

NottinghamHousing

# NottinghamHousing Trust

Financial Statements for the year to 31 March 2012



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## Board members, senior staff, advisers and bankers

### Vice President

Lionel Morrison OBE

### Board

Chairman

Paul Hodgkinson CBE

Other Members

Bukky Bird  
Annabelle Louvros  
Barbara Matthews  
Alastair MOSS (Appointed 13 July 2011)  
Alexander Phillips  
Sophie Warner  
Mohan Yogendran  
Debra Yudolph  
Kate Davies  
Paul Phillips  
Andrew Belton

### Secretary

Andrew Nankivell

### Executive Board

Chief Executive Kate Davies  
Group Finance Director Paul Phillips  
Group Development Director John Hughes  
Chief Operating Officer Andrew Belton  
Group Corporate Services Director Alastair Clegg  
Group Director of Asset Management Kath King

Kate Davies, Paul Phillips and Andrew Belton are co-opted members of the Notting Hill Housing Trust Board.

John Hughes, Alastair Clegg and Kath King are co-opted members of the Notting Hill Home Ownership Board.

### Registered Office and Head Office

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2 Killick Street  
London N1 9FL  
Tel: 020 8357 5000  
Fax: 020 8357 5299  
www.nottinghillhousing.org.uk

### Independent auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London SE1 2RT

### Principal Solicitors

Devonshires  
30 Finsbury Circus  
London EC2M 7DT

### Principal Bankers

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

### Registrations

Registered Industrial and Provident Society Number:  
IP16558R

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



## Chairman's report

This report is not only a statutory document, but provides an important chance to update all our stakeholders, including shareholders, funders, residents, employees, regulators, local authorities, joint venture partners, suppliers, and of course, the communities in which we operate. The year to March 2012 has been a busy time for your Trust, with the organisation consolidating on the huge changes that it had introduced in 2010 in particular.

This was a year of continuing to reshape the way we work, especially responding to the changes introduced by the new coalition government which, while it took office in 2010, had inevitably taken some time to announce the details of the changes that would affect our sector and operation.

During the year we have focused on the following themes.

Firstly, we needed to respond to the financing regime introduced by the new Government. The Department for Communities and Local Government had its budget cut by more than any other, so the amount of money available to support new building by housing associations was cut substantially. The result was that capital grant for building new homes was reduced commensurately. Nevertheless a new programme was announced covering a four year period from 2011 to 2015 and Notting Hill was able to secure the largest programme in London for that period. We will build 1,244 new rented homes and 1,066 new shared ownership homes, all of which will be completed by 31 March 2015. This will cost £469m, of which £58m will come from the HCA. The balance will come from a combination of recycled grants (£25m), funds secured on the rental streams from the homes constructed (£187m), funds secured on increased rents on existing homes (£49m), sales of part of the equity in shared ownership homes (£123m) and finally, contributions from Notting Hill's existing resources (£27m). As can be seen from these numbers, every

pound provided by Government to the Notting Hill development programme leads to eight pounds of investment in new homes for Londoners. We are also supporting the construction industry – we started 942 new homes in 2011/12, leading to orders of £130m being placed for new construction, providing a much needed boost to the London economy.

Secondly, having secured public sector funds to support the development programme, private finance was also required. Immediately following the award of the allocation and the publication of our 2011 financial statements, Moody's Investors Service reaffirmed Notting Hill's Aa3 rating. We then approached the capital markets and tapped our £180m 5.25% bond due 7 July 2042. The tap was completed on 2 August 2011 and we secured a further £120m, leading to a total of £300m in issue. We issued at 120bp over the 4.5% treasury gilt 2042, paying an all in yield of 5.285%. We were also pleased to secure an additional £25m long term facility from Santander to support Notting Hill Home Ownership.

Thirdly, as part of the development programme, we have had to consider the implications on rents and tenancies. The new affordable rent regime allows us to charge rents of up to 80% of the market and to offer tenancies for fixed periods, rather than for a lifetime. The higher rents on new properties has been one means of compensating for the reduction in capital grants. In the case of Notting Hill, we estimate that rents on new developments will be about 65% of the market, with the discount to market rents generally being higher for larger homes. In addition, we are increasing rents on around half of the smaller properties that we relet to secure additional income to meet part of the costs of new homes. Our application of the affordable rent regime enables us to meet our social obligations.

Fourthly, as I mentioned last time, we had introduced a new strategy for the Group. As part of this, we decided to transfer our housing stock outside London, acquired when Presentation Housing joined the Group, to more local organisations.

Notting Hill will now concentrate all its firepower in London. We believe that this will maintain or improve service delivery to local residents. It will also allow Notting Hill to focus on our core area of operations and pursue our vision to be London's leading housing provider. During the year to 31 March 2012, we exchanged contracts to sell 867 properties in Luton, Bedfordshire and Kent. We completed sales of 345 before the year end, and the remaining 522 after the year end, with gross sale proceeds of £23m and £28m respectively. After repaying the underlying costs, we will reinvest the proceeds in housing in London.

Fifthly, we reviewed our office accommodation strategy and relocated most of our office based staff from rented buildings to cheaper purchased buildings. Notting Hill now operates throughout the capital, especially since Presentation joined us in 2009. Our lease on our head office in Hammersmith also expired on 31 March 2012. Given this, the Board decided to secure a new head office and we acquired a building at Kings Cross. We also acquired a smaller office in Hammersmith for the substantial staff group that needed to stay there. We continue to have a significant staff group based at Vauxhall, as well as a smaller group in Stratford, East London. We are thus able to service our customers in all parts of London from a reasonably convenient location.

To achieve our goals we need to have the right people aligned with our Corporate Strategy, and for them to have a clear understanding of their personal and their team's input into the Trust's overall plan. The Executive has spent a considerable amount of time preparing strategy documents in a straight forward format that can be easily communicated. Presentations have been made to all staff about the way forward for Notting Hill, and workshops have been held which has given large numbers of stakeholders the opportunity to feed their input into the direction of Notting Hill.

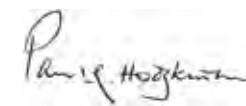
In particular the office locations support the core delivery strategy within Notting Hill itself, called Altogether Better. This

customer focused approach brings our service delivery much closer to our tenants and suppliers. At the same time important new governance checks, called Local Scrutiny Panels, which are supported by the Altogether Better Committee, allow us to measure, improve and fully support the key measure of customer satisfaction.

Finally, during 2011/12 we implemented new arrangements for day to day repairs. We entered into contracts with Lovells and with Willmott Dixon Partnerships. Following the year end, the Group and Willmott Dixon Partnerships mutually agreed to end the responsive repairs contract, and the two will continue to work closely together during the transition period to ensure our residents continue to receive a quality service with minimum disruption.

The year ahead will be challenging as we respond positively to the new budget priorities, continue to shape our finance and deliver on our excellent pipeline of development projects. We will be reinforcing our Greater London focus, and with various challenges such as the new office arrangements, will rely heavily on our strong and competent executive team. Supported by our committed and enthusiastic staff, the business continues to push forward on a broad number of fronts. The Board wish to particularly recognise the hard work and focus which staff provide. We are only as good as our frontline staff, and they in turn need full team support to deliver on our promises to customers.

All this work is aimed at delivering the best social housing provision across our London portfolio, and keeping costs under control, whilst treating our tenants of all types of property as valued customers. We continue to be very conscious of our heritage and our mission to provide housing in London for people who can't afford it on their own.



Paul Hodgkinson CBE  
Chairman

## Report of the Board and operating and financial review

This is the report of the Board and the operating and financial review for the Notting Hill Housing Group ('the Group') for the year to 31 March 2012.

### Introduction

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 2012, 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 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 2009/2010, Pathway Housing Association, Croydon Peoples Housing Association and Presentation Housing Association ('PHA') joined the Group as subsidiaries, and subsequently transferred their engagements into the Trust through a merger.

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.

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



The Group retained excellent ratings for governance, management and financial strength during the year. These assessments were reviewed by the Tenant Services Authority ('TSA') during the year and are necessary for receipt of funding for new developments from the new Homes and Communities Agency ('HCA').

Figure 2 shows the mix of housing stock under management.

The stock condition is considered by external consultants to be good. More than £25m was spent in the year on improvement and renewal.

