
Alexander Phillips	–	–
Sophie Warner	8.3	8.3
Mohan Yogendran	8.3	8.3
Debra Yudolph	8.3	8.3

Executive Board members	Salaries £'000	Car benefits £'000	Pension costs £'000	Bonus £'000	2014 Total £'000	2013 Total £'000
Kate Davies, Group Chief Executive	174	11	19	1	205	197
John Hughes, Group Director of Development and New Business	132	8	28	1	169	182
Paul Phillips, Group Finance Director	132	8	13	1	154	155
Alastair Clegg, Group Corporate Services Director (Resigned 31 August 2012.)	–	–	–	–	–	62
Andrew Muir, Group Corporate Services Director	106	–	11	1	118	64
Andrew Belton, Chief Operating Officer	132	8	14	1	155	155
Kath King, Group Director of Asset Management (on adoption leave from 25 March 2014)	85	–	9	–	94	90
Mark Vaughan, Group Director of Notting Hill Housing Trust and Notting Hill Pathways. (Appointed 5 August 2013)	72	–	8	–	80	–
	833	35	102	5	975	905

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

32. CAPITAL COMMITMENTS

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	234.2	209.7	98.1	56.4
Capital expenditure that has been authorised by the Board but has not yet been contracted for	147.1	198.1	116.6	148.9

Capital commitments will be funded by a combination of Social Housing Grant, draw down of existing or new loan facilities, issuing of bonds and or by internal resources. The capital commitments exclude land purchases.

33. OPERATING LEASES

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

These are annual commitments under non-cancellable operating leases.

Computers
– Less than one year
– One to five years

Group and Trust	
2014 £m	2013 £m
0.1	0.2
–	0.1

These leases can be cancelled within 28 days notice. The amount shown is the full payment for the year.

Temporary housing leases
– Less than one year

Group	
2014 £m	2013 £m
19.8	13.3

Temporary housing leases
– Less than one year

Trust	
2014 £m	2013 £m
19.8	12.9

34. INCORPORATION, SUBSIDIARIES AND JOINT VENTURES

Notting Hill Housing Trust is incorporated in England under the Industrial and Provident Societies Act 1965 and is required by statute to prepare Group financial statements. The Trust is a Registered Housing Provider as defined by the Housing and Regeneration Act 2008 and is the ultimate parent.

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

Notting Hill Housing Trust, has taken advantage of the exemption contained in Financial Reporting Standard 8 – “Related Party Disclosures” (FRS 8), 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 and redeemable ordinary shares
- Great Eastern Quay Limited - Ordinary shares and redeemable ordinary shares
- Project Light Developmet 1 Limited - Ordinary shares and redeemable ordinary shares
- Project Light Development 2 Limited - Ordinary shares and redeemable ordinary shares

34. INCORPORATION, SUBSIDIARIES AND JOINT VENTURES (continued)

The Trust has the following subsidiaries.

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

34. INCORPORATION, SUBSIDIARIES AND JOINT VENTURES (continued)

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

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

Seward Street Developments LLP commenced trading on 6 October 2010. The Partnership is accounted for as a subsidiary of the Group, as the group share of the partnership is 75%. The remaining 25% is owned by Mount Anvil plc, whose share is represented by a minority interest of £0.2m at 31 March 2014 (2013: £0.7m).

The Group's investment in joint venture projects amounted to nil (2013: £nil). Details of these investments are shown below.

Joint venture income of £0.2m (2013:(£0.4m) was received during the year.

The contingent liability is limited to the amount invested.

The Board has agreed to transfer the assets and liabilities of Arawak Developments Limited, Notting Hill Home Options Limited and Grange Walk Notting Hill Limited to their respective parent companies, with a view to discontinue them in the following year.

Presentation Housing Association (which transferred engagements into NHHT in 2010) in 1999 entered into partnership with two other Registered Providers in order to fund the Estate Renewal Challenge Fund (ERCF) transfer of the 1,044 homes on the St. Martins Estate in South London. Upon transfer of engagements to Notting Hill Housing Trust, this partnership has continued. Notting Hill Housing Trust has accounted for its share of income and assets (18.36% ownership) in accordance with FRS 9 as a JANE (Joint Arrangement Not an Entity).

Name	Nature of business	Share of capital commitments	Proportion of holding	Year ended	Assets 2014 £m	Liabilities 2014 £m	Assets 2013 £m	Liabilities 2013 £m
Wandsworth Parkside LLP	Development of 159 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation.	Nil	50%	31 March	0.1	(0.1)	0.2	(0.2)
KLA Twickenham LLP	Development of 280 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation.	Nil	50%	31 March	0.0	0.0	0.0	0.0
Brenley Park LLP	Development of 169 shared ownership, permanent rented and private for sale residential accommodation	Nil	50%	31 December	0.1	(0.1)	1.2	(1.2)
Total					0.2	(0.2)	1.4	(1.4)

35. TRANSACTIONS WITH RELATED PARTIES

At 31 March 2014 there was one member on the Board who had a tenancy with the Trust. The tenancy agreement had been granted on the same terms as for all other tenants, and the housing management procedures, including those relating to management of arrears have been applied consistently to this tenant. At 31 March 2014 there was one member on the board who had a lease with NHHO. The lease had been granted on the same terms as for all other leasees and the housing management procedures including those relating to management of arrears have been applied consistently to this leaseholder.