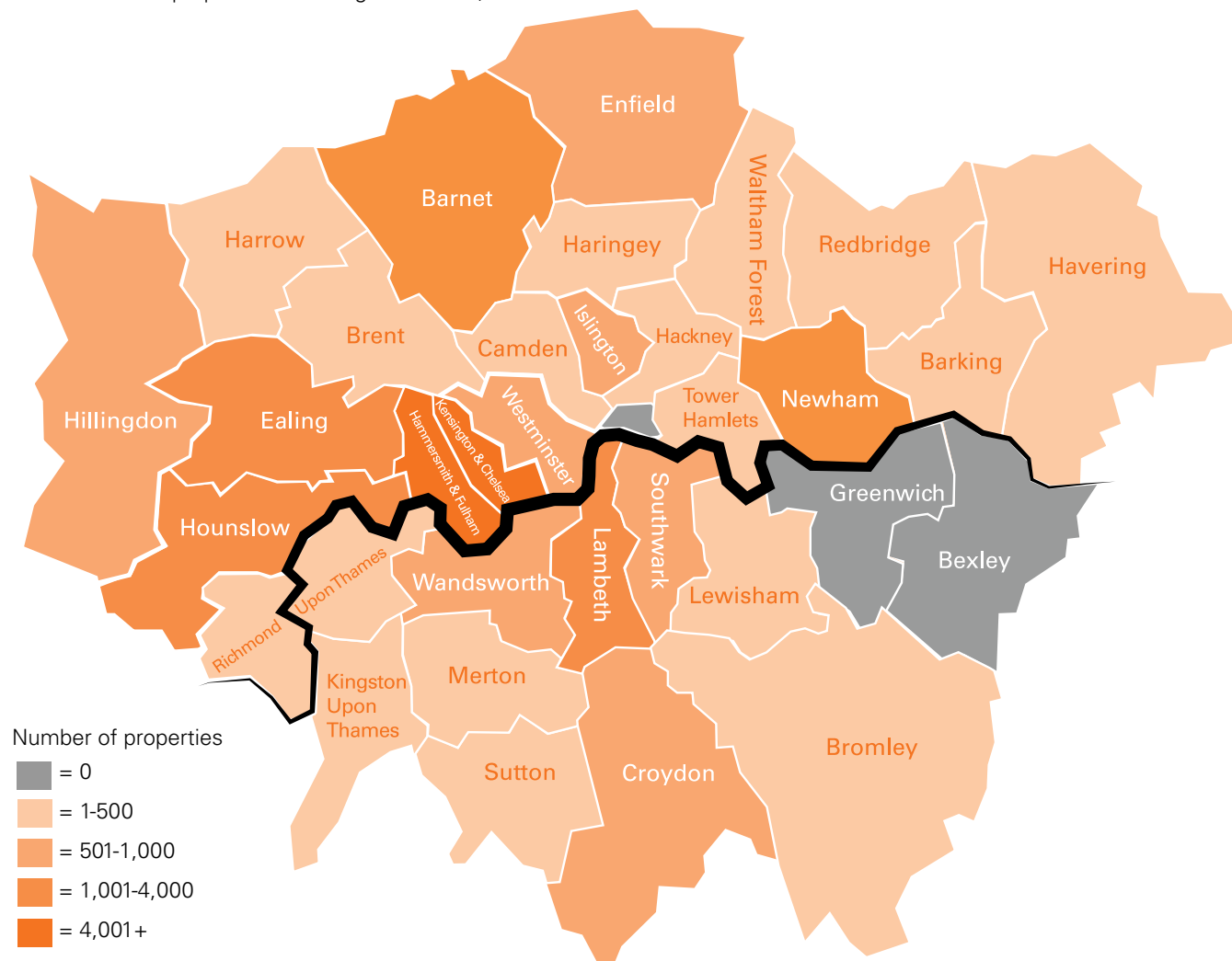
The Group operates across all of London and beyond, having grown significantly from its roots in the Royal Borough of Kensington & Chelsea and the London Borough of Hammersmith & Fulham. Figure 3 illustrates the distribution of the Group's stock throughout London.

**Figure 2 – Housing Stock Managed by the Group as at 31 March**

	2012	2011
Rented Social Housing	15,872	15,628
Supported Housing	1,348	1,233
Temporary Housing	2,298	2,382
Shared Ownership	4,406	4,523
Student accommodation	839	839
Market Rent	698	482
Leasehold in management	1,620	1,579
Leased Housing	–	102
Intermediate housing accommodation	54	54
<b>Total</b>	<b>27,135</b>	<b>26,822</b>

**Figure 3 – Notting Hill Housing Group Stock Map 2011/12**

Total number of properties in management = 27,135



Number of properties

- = 0
- = 1-500
- = 501-1,000
- = 1,001-4,000
- = 4,001+

842 properties out of 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. Details of Board members are set out on page 1, who are drawn from a wide background.

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 fully 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 Appointments and HR Committee.

### The Audit Committee

The Audit Committee oversees the work of both the internal and external audit function and 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 Homes and Community Agency's expectations in this area.

The Audit Committee met four times during the year. It comprised Barbara Matthews (Chairman), Alexander Phillips, Alastair Moss, Paul Dare and David Fawcett.

### **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 four times during the year. It comprised Alexander Phillips (Chairman), Barbara Matthews, Alastair Moss, Paul Dare and Paul Phillips.

### **The Altogether Better Committee**

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

The Altogether Better Committee met five times during the year. It comprised Debra Yudolph (Chairman), Annabelle Louvros, Michael Larbaestier, Emmanuel Kotey, Debra Constance, Alka Damania, Gow Gibson, Paul Mckay, Robert Dyer, and Emina Trozic

### **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 five times during the year. It comprised Sophie Warner (Chairman), Bukky Bird, Joanna Embling, John Bullough, and John Hughes.

### **The Appointments and HR Committee**

The Appointments and HR Committee considers remuneration of board members and of the Executive Management Team. In addition the Appointments and HR Committee oversees the process for board member appraisal and reviews the process for board member appointment and reviews significant HR issues across the Group.

The Appointments and HR Committee met four times during the year. It comprised Mohan Yogendran (Chairman), Akin Adepoju, Paul da Gama, and Angela Paradise.

### **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 Asset Management. There were no changes to the EB in 2011/2012.

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

The Chief Executive and the EB members are on notice periods ranging from three to six months. Details of Board and EB remuneration are shown in Note 30.

Board members, senior staff and committee members are insured against personal liability when acting on behalf of the Group. The EB members are either members of the Social Housing Pension Scheme or the Local Government Pension Scheme, which are both defined benefit final salary schemes.

### **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. There are also customers on other committees in the Group.

### **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 Appointments and HR Committee. The Group complies with all areas of the Code apart from one, described further below.

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 executive members of the Board. In the Group's case, the Board does not decide the Chief Executive's remuneration package, but has delegated that to the Appointments and Human Resources Committee, which does not include executive members.

### **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 shares information on its objectives, progress and activities through office and departmental meetings involving the EB and staff. During 2011/12 there has been a particular focus on presentation and discussion of the Group's strategic direction, given the changes in the operating environment.

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 2011/12 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 £14.4m. The result was £31.6m, which 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 £145m was secured from the Group bond (£120m) and from Santander (£25m).
Development	
To remain a preferred provider in receipt of Homes and Communities Agency ("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 secure a significant programme from the HCA for 2011-15.	The Group secured London's largest HCA allocation for new housing, totalling £58.9m.
Asset management	
To produce a new Notting Hill standard and a new asset management strategy.	These objectives were achieved.
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	
To roll out the altogether better model across the organisation.	The concept was introduced in our temporary housing and shared ownership businesses.
To introduce new maintenance contracts.	During 2011, maintenance contracts were agreed with Lovells and Willmott Dixon Partnerships ("WDP"). Following the year end the Group and WDP mutually agreed to end the contract and alternative arrangements are being reviewed.

## Performance

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

**Figure 5 – Key performance indicators**

Indicator	2011/12 Performance	2011/12 Target
Number of homes currently owned or managed	28,164	29,220
Number of defects per new home	2.6	0.8
Average overhead cost of developing a new home	£4,776	£5,182
Sales time to completion (weeks)	14	12
Rent collection rate over 12 months	100%	101%
Rent loss due to voids	1.6%	2.0%
Number of voids available for letting	132	169
Number of voids unavailable for letting	938	450
Customer satisfaction – overall	74%	76%
Customer satisfaction with sales process	83%	80%
Number of ombudsman investigations	21	0
Number of adverse findings by ombudsman	1	0
Number of homes with valid gas certificate	99.97%	100%
Number of fire risk assessments completed	2,944	2,944
Plots acquired	1,177	1,200
Homes started	942	1,200
Homes completed	1,580	917

### 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 of units compared to the target was due to out of London sales in March 2012.
- **Number of defects per new home** – Schemes that were developer rather than Group led did not reach the target. To improve our performance the Group is leading a greater number of schemes and selecting contractors with better performance. We are also improving site supervision to address recurring issues.
- **Sales time to completion** – The average sales time to completion lengthened due to two schemes experiencing delays for reasons related to local conditions.
- **Rent collection rate over 12 months** – The Group collected 100% against a target of 101%. The shortfall was due to below target collections in supported housing and rented social housing. This was offset by higher than target collections in temporary housing and student lets.
- **Number of voids unavailable for letting** – The year end figure is distorted by the large volume of new properties completed in March 2012. There were over 450 properties in this category.
- **Customer Satisfaction** – Although customer satisfaction rose from 67 % to 74% over the year, the final position was below the target at 76%. This was because of the difficulty in delivering a repairs service of an appropriate standard.
- **Number of ombudsman investigations and adverse findings by the ombudsman** – Of the 21 cases, 15 relate to complaints which occurred in previous years. The ombudsman found full maladministration for only one historic case, which related to deviations from the published policy in previous years.
- **Homes started** – This was driven by HCA delays in completing the Affordable Rent bid meaning that schemes were unable to start until Autumn 2011.

### VALUE FOR MONEY

Value for Money (“VfM”) is a key consideration in decision making and planning. We have a well established corporate strategy which identifies the Group’s overall purpose and its objective within the key areas of our Customers, our Homes, our People, the Way we Work and Growth. These objectives are expressed in terms of outcomes which in turn drive the plans for each business. The plans are developed by individual business leaders within an overall Group-wide process which feeds in to the long term financial plan and budgets.

This planning process ensures that there is a balance between the outcomes agreed, both financial and non-financial. Regular reports track performance to ensure that we are on track to achieve them and are monitored by Board and scrutiny panels.

We have a VfM Strategy and produce an annual self assessment. We will further develop both of these in the light of the new Regulatory Framework published by the social housing regulator.

We use Housemark to analyse our costs per property and service levels relative to our peers providing rented social housing. The latest information available relates to 2010/11. We compare ourselves to the main London entities of participating members of the Group of 15 large London housing associations (the G15). We also track our unit costs against the G15, using published accounts. Key results are shown in Figure 6.

Comparisons to other housing providers based on extraction of data from published accounts can be difficult due to differences in the way accounts are produced, especially the

**Figure 6 – VfM Indicators for social homes from Annual Accounts**

	NHHT 2012	NHHT 2011	G15 2011 Average	G15 Peer group 2011 Ranking	Housemark 2011 Ranking
Operating cost per housing unit	£4,547	£4,842	£3,404	15	–
Maintenance costs per home	£2,152	£2,646	1,666	15	Routine repairs 11 Planned and major repairs 9
Management costs per home	£1,130	£1,312	£906	12	8
Service costs per home	£381	£238	£392	2	–
Overheads as a % of income	11.0%	10.8%	–	–	Overhead costs as a % of direct cost 4
Overheads per unit	£636	£609	–	–	–
Current rent arrears	8.63%	9.00%	–	–	–
Cash collection %	99.2%	98.4%	–	–	–
Bad debts per unit	£33	£33	–	–	–
Spend per unit on new supply	£8,929	£8,938	–	–	–
Debt per unit	£41,599	£34,934	–	–	–
Capital commitment as a proportion of fixed assets	23%	50%	–	–	–

allocation of overheads and whether they have implemented component accounting. There are also other differences arising from the varied property sizes and geographical location of the comparison group.

All of the costs were reduced in 2011/12 with the exception of service costs and overheads. Overheads increased due to costs of the office moves and ICT projects, both of which are investments for the future. Service costs are higher due to realignment of costs between shared ownership and rented social housing.

Our costs have been falling in recent years and are planned to reduce further in future. Figure 7 and the graph below it shows performance on costs over the last 4 years. In this case, the

full cost of repairs has been shown, including costs incurred on work charged to capital but depreciation has been excluded.

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

We plan to reduce costs further next year. Actions we have taken to achieve this include:

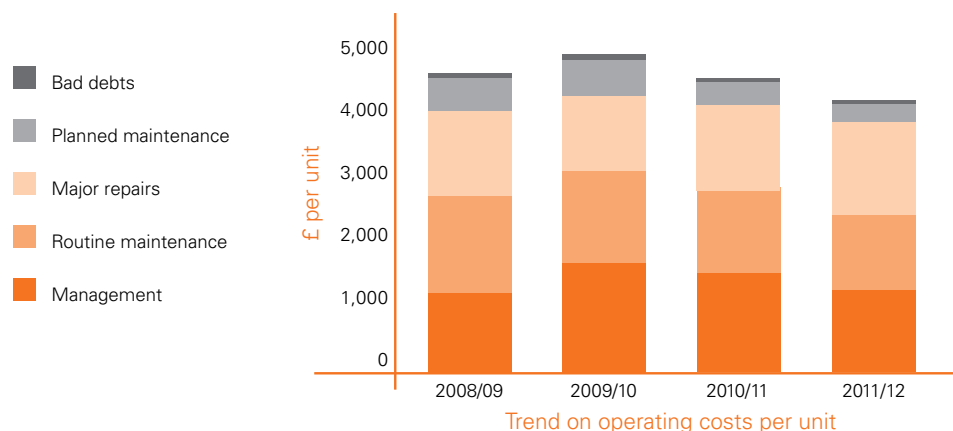
- We have reduced overhead costs by relocating most of our office-based staff from rented buildings to cheaper purchased buildings.

- Budgets for all parts of the organisation have costs reduced through efficiencies.
- Revised insurance arrangements which reduce costs and give more control over managing claims.
- Procurement savings.

We regularly review the use of our assets to fulfil our objectives. The disposal of outer London stock and stock rationalisations which have taken place in 2012 are an example of this.

**Figure 7 – Trend on operating costs**

Cost per unit	2008/09	2009/10	2010/11	2011/12
Management	£1,063	£1,489	£1,356	£1,130
Routine maintenance	£1,476	£1,585	£1,429	£1,206
Major repairs (incl capitalised repairs)	£1,496	£1,247	£1,349	£1,613
Planned maintenance	£561	£595	£450	£267
Bad debts	£98	£72	£33	£33
<b>Total cost</b>	<b>£4,694</b>	<b>£4,988</b>	<b>£4,617</b>	<b>£4,249</b>



## KEY EVENTS DURING THE YEAR

### Development programme

We made good progress on the development programme achieving 1,177 acquisitions, 942 starts and 1,580 completions. We also secured a £58m grant from the Homes and Communities Agency from its 2011-2015 affordable housing programme.

### Financing

The Group's rating provided by Moody's Investors Service ('Moody's') was confirmed in July 2011 as 'Aa3' with a stable outlook. This is defined by Moody's as indicating high quality and subject to very low credit risk. On 2 August, the Trust tapped into its £180m 5.25% bond due 7 July 2042 and secured an additional £120m at an all in rate of 5.285%. NHHO also secured a £25m long term facility from Santander.

On 13 February 2012, Moody's revised its outlook on the UK sovereign rating from "stable" to "negative". Following this, on 15 February 2012, Moody's changed its outlook on the Notting Hill rating from "stable" to "negative". This change was consistent with the outlook applied to other social housing providers rated by Moody's, given the sectors operational, financial and economic linkages with the UK Government.

### Affordable rents

The new grant arrangements mean that the Group has introduced affordable rents, where the rents will average about 65% of market rent and the tenancy term is typically set as five years. As at 31 March 2012, we had issued 14 such tenancies.

### London focus

The Board decided to focus on investing in London in future. As a result, 867 out of London properties acquired when PHA joined the Group, were disposed of. The sales were all to other housing associations with a stronger local presence and contracts were exchanged for all the sales during 2011/12. The total sales proceeds were £51m, of which £23m was received in 2011/12 and the balance in 2012/13.

### Offices

As part of our local service delivery, we vacated our large rented offices in Hammersmith, and purchased two new buildings. One, our new head office, is in Kings Cross and the other in Hammersmith for staff who need to be based in West London.

### Repairs

The Group reviewed arrangements for day to day repairs, and entered into contracts with Lovells and WDP. Following the year end, the Group and WDP mutually agreed to end the responsive repairs contract, and the two organisations will work closely together during the transition period to ensure our residents continue to receive a quality repairs service with minimal disruption.

## STATEMENT OF RESPONSIBILITIES OF THE BOARD

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 Trust and the Group and of the surplus or deficit for that period. In preparing these financial statements, the board is required to:

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

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and the Group 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 Requirements for Registered Social Landlords Determination 2006. It has general responsibility for taking reasonable steps to safeguard the assets of the Trust and the Group and to prevent and detect 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, all of which 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**

Notting Hill Housing seeks 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 early part of the year, Beever and Struthers acted as internal auditors. Following a retendering process in early 2011, the Group appointed KPMG as internal auditors, who acted from June 2011. 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 2011/2012 and was completed. The internal auditors have direct access to the Audit Committee and met with the Audit Committee during the year without the

presence of any of the paid staff or executive directors. The Audit Committee met four times during the financial year and considered internal control and risk at each of its meetings.