At 31 March 2014 there was one member on the Board who was also a Councillor with the City of Westminster. A joint protocol with the Council has been agreed to avoid conflicts of interest occurring.

During the year Notting Hill Home Ownership Limited charged Seward Street Developments LLP £50,000 (2013: £50,000) in respect of administration costs. At the year end date £17,000 (2013: £149,000) was owed to Notting Hill Home Ownership Limited by Seward Street Developments LLP.

During the year Notting Hill Housing Trust had invested £52.6m (2013:£30.2m) in the share capital of its non regulated subsidiaries and £152.7m (2013:£76.3m) in loans to its non regulated subsidiaries. For further information see note 15. All subsidiaries are shown on note 34. Details of other transactions between Notting Hill Housing Trust and its non-regulated subsidiaries during the year are shown to the right.

	2014 £m	2013 £m
Other inter-company transactions		
Cash receipts for services provided	2.5	4.3
Excess cash (returned) / invested	(10.9)	20.1
Purchases	(0.6)	(1.3)
Overhead recharges	(0.2)	(0.3)
Payroll	(0.2)	(0.2)
Interest	(0.2)	–
Disinvestment in subsidiaries	(0.2)	–
Further investment	(1.5)	–
Rent transfers	–	(0.5)
Total	(11.3)	22.1

- Cash receipts relate to cash paid by the subsidiaries for services provided.
- In accordance with the treasury policy, excess cash is invested in the Trust to manage the interest charges. During the year the excess cash was repaid.
- Purchases relate to invoices that are charged to Trust but relate to other Group companies. They include temporary staff costs, utility bills and courier charges.
- Overhead recharges are recharges made by the Trust to the rest of the Group based on the budget taking into account staff numbers, floor space and turnover per subsidiary.
- Payroll relates to payroll costs for specific staff who work directly for the said subsidiaries.
- Rent transfer relates to cash received by the Trust relating to tenants in other subsidiaries
- Interest relates to inter-company interest charged by the Trust.

- Disinvestment in subsidiaries relates to transfer of assets and liabilities from Arawak Developments Limited and Notting Hill Home Options Limited prior to discontinuing these activities (see note 34)
- Further investments relate to investment made by the Trust in Great Eastern Quay Limited.

36. LEGAL STATUS

The Trust is registered under the Industrial and Provident Societies Act 1965 and is registered with the Homes and Communities Agency as a social landlord. From August 1 2014, under the Co-operative and Community Benefit Societies Act 2014, the status will change to Community Benefit Society.

37. POST BALANCE SHEET

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

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

	Loans and receivables	
	2014	2013
	£m	£m
Current asset investments	5.4	11.9
Cash	56.5	43.9
Debtors	16.9	21.9
Debtors falling due after one year	2.2	2.9
	81.0	80.6

	Financial liabilities at fair value		Financial liabilities at amortised cost	
	2014	2013	2014	2013
	£m	£m	£m	£m
Trade and other payables	–	–	93.7	75.9
Loans and borrowings	–	–	1,206.6	997.6
Other long term creditors	–	–	51.7	35.7
Interest rate swaps				
Fair value through income and expenditure				
Interest rate swaps				
- fixed to float	4.7	0.1	–	–
- float to fixed	26.2	35.0	–	–
Designated hedges	7.8	21.5	–	–
	38.7	56.6	1,352.0	1,109.2

Valuation

All financial assets or liabilities at fair values 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. All significant inputs required to value the financial instruments are observable and as such they are designated level 2. 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. Because the Group maintains a formal counterparty policy and reviews the credit worthiness of counterparties, it is not considered that any material credit risk attaches to the financial instruments and as such they are not subject to impairment.

A comparison of the book value to the fair value of the Group's long-term borrowings at 31 March is set out below.

	2014		2013	
	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m
Current portion of long-term debt	4.8	4.8	4.8	4.8
Long-term debt	1,197.7	1,201.8	994.8	992.8
	1,202.5	1,206.6	999.6	997.6

Losses/gains in respect of financial interest rate swaps are set out below

	Group		Trust	
	2014	2013	2014	2013
	£m	£m	£m	£m
(Losses) / gains on disposal of financial interest rate swaps	(2.8)	1.1	(2.8)	1.1
(Losses) in respect of interest rate swaps	(2.7)	(10.1)	(6.4)	(7.4)
	(5.5)	(9.0)	(9.2)	(6.3)

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk

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

Interest rate risk

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

The Group has entered into interest rate swap agreements to hedge exposure to the variability in cash flows attributable to movements in interest rates. This is documented in the treasury policy and allows the Group to enter into contracts where the Group agrees to pay interest at a fixed rate and receives interest at a floating rate. The interest rate swaps are designated as a hedge of the variable debt interest payments which are linked to changes in the benchmark interest rate (LIBOR) which is 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 FRS 26 are accounted for through the income and expenditure account.