Following the resignation of Grant Thornton UK LLP and a retendering exercise in early 2012, the Group 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. In line with best practice guidance, the Audit Committee met with the external auditors during the year without the presence of any of the 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 8 – Key risks

Risk	Comments	Mitigation
<b>Government funding risk</b>	Approximately 30% of the Group's income is dependent on Government support through housing benefit. Welfare reform changes are expected 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 are assessing the occupancy of our homes and will make offers of smaller accommodation to at risk households. We set rents for our new homes in such a way as 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.
<b>Downturn in the housing market</b>	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.
<b>Availability of finance</b>	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 2012, we had £225m 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.
<b>Health and Safety</b>	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.
<b>Interest rates</b>	At the year end, the Group had £268.9m of variable rate borrowings, so each 1% increase in prevailing interest rates costs about £2.7m. Of the Group's total debt, 64% is fixed, 26% 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 its existing stock the Board has approved a significant new build housing programme.

In order to achieve this, the Board has approved a land bank facility of £200m. This has enabled advantage to be taken of current low prices and maximise its investment/acquisition opportunities across London. At the year end, the Group had invested £95.2m 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 22 to 25. 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 Notting Hill 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 derivative 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 derivatives 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, which matches the accounting treatment of the derivatives 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 derivatives.

Other accounting policies that are critical to the results are:

- the method of accounting for capital grant which is deducted in the balance sheet from the cost of assets
- capitalisation of interest
- capitalisation of repairs
- administration costs in carrying out the development programme are added to the cost of new homes
- the calculation of housing property depreciation
- impairment.
- shared ownership sales

## RESULTS

Five year trends for the Group are set out on page 16.

Turnover for 2011/12 (£216.0m) was significantly lower than 2010/11 (£250.3m). This arose from lower property sales, many of which will now take place in 2012/13.

The surplus for the year at £31.6m after interest was above the approved budget of £14.4m. The key reasons for this were as follows:

- The operating surplus was £47.7m, very close to the budget of £48.2m. Improvements arose in the rented social

housing business and the temporary housing business, offset by a lower than expected surplus from first tranche shared ownership sales, arising from delays in handing over shared ownership homes until after 31 March 2012.

- Interest rates remained low, less was spent on interest than budgeted for, although this was offset to some extent by the carrying cost of the new debt issued.

The following non-recurring items occurred during the year:

- We exchanged our holdings in a number of consortium estates with other landlords. This followed an earlier arrangement where we had managed each others' housing. We also sold 867 properties located outside London to more local providers. The surplus on these transactions amounted to £14.5m.
- We also had a good year in terms of shared ownership staircasing, leading to a surplus on this activity of £3.5m above budget.
- In early 2011, the Group purchased a new head office building in Kings Cross at a cost of £17.7m. This year, we purchased a new building in Hammersmith for the staff that needed to remain in West London at a cost of £7.6m.

After transfer of the surplus for the year of £31.6m (2011: £9.8m), Group reserves at the year end amounted to £263.2m (2011: £240.1m).

## CAPITAL STRUCTURE AND TREASURY POLICY

Borrowings at the year end (excluding loan arrangement fees) were £1,008.6m (2011: £832.0m) and undrawn facilities were an additional £225.3m. This debt is mostly borrowed from banks and building societies in the UK as well as from the capital markets through the bond issue.

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 9.

**Figure 9 – Interest rate strategy**

Item	Target			Actual
	Lower	Central	Upper	Position
Floating	0%	35%	50%	26%
Inflation linked	0%	15%	20%	10%
Fixed	40%	50%	80%	64%

The figure shown as 'lower' is the minimum approved by the Board and the figure shown as 'upper' is the maximum. The Group Finance Director is authorised to enter into interest rate derivatives to modify the Group's exposures provided they remain within this range.

The Group also has a target duration of 6 years and a permitted range of 4-10 years. The year end position was 8.6 years.

Figure 10 provides an analysis of when the debt falls due for repayment:

**Figure 10 – Debt Maturity**

Maturity	Group £m	Trust £m
0 - 1 years	4.8	4.0
1 - 2 years	16.2	3.3
2 - 5 years	17.5	12.4
5 - 10 years	99.2	68.8
10 - 20 years	307.8	169.0
20 - 30 years	263.1	173.7
30 - 40 years	300.0	300.0
	<b>1,008.6</b>	<b>731.2</b>

The Group has entered into stand-alone derivatives with various counterparties. All of these are interest rate swaps, where the Group is the fixed rate payer and the notional value at 31 March 2012 was £243.8m (2011: £163.9m). The Group's policy in relation to cash surpluses is to preserve capital. Cash surpluses are thus invested in approved UK institutions rated

A1 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 £nil (2011: £nil) and the amount at 31 March 2012 was £nil (2011: £nil).

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 all subsidiaries of the Group.

### Housing properties

Housing properties are held at cost in the balance sheet. At 31 December 2011, 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 11.

**Figure 11 – Property valuation**

Item	Rented social housing £m	Shared ownership housing* £m
Cost (excluding depreciation and social housing grant)	1,770.5	369.2
Net book value	711.8	182.3
<b>Value</b>		
• on a vacant possession basis	5,209.0	1,100.0
• on a market value subject to tenancy	2,998.0	300.0
• on an existing use for social housing basis	1,241.0	300.0

\* 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 remaining 40% owned by the leaseholder.

### Work in progress

As at 31 March 2012, the value of the Group's stock of completed unsold homes was £22.6m as opposed to £2.9m at 31 March 2011. This increase arose because a large number of homes were completed in March 2012. Since that date we have received cash from sales of properties amounting to over half of the year end value.

### 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 association's auditors in connection with preparing their report of which the association'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.

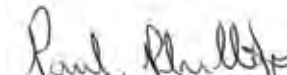
Following a tendering exercise during the year, Grant Thornton UK LLP resigned as auditors and PricewaterhouseCoopers LLP were appointed auditors. The Group's auditor is automatically reappointed on an annual basis, and PricewaterhouseCoopers LLP has expressed willingness to continue in office.

### 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



## Report of the Board and operating and financial review

### Group highlights – five year summary

For the year ended 31 March

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
<b>Group income and expenditure account</b>					
Total turnover	216.0	250.3	213.8	162.3	198.1
Income from lettings	179.6	177.5	161.2	134.9	131.6
Depreciation and amortisation on housing properties	15.7	9.9	4.7	3.1	3.2
Operating surplus	47.7	40.9	29.7	19.1	30.8
Surplus after interest and tax	31.6	9.8	8.1	5.9	19.8
Surplus/(deficit) before asset sales	4.7	(12.2)	(3.7)	(1.9)	(2.3)
<b>Group balance sheet</b>					
Housing properties at cost	2,404.0	2,226.0	2,129.6	1,278.6	1,222.9
Social Housing Grant	(1,291.1)	(1,237.8)	(1,145.8)	(741.3)	(722.7)
Net current assets	155.2	69.3	58.8	96.7	29.2
Indebtedness	1,008.6	832.0	811.1	436.2	326.5
Total reserves	262.6	240.1	209.9	188.2	183.7
<b>Accommodation managed at year end</b>					
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Rented social housing	15,872	15,628	14,606	10,267	10,094
Supported housing	1,348	1,233	1,296	1,025	933
Temporary housing	2,298	2,382	2,432	2,520	2,645
Student accommodation	839	839	839	–	–
Leased housing accommodation	–	102	179	102	165
Market rent accommodation	698	482	312	140	116
Intermediate market rent accommodation	54	54	54	–	–
Total rented housing	21,109	20,720	19,718	14,054	13,953
Shared ownership housing	4,406	4,523	4,360	3,822	3,565
Leasehold in management	1,620	1,579	2,183	1,267	1,216
Total housing	27,135	26,822	26,261	19,143	18,734
<b>Statistics</b>					
Surplus for the year as % of turnover	15%	4%	4%	4%	10%
Surplus for the year as % of income from lettings	18%	6%	5%	4%	15%
Operating margin	22%	16%	14%	12%	16%
Operating margin – social housing lettings	24%	19%	17%	17%	18%
Rent losses (voids and bad debts as % of rent and service charges receivable)	2%	1%	4%	4%	4%
Rent arrears (gross arrears as % of rent and service charges receivable)	11%	12%	14%	10%	11%
Gearing (total loans as % housing properties at cost)	42%	37%	38%	34%	27%
Interest cover (surplus before interest payable and depreciation and amortisation of housing properties as % of net interest payable)	175%	203%	142%	156%	213%

The reported figures for the year ended 31 March 2010 include the results of Presentation Housing Association following its entry into the Group. The figures for previous years exclude Presentation Housing Association.

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

We have audited the financial statements (the "financial statements") of Notting Hill Housing Trust for the year ended 31 March 2012 which comprise the Group and Trust Income and Expenditure Account, the Group and Trust Balance Sheets, the Group Cash Flow Statement, the Group and Trust Statement of Total Recognised Surpluses and Deficits and the related notes. 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).

### Respective responsibilities of the Board and auditors

As explained more fully in the Statement of Board's Responsibilities, the Board is responsible for the preparation of financial statements which 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 International Standards on Auditing (ISAs) (UK and 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.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Trust's circumstances and have been consistently applied and adequately disclosed;

the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Board and Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

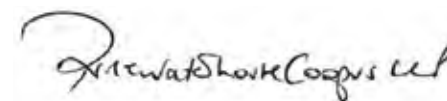
In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Trust's affairs as at 31 March 2012 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 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 Requirements for Registered Social Landlords General Determination 2006.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Friendly and Industrial and Provident Societies Act 1968 requires us to report to you if, in our opinion:

- the Group and the Trust have not kept proper books of account in accordance with Section 1(1)(a) of the Friendly and Industrial and Provident Societies Act 1968; or
- a satisfactory system of control over transactions has not been maintained in accordance with Section 1(1)(b) of the Friendly and Industrial and Provident Societies Act 1968; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.



PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
20th July 2012

## Consolidated and trust income and expenditure account for the year ended 31 March 2012

	Notes	Group		Trust	
		2012 £m	2011 £m	2012 £m	2011 £m
Turnover	2	216.0	250.3	189.9	170.4
Cost of sales	2	(12.9)	(44.3)	(26.7)	(13.0)
Operating costs	2	(155.4)	(165.1)	(133.9)	(140.6)
<b>Operating surplus – continuing activities</b>	2	47.7	40.9	29.3	16.8
Share of operating profit in joint venture	33	(0.2)	–	–	–
Surplus on disposal of assets	4	23.5	15.2	13.1	10.9
Other income	5	–	–	2.5	3.7
<b>Surplus before interest</b>		71.0	56.1	44.9	31.4
Interest receivable and similar income	6	0.9	0.5	3.7	2.6
Interest payable and similar charges	7	(36.6)	(32.5)	(28.5)	(22.8)
Loan break costs		–	(15.5)	–	–
(Losses)/gains in respect of financial derivatives	37	(3.7)	1.2	(0.8)	2.6
<b>Surplus on ordinary activities before taxation</b>	8	31.6	9.8	19.3	13.8
Tax on surplus on ordinary activities	9	–	–	–	–
<b>Surplus for the financial year after taxation</b>		31.6	9.8	19.3	13.8

The notes on pages 22 to 49 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.

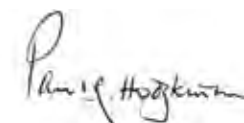
## Statement of total recognised surpluses for the year ending 31 March

	Notes	Group		Trust	
		2012 £m	2011 £m	2012 £m	2011 £m
Surplus for the year after taxation	24	31.6	9.8	19.3	13.8
Surplus on revaluation	10 and 11	7.9	15.6	4.7	0.4
Transfer of engagements		–	–	–	45.2
Actuarial (deficit)/surplus	28	(0.3)	0.4	(0.3)	0.4
Disposal of subsidiaries		–	(0.4)	–	–
Losses in respect of financial derivatives	24	(16.6)	–	(14.6)	–
<b>Total recognised surpluses for the year</b>		22.6	25.4	9.1	59.8

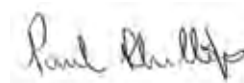
## Consolidated and trust balance sheet at 31 March 2012

	Notes	Group		Trust	
		2012 £m	2011 £m	2012 £m	2011 £m
<b>Tangible fixed assets</b>					
Housing Properties	10	2,404.0	2,226.0	1,838.2	1,695.9
Less Grants	10	(1,296.1)	(1,237.8)	(1,089.1)	(1,043.0)
		1,107.9	988.2	749.1	652.9
Other fixed assets	11	77.8	62.8	45.4	32.5
Investment in Homebuy and Temporary Housing	12	42.0	43.7	0.9	–
Less Homebuy and Temporary Housing grant repayable	12	(42.0)	(43.7)	(0.9)	–
Investments	14	2.3	0.8	146.9	101.2
Investment in joint ventures					
– share of gross assets	33	9.0	2.2	–	–
– share of gross liabilities	33	(9.0)	(2.0)	–	–
		–	0.2	–	–
		<b>1,188.0</b>	<b>1,052.0</b>	<b>941.4</b>	<b>786.6</b>
<b>Current assets</b>					
Properties in the course of sale	15	178.2	128.1	24.1	47.9
Debtors falling due within one year	16	51.3	34.0	46.9	33.2
Current asset investment	17	0.8	4.9	0.2	5.0
Cash at bank and in hand		15.9	20.3	1.7	3.7
		<b>246.2</b>	<b>187.3</b>	<b>72.9</b>	<b>89.8</b>
<b>Current liabilities</b>					
Amounts falling due within one year	18	(91.0)	(118.0)	(63.4)	(93.7)
Net current assets/(liabilities)		<b>155.2</b>	<b>69.3</b>	<b>9.5</b>	<b>(3.9)</b>
<b>Debtors falling due after one year</b>					
Total assets less current liabilities	19	4.4	9.0	4.2	8.9
		<b>1,347.6</b>	<b>1,130.3</b>	<b>955.1</b>	<b>791.6</b>
<b>Creditors</b>					
Amounts falling due after more than one year	20	1,038.4	861.1	738.9	596.9
Pension deficit liability	28	0.7	0.4	0.7	0.4
Derivative financial instruments	37	44.7	22.2	33.5	16.1
		1,083.8	883.7	773.1	613.4
<b>Provisions for liabilities and charges</b>					
	22	<b>1.2</b>	<b>6.5</b>	<b>1.2</b>	<b>6.5</b>
<b>Capital and reserves</b>					
Share capital	23	–	–	–	–
General reserves	24	249.3	217.7	189.5	170.2
Revaluation reserves	24	25.1	17.2	5.8	1.1
Cash flow hedge reserve	24	(16.6)	–	(14.6)	–
Actuarial reserves	24	0.1	0.4	0.1	0.4
		257.9	235.3	180.8	171.7
Minority interest	33	4.7	4.8	–	–
		262.6	240.1	180.8	171.7
		<b>1,347.6</b>	<b>1,130.3</b>	<b>955.1</b>	<b>791.6</b>

The notes on pages 22 to 49 form part of these financial statements. The financial statements were authorised and approved by the Board on 19 July 2012 and signed on its behalf by



Paul Hodgkinson CBE  
Chairman



Paul Phillips  
Group Finance Director



Andrew Nankivell  
Secretary

## Consolidated cash flow statement for the year ended 31 March 2012

	Notes	2012 £m	2011 £m
<b>Net cash inflow from operating activities</b>	25	<b>25.0</b>	<b>34.1</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		0.9	0.6
Interest paid (including capitalised interest)		(40.4)	(33.9)
Gain on disposal of financial derivatives		2.1	–
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(37.4)</b>	<b>(33.3)</b>
<b>Taxation</b>			
Corporation tax		–	–
<b>Capital expenditure</b>			
Purchase and construction of housing properties		(289.8)	(97.0)
Sale of housing properties		54.7	28.6
Social Housing Grant received		79.1	86.2
Other grant received		0.8	–
Purchase of other fixed assets		(17.3)	(17.2)
<b>Net cash (outflow)/inflow from capital expenditure</b>		<b>(172.5)</b>	<b>0.6</b>
<b>Net cash (outflow)/inflow before use of liquid funds and financing</b>		<b>(184.9)</b>	<b>1.4</b>
Management of liquid resources			
Investments held for sale		–	0.1
Increase/(decrease) in cash deposit	26	4.1	(2.6)
		4.1	(2.5)
<b>Financing</b>			
Loans received		214.3	322.8
Loans repaid		(37.9)	(317.6)
Minority interests		–	4.8
<b>Net cash inflow from financing</b>		<b>176.4</b>	<b>10.0</b>
<b>(Decrease)/increase in cash at bank and in hand</b>		<b>(4.4)</b>	<b>8.9</b>

The notes on pages 22 to 49 form part of these financial statements.



# Notes to the financial statements for the year ended 31 March 2012

## 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 accounts 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 Requirements for Registered Social Landlords (General Determination) 2006, 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). SORP 2010 was adopted by the Group during the year ended 31 March 2011.