The effect on the Group which would result from interest rate movements are illustrated in the sensitivity analysis.

The cash flows from the interest rate swaps are expected to occur monthly, quarterly or on a semi-annual basis dependant on each contract. The periods in which the hedged payments are expected to occur are set out in the maturity analysis in note 22.

Inflation risk

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

Liquidity risk

The Group has a policy to maintain sufficient liquidity in cash and lending facilities to cover 15 months of operational activity. At the year end 95% of the Group's borrowings were due to mature in more than 5 years. The liquidity risk of each Group entity is managed centrally by the Group treasury function on a monthly basis to adhere to Group policy.

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

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

	Debt £m	Interest on debt £m	Cash flows on interest rate swap financial instruments £m	Total £m
2014				
0-1 year	5.2	47.2	4.4	56.8
1-2 years	5.5	48.5	3.4	57.4
2-5 years	55.5	153.4	6.6	215.5
Over 5 years	1,150.0	956.3	29.1	2,135.4
	1,216.2	1,205.4	43.5	2,465.1

	Debt £m	Interest on debt £m	Cash flows on interest rate swap financial instruments £m	Total £m
2013				
0-1 year	5.2	32.6	5.9	43.7
1-2 years	10.1	32.2	5.9	48.2
2-5 years	22.1	101.8	14.1	138.0
Over 5 years	968.7	709.6	32.4	1,710.7
	1,006.1	876.2	58.3	1,940.6

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk

The main credit risk applies to debtor balances, the majority of which relates to rental income and other arrears, which are reported weekly to business leaders assigned to manage the recovery process. In accordance with FRS 26 the Group only recognises losses when a loss event has occurred. The methodology used for provisioning has been shown to reflect historical experience of when loss events have occurred. The Group provides 100% for former tenants. Provision for current tenant arrears is on the aged profile of the debt. Arrears of over 19 weeks are provided for at 90% and for arrears between 10 and 19 weeks being provided for at 15%. Approximately 60% of arrears is in the form of housing benefit payment coming in directly from the local authorities which reduces to Group's exposure to tenants risk.

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

Sensitivity analysis

Financial instruments affected by market risk include borrowings and interest rate swap financial instruments. The following analysis illustrates the sensitivity to market variables, being UK interest rates on our financial instruments.

The sensitivity analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and interest rate swaps are all constant and on the basis of the hedge designations in place at 31 March 2012 and 31 March 2011, respectively. As a consequence, this sensitivity analysis relates to the positions at those dates and is not necessarily representative of the years then ended.

The following assumptions were made in calculating the sensitivity analysis:

- The balance sheet sensitivity to interest rates relates only to interest rate swap financial instruments and available for sale investments, as debt and other deposits are carried at amortised cost and so their carrying value does not alter as interest rates change
- The sensitivity of accrued interest to movements in interest rates is calculated on net floating rate exposures on debt, deposits and interest rate swap instruments

- Changes in the carrying value of interest rate swaps from movements in interest rates designated as cash flow hedges are assumed to be recorded within equity
- Changes in the carrying value of interest rate swaps not in hedging relationships only affect the income and expenditure account

The following table shows the illustrative effect on the income and expenditure account and reserves that would result from the following movements in interest rates.

	Group			
	2014 interest cost £m	2013 interest cost £m	2014 reserves £m	2013 reserves £m
UK interest rate movement				
0.25% increase	0.5	5.6	2.2	3.8
0.5% increase	1.0	11.0	4.3	7.6
0.75% increase	1.5	16.5	6.5	11.4

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**Arrears provision**

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
At 1 April	9.3	8.8	8.7	8.2
Actual provision	1.5	1.9	1.3	1.8
Amounts written off	(4.0)	(1.4)	(3.7)	(1.3)
At 31 March	6.8	9.3	6.3	8.7

Arrears

	Group		Trust	
	2014 £m	2013 £m	2014 £m	2013 £m
Less than 30 days	3.6	5.2	3.5	4.5
30 to 60 days	2.3	3.2	2.1	2.7
60 to 90 days	1.7	1.9	1.5	1.5
More than 90 days	9.2	9.2	7.4	8.0
At 31 March	16.8	19.5	14.5	16.7
Former tenant arrears	2.7	4.3	2.5	4.2

There are no indications that the above rental debtors balances are impaired. The above former tenant arrears have been fully provided for. All other sundry debtors of £2.4m (2011:£3.2m) have normal payment terms of 30 days and are not impaired.

Capital risk management

The capital balances in the Group comprises share capital (note 24), revaluation reserves (note 25) and revenue reserves (note 25). The revaluation reserve balance is derived from movements in listed investments and market values for investment properties. The revenue reserve is entirely formed of Group surpluses and deficits from each year since the Group's formation.

None of these capital balances have a significant degree of active management other than in the case of current year income and expenditure that contributes to revenue reserves.

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