### Basis of consolidation

The Group financial statements are the result of the consolidation of the financial statements of the Trust and its subsidiaries. The basis of consolidation is the acquisition method. 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 receipt 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 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 participates in three funded multi-employer defined benefit schemes, the Social Housing Pension Scheme ('SHPS'), The London Borough of Richmond Pension Fund (LBRPF) and The London Borough of Islington Pension Fund (LBIPF).

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 and LBIPF, 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 a defined contribution scheme. The 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 materials, direct labour, 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.

## 1. ACCOUNTING POLICIES (continued)

**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 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 successful 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 sold to the Trust 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 realised through the profit and loss 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:

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

**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.

## 1. ACCOUNTING POLICIES (continued)

### 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 as debtors/creditors falling due after more than one year.

### Provisions

Provisions have been included in the accounts 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 lease, 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).

### 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.

### Debtor is 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.

### Derivative financial instruments and hedging activities

Derivatives are initially accounted for and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The gain or loss on remeasurement is taken to the profit or loss account except where the derivative is a designated cash flow hedging instrument. The accounting treatment of derivatives classified as hedges depends on their designation, which occurs on the date that the derivative contract is committed to. The group designates derivatives 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.

## 1. ACCOUNTING POLICIES (continued)

Gains or losses on fair value hedges that are regarded as highly effective are recorded in the profit and loss 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 profit or loss in the same period as the asset or liability affects profit or loss. 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 profit and loss 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 profit or loss.

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 profit and loss account. Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the profit and loss 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 has become 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 derivative 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-derivative 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 derivative 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.

Derivatives 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.

### 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.

## 2. TURNOVER AND OPERATING SURPLUS BEFORE TAXATION

## Group – continuing activities

Year ended 31 March 2012	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus £m
<b>Social housing lettings (note 3)</b>	179.6	–	(136.1)	43.5
<b>Other lettings</b>				
Student accommodation	8.3	–	(3.2)	5.1
Intermediate and market rent	6.7	–	(2.4)	4.3
	15.0	–	(5.6)	9.4
<b>Other income and expenditure</b>				
Development services	2.4	(2.4)	(1.6)	(1.6)
Sales and marketing services	0.4	–	(4.4)	(4.0)
Neighbourhood activities	0.6	–	(1.0)	(0.4)
First tranche shared ownership sales	11.4	(8.0)	–	3.4
Impairment	–	–	(4.1)	(4.1)
	14.8	(10.4)	(11.1)	(6.7)
<b>Non-social housing activities</b>				
Properties built for sale	2.5	(2.5)	–	–
Charitable fundraising activities	0.3	–	(0.3)	–
Commercial activities	3.7	–	(1.9)	1.8
Other activities	0.1	–	(0.4)	(0.3)
	6.6	(2.5)	(2.6)	1.5
<b>Total</b>	<b>216.0</b>	<b>(12.9)</b>	<b>(155.4)</b>	<b>47.7</b>

## Group – continuing activities

Year ended 31 March 2011	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus £m
<b>Social housing lettings (note 3)</b>	177.5	–	(144.4)	33.1
<b>Other lettings</b>				
Student accommodation	8.2	–	(3.5)	4.7
Intermediate and market rent	4.0	–	(2.6)	1.4
	12.2	–	(6.1)	6.1
<b>Other income and expenditure</b>				
Development services	0.1	–	(0.9)	(0.8)
Sales and marketing services	0.7	–	(3.6)	(2.9)
Neighbourhood activities	0.6	–	(1.1)	(0.5)
First tranche shared ownership sales	40.5	(34.1)	–	6.4
Impairment	–	–	(4.5)	(4.5)
	41.9	(34.1)	(10.1)	(2.3)
<b>Non-social housing activities</b>				
Properties built for sale	10.6	(10.2)	–	0.4
Charitable fundraising activities	0.8	–	(0.3)	0.5
Commercial activities	6.1	–	(3.0)	3.1
Other activities	1.2	–	(1.2)	–
	18.7	(10.2)	(4.5)	4.0
<b>Total</b>	<b>250.3</b>	<b>(44.3)</b>	<b>(165.1)</b>	<b>40.9</b>

## 2. TURNOVER AND OPERATING SURPLUS BEFORE TAXATION (continued)

## Trust – continuing activities

Year ended 31 March 2012	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus £m
<b>Social housing lettings (note 3)</b>	155.6	–	(123.6)	32.0
<b>Other lettings</b>				
Intermediate and market rent	3.4	–	(1.3)	2.1
<b>Other income and expenditure</b>				
Development services	26.0	(26.0)	(0.5)	(0.5)
Neighbourhood activities	0.6	–	(1.0)	(0.4)
Impairment	–	–	(5.6)	(5.6)
First tranche shared ownership sales	0.8	(0.7)	–	0.1
	27.4	(26.7)	(7.1)	(6.4)
<b>Non-social housing activities</b>				
Commercial properties	3.2	–	(1.6)	1.6
Charitable fundraising activities	0.3	–	(0.3)	–
	3.5	–	(1.9)	1.6
<b>Total</b>	<b>189.9</b>	<b>(26.7)</b>	<b>(133.9)</b>	<b>29.3</b>

## Trust – continuing activities

Year ended 31 March 2011	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus £m
<b>Social housing lettings (note 3)</b>	149.4	–	(129.7)	19.7
<b>Other lettings</b>				
Intermediate and market rent	1.1	–	(0.9)	0.2
<b>Other income and expenditure</b>				
Development services	12.8	(13.0)	(0.7)	(0.9)
Neighbourhood activities	0.6	–	(1.1)	(0.5)
Impairment	–	–	(5.2)	(5.2)
First tranche shared ownership sales	–	–	–	–
	13.4	(13.0)	(7.0)	(6.6)
<b>Non-social housing activities</b>				
Commercial properties	5.7	–	(2.7)	3.0
Charitable fundraising activities	0.8	–	(0.3)	0.5
	6.5	–	(3.0)	3.5
<b>Total</b>	<b>170.4</b>	<b>(13.0)</b>	<b>(140.6)</b>	<b>16.8</b>

## 3. INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

Group	<b>Rented Social Housing</b>	<b>Shared Ownership</b>	<b>Temporary Housing</b>	<b>Leased Housing</b>	<b>Supported Housing</b>	<b>2012 Total</b>	<b>2011 Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Year ended 31 March 2012</b>							
<b>Income from lettings</b>							
Rent receivable net of service charges	85.9	15.1	38.4	0.7	6.5	146.6	147.7
Service charges receivable	5.2	5.4	–	–	3.6	14.2	13.2
Net rents receivable	91.1	20.5	38.4	0.7	10.1	160.8	160.9
Other revenue grants	0.8	–	–	0.2	5.2	6.2	5.6
Other income	1.3	2.6	0.2	–	8.5	12.6	11.0
<b>Total income from lettings</b>	<b>93.2</b>	<b>23.1</b>	<b>38.6</b>	<b>0.9</b>	<b>23.8</b>	<b>179.6</b>	<b>177.5</b>
<b>Expenditure on letting activities</b>							
Management	(17.8)	(4.9)	(5.2)	–	(4.7)	(32.6)	(34.2)
Care and support costs	–	–	–	–	(9.3)	(9.3)	(9.5)
Service charges	(6.0)	(5.4)	(0.1)	–	(3.1)	(14.6)	(11.2)
Routine maintenance	(19.0)	(0.6)	(0.6)	–	(1.6)	(21.8)	(24.6)
Planned maintenance	(3.9)	–	–	–	–	(3.9)	(8.9)
Major repairs	(11.0)	–	–	2.2	(1.2)	(10.0)	(12.4)
Rent losses from bad debts	(0.5)	(0.3)	0.1	–	(0.3)	(1.0)	(1.7)
Lease charges	–	–	(26.4)	–	–	(26.4)	(31.1)
Depreciation	(13.4)	(1.0)	(0.1)	–	(1.2)	(15.7)	(9.9)
Other	–	–	–	–	(0.8)	(0.8)	(0.9)
<b>Total expenditure on lettings</b>	<b>(71.6)</b>	<b>(12.2)</b>	<b>(32.3)</b>	<b>2.2</b>	<b>(22.2)</b>	<b>(136.1)</b>	<b>(144.4)</b>
<b>Operating surplus on lettings activities</b>	<b>21.6</b>	<b>10.9</b>	<b>6.3</b>	<b>3.1</b>	<b>1.6</b>	<b>43.5</b>	<b>33.1</b>
<b>Void losses</b>	<b>0.9</b>	<b>–</b>	<b>0.7</b>	<b>–</b>	<b>0.4</b>	<b>2.0</b>	<b>2.0</b>

## 3. INCOME AND EXPENDITURE FROM SOCIAL LETTINGS (continued)

Trust	<b>Rented Social Housing</b>	<b>Temporary Housing</b>	<b>Leased Housing</b>	<b>Supported Housing</b>	<b>2012 Total</b>	<b>2011 Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Year ended 31 March 2012</b>						
<b>Income from lettings</b>						
Rent receivable net of service charges	85.9	375	0.7	6.5	130.6	127.7
Service charges receivable	5.2	–	–	3.6	8.8	7.1
Net rents receivable	91.1	375	0.7	10.1	139.4	134.8
Other revenue grants	0.8	–	0.2	5.2	6.2	4.8
Other income	1.3	0.2	–	8.5	10.0	9.8
<b>Total income from lettings</b>	<b>93.2</b>	<b>377</b>	<b>0.9</b>	<b>23.8</b>	<b>155.6</b>	<b>149.4</b>
<b>Expenditure on letting activities</b>						
Management	(18.5)	(5.2)	–	(4.7)	(28.4)	(27.9)
Care and support costs	–	–	–	(9.3)	(9.3)	(9.4)
Service charges	(6.0)	(0.1)	–	(3.1)	(9.2)	(5.2)
Routine maintenance	(19.0)	(0.6)	–	(1.6)	(21.2)	(23.1)
Planned maintenance	(3.8)	–	–	–	(3.8)	(8.6)
Major repairs	(11.0)	–	2.2	(1.2)	(10.0)	(12.4)
Rent losses from bad debts	(0.5)	0.1	–	(0.3)	(0.7)	(1.7)
Lease charges	–	(25.7)	–	–	(25.7)	(31.1)
Depreciation	(13.2)	(0.1)	–	(1.2)	(14.5)	(9.4)
Other	–	–	–	(0.8)	(0.8)	(0.9)
<b>Total expenditure on lettings</b>	<b>(72.0)</b>	<b>(31.6)</b>	<b>2.2</b>	<b>(22.2)</b>	<b>(123.6)</b>	<b>(129.7)</b>
<b>Operating surplus on lettings activities</b>	<b>21.2</b>	<b>6.1</b>	<b>3.1</b>	<b>1.6</b>	<b>32.0</b>	<b>19.7</b>
<b>Void losses</b>	<b>0.9</b>	<b>0.7</b>	<b>–</b>	<b>0.5</b>	<b>2.1</b>	<b>1.9</b>

## 4. PROFIT ON DISPOSAL OF FIXED ASSETS

Group	Housing properties	2012 Total	2011 Total
	£m	£m	£m
Disposal proceeds	54.3	54.3	28.6
Social Housing Grant	21.0	21.0	–
Carrying value of fixed assets	(51.8)	(51.8)	(13.4)
<b>At 31 March</b>	<b>23.5</b>	<b>23.5</b>	<b>15.2</b>

Trust	Housing properties	2012 Total	2011 Total
	£m	£m	£m
Disposal proceeds	55.0	55.0	17.5
Social Housing Grant	21.0	21.0	–
Carrying value of fixed assets	(62.9)	(62.9)	(6.6)
<b>At 31 March</b>	<b>13.1</b>	<b>13.1</b>	<b>10.9</b>

## 5. OTHER INCOME

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Cash donations from other Group entities	–	–	2.5	3.7

## 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Bank deposits	0.9	0.5	0.4	0.1
Intercompany	–	–	3.3	2.5
	<b>0.9</b>	<b>0.5</b>	<b>3.7</b>	<b>2.6</b>

## 7. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Indexation on loans	1.2	1.7	1.2	1.7
Other loans	39.0	32.4	29.0	21.3
Loan set-up costs	0.2	0.2	0.1	0.1
	40.4	34.3	30.3	23.1
Less: interest capitalised on developments	(3.8)	(1.8)	(1.8)	(0.3)
	<b>36.6</b>	<b>32.5</b>	<b>28.5</b>	<b>22.8</b>
Interest is capitalised at	3.89%	0.90%	4.42%	0.90%

## 8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
<b>Surplus on ordinary activities before taxation is stated after charging:</b>				
Depreciation on housing properties	15.7	9.9	14.5	9.4
Depreciation on other fixed assets	3.4	2.7	3.3	2.4
Impairment	4.1	4.5	5.6	5.2
Operating leases				
– Office accommodation	2.5	2.5	2.5	2.5
– Computer hire	0.3	0.3	0.3	0.3
– Temporary housing leases (less than 28 days)	26.4	31.1	25.7	31.1
<b>Auditors remuneration (£000's):</b>				
Audit services (including VAT)	95.9	129.9	49.3	61.3
Non audit services (including VAT)				
– Acquisition of new entities				
– Taxation	–	11.7	–	11.7
– Training	–	7.0	–	7.0
– Loan finance	–	47.0	–	47.0

## 9. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
<b>Current tax</b>				
UK corporation tax on surplus for the year	–	–	–	–
	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
<b>Current tax reconciliation</b>				
Surplus on ordinary activities before tax	31.6	9.8	19.3	13.8
Theoretical tax at UK corporation tax rate 26% (2011: 28%)	8.2	2.7	5.0	3.9
Differences in base cost for staircasing	–	(2.8)	–	–
Indexation on capital gains	–	(0.6)	–	–
Capitalised interest	(0.5)	0.3	–	–
Charitable activities	(5.4)	1.3	(5.0)	(3.9)
Losses carried forward	(1.1)	(1.2)	–	–
Benefit of wear and tear allowances	(0.1)	–	–	–
Differences between accounting profit and capital disposals for tax purposes	(1.0)	–	–	–
Current year LLP taxable income in excess of accounts	0.9	–	–	–
Depreciation in excess of/(less than) capital allowances	0.3	0.1	–	–
Expenses not deductible for tax purposes	(1.2)	–	–	–
Impairment of fixed assets	(0.1)	0.2	–	–
Share of joint venture surpluses	–	–	–	–
<b>Current tax charge</b>	–	–	–	–

## 10. HOUSING PROPERTIES

Group	Completed properties held for letting £m	Market Rent accommodation at valuation £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
<b>Cost or valuation</b>						
At 1 April 2011	1,637.8	34.4	229.8	343.6	42.3	2,287.9
Additions	26.8	0.8	135.2	0.2	65.3	228.3
Impairment	(3.2)	–	–	–	(0.9)	(4.1)
Works to existing properties	14.7	–	–	–	–	14.7
Properties completed	144.8	29.4	(174.2)	34.2	(34.2)	–
Surplus on revaluation of property	–	6.6	–	–	–	6.6
Disposals	(50.4)	–	(1.0)	(8.8)	–	(60.2)
At 31 March 2012	1,770.5	71.2	189.8	369.2	72.5	2,473.2
<b>Depreciation</b>						
At 1 April 2011	60.0	–	–	1.9	–	61.9
Charge for the year	14.7	–	–	1.0	–	15.7
Disposals	(8.4)	–	–	–	–	(8.4)
At 31 March 2012	66.3	–	–	2.9	–	69.2
<b>Depreciated cost</b>						
At 31 March 2012	1,704.2	71.2	189.8	366.3	72.5	2,404.0
At 31 March 2011	1,577.8	34.4	229.8	341.7	42.3	2,226.0
<b>Grants</b>						
At 1 April 2011						
Social housing grant	(902.2)	–	(136.6)	(170.9)	(23.9)	(1,233.6)
Other grants	–	–	(4.2)	–	–	(4.2)
	(902.2)	–	(140.8)	(170.9)	(23.9)	(1,237.8)
Additions	(11.8)	–	(55.5)	(0.1)	(16.5)	(83.9)
Schemes completed	(99.6)	–	99.6	(17.4)	17.4	–
Disposals	21.0	–	–	–	–	21.0
Transferred to RCGF	0.2	–	–	4.4	–	4.6
At 31 March 2012	(992.4)	–	(96.7)	(184.0)	(23.0)	(1,296.1)
Social Housing Grant	(992.4)	–	(91.7)	(184.0)	(23.0)	(1,291.1)
Other grant	–	–	(5.0)	–	–	(5.0)
	(992.4)	–	(96.7)	(184.0)	(23.0)	(1,296.1)
<b>Net book value</b>						
<b>At 31 March 2012</b>	<b>711.8</b>	<b>71.2</b>	<b>93.1</b>	<b>182.3</b>	<b>49.5</b>	<b>1,107.9</b>
<b>At 31 March 2011</b>	<b>675.6</b>	<b>34.4</b>	<b>89.0</b>	<b>170.8</b>	<b>18.4</b>	<b>988.2</b>

## 10. HOUSING PROPERTIES (continued)

Trust	Completed housing properties £m	Housing properties in the course of development £m	Market Rent accommodation at valuation £m	Total £m
<b>Cost or valuation</b>				
At 1 April 2011	1,582.7	172.1	–	1,754.8
Additions	26.9	176.6	–	203.5
Work to existing properties	14.7	–	–	14.7
Impairment	(3.2)	–	–	(3.2)
Properties completed	145.6	(175.0)	29.4	–
Surplus on revaluation of property	–	–	4.7	4.7
Disposals and stock transfers	(50.4)	(21.2)	–	(71.6)
At 31 March 2012	1,716.3	152.5	34.1	1,902.9
<b>Depreciation</b>				
At 1 April 2011	58.9	–	–	58.9
Charge for the year	14.5	–	–	14.5
Disposals	(8.7)	–	–	(8.7)
At 31 March 2012	64.7	–	–	64.7
<b>Depreciated cost</b>				
At 31 March 2012	1,651.6	152.5	34.1	1,838.2
At 31 March 2011	1,523.8	172.1	–	1,695.9
<b>Grants</b>				
At 1 April 2011				
Social Housing Grant	(902.2)	(136.6)	–	(1,038.8)
Other grants	–	(4.2)	–	(4.2)
	(902.2)	(140.8)	–	(1,043.0)
Additions	(11.8)	(55.5)	–	(67.3)
Schemes completed	(99.6)	99.6	–	–
Transferred to RCGF	0.2	–	–	0.2
Disposals	21.0	–	–	21.0
At 31 March 2012	(992.4)	(96.7)	–	(1,089.1)
Social Housing Grant	(992.4)	(91.7)	–	(1,084.1)
Other grants	–	(5.0)	–	(5.0)
	(992.4)	(96.7)	–	(1,089.1)
<b>Net book value</b>				
<b>At 31 March 2012</b>	<b>659.2</b>	<b>55.8</b>	<b>34.1</b>	<b>749.1</b>
<b>At 31 March 2011</b>	<b>621.6</b>	<b>31.3</b>	<b>–</b>	<b>652.9</b>

## 10. HOUSING PROPERTIES (continued)

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
<b>Housing Properties comprise:</b>				
Freeholds	2,302.6	2,124.6	1,797.3	1,655.0
Long leaseholds	101.1	101.1	40.6	40.6
Short leaseholds	0.3	0.3	0.3	0.3
	<b>2,404.0</b>	<b>2,226.0</b>	<b>1,838.2</b>	<b>1,695.9</b>

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Additions to properties include:				
Capitalised interest	3.8	1.8	1.8	0.3
Capitalised development salaries and overheads	6.3	4.9	2.1	3.0

The accounts 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 2012.

**Expenditure on works to existing properties**

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Amounts capitalised	14.7	8.8	14.7	8.8
Amounts charged to income and expenditure account	10.0	12.4	10.0	12.4
	<b>24.7</b>	<b>21.2</b>	<b>24.7</b>	<b>21.2</b>

**Social Housing Grant**

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Total accumulated SHG receivable at 31 March was:				
Capital grants	1,291.1	1,233.6	1,084.1	1,038.8
Revenue grants	18.3	18.3	18.3	18.3
	<b>1,309.4</b>	<b>1,251.9</b>	<b>1,102.4</b>	<b>1,057.1</b>

## 11. OTHER FIXED ASSETS

	Group		Commercial Buildings £m	Other land and buildings £m	Other tangible assets £m	Total assets £m
	2012 £m	2011 £m				
<b>Cost</b>						
Balance brought forward			30.1	33.3	25.4	88.8
Reclassification			1.5	(1.5)	–	–
At 1 April 2011			31.6	31.8	25.4	88.8
Additions			1.3	13.9	2.1	17.3
Surplus on revaluation of property			1.3	–	–	1.3
Disposals			(0.2)	–	(1.1)	(1.3)
At 31 March 2012			34.0	45.7	26.4	106.1
<b>Depreciation</b>						
At 1 April 2011			–	3.9	22.1	26.0
Charge for the year			–	1.4	2.0	3.4
Disposals			–	–	(1.1)	(1.1)
At 31 March 2012			–	5.3	23.0	28.3
<b>Net book value</b>						
<b>At 31 March 2012</b>			<b>34.0</b>	<b>40.4</b>	<b>3.4</b>	<b>77.8</b>
<b>At 31 March 2011</b>			<b>30.1</b>	<b>29.4</b>	<b>3.3</b>	<b>62.8</b>

**Reclassification**

In the previous year, commercial property in Notting Hill Housing Trust was shown under the heading 'Other Land and Buildings'.

The accounts include commercial properties at open market value with vacant possession. These were valued by Dunphys Ltd, and Jones Lang LaSalle, Members of the Royal Institute of Chartered Surveyors at 31 March 2012.

## 11. OTHER FIXED ASSETS (continued)

Trust	Commercial Buildings £m	Other land and buildings £m	Other tangible assets £m	Total assets £m
<b>Cost</b>				
Balance brought forward	–	33.3	22.7	56.0
Reclassification	1.5	(1.5)	–	–
At 1 April 2011	1.5	31.8	22.7	56.0
Additions	0.4	13.9	2.1	16.4
Disposals	(0.2)	–	–	(0.2)
At 31 March 2012	1.7	45.7	24.8	72.2
<b>Depreciation</b>				
At 1 April 2011	–	3.8	19.7	23.5
Charge for the year	–	1.4	1.9	3.3
Disposals	–	–	–	–
At 31 March 2012	–	5.2	21.6	26.8
<b>Net book value</b>				
<b>At 31 March 2012</b>	<b>1.7</b>	<b>40.5</b>	<b>3.2</b>	<b>45.4</b>
<b>At 31 March 2011</b>	<b>–</b>	<b>29.5</b>	<b>3.0</b>	<b>32.5</b>

## 11. OTHER FIXED ASSETS (continued)

## Group

Commercial buildings and Other land buildings comprises

	2012			2011		
	Commercial properties £m	Other land and buildings £m	Total £m	Commercial properties £m	Other land and buildings £m	Total £m
Freehold	31.7	39.6	71.3	29.0	28.4	57.4
Long leasehold	2.3	–	2.3	1.1	1.0	2.1
Short leasehold	–	0.8	0.8	–	–	–
<b>At 31 March 2012</b>	<b>34.0</b>	<b>40.4</b>	<b>74.4</b>	<b>30.1</b>	<b>29.4</b>	<b>59.5</b>

## Trust

Commercial buildings and Other land buildings comprises

	2012			2011		
	Commercial properties £m	Other land and buildings £m	Total £m	Commercial properties £m	Other land and buildings £m	Total £m
Freehold	1.7	39.7	41.4	–	28.4	28.4
Long leasehold	–	–	–	–	1.1	1.1
Short leasehold	–	0.8	0.8	–	–	–
<b>At 31 March 2012</b>	<b>1.7</b>	<b>40.5</b>	<b>42.2</b>	<b>–</b>	<b>29.5</b>	<b>29.5</b>

## 12. INVESTMENT IN HOMEBUY AND TEMPORARY HOUSING ACTIVITIES

Group	Homebuy loans to	Temporary housing	Total
	customers	cost of lease	
	£m	£m	£m
At 1 April 2011	43.7	–	43.7
Paid in year	–	0.9	0.9
Redeemed investment	(2.6)	–	(2.6)
<b>At 31 March 2012</b>	<b>41.1</b>	<b>0.9</b>	<b>42.0</b>
	Homebuy Grants	Temporary housing	Total
	receivable	grants receivable	
	£m	£m	£m
At 1 April 2011	(43.7)	–	(43.7)
Received in year	–	(0.9)	(0.9)
Grants transferred to RCGF	2.6	–	2.6
<b>At 31 March 2012</b>	<b>(41.1)</b>	<b>(0.9)</b>	<b>(42.0)</b>
Trust	Temporary housing	Total	
	cost of lease		
	£m	£m	
Paid in year	0.9	0.9	
<b>At 31 March 2012</b>	<b>0.9</b>	<b>0.9</b>	
	Temporary housing	Total	
	grants receivable		
	£m	£m	
Received in year	(0.9)	0.9	
<b>At 31 March 2012</b>	<b>(0.9)</b>	<b>(0.9)</b>	

## 13. NUMBER OF DWELLINGS UNDER DEVELOPMENT AND IN MANAGEMENT

	Group		Trust	
	2012 Number	2011 Number	2012 Number	2011 Number
<b>In the development programme</b>				
Commercial property	12	43	4	1
Rented social housing	2,038	2,392	1,762	1,499
Shared Ownership housing	1,899	1,986	–	–
Outright sales	1,244	1,102	157	–
Market Rent	122	–	122	–
Intermediate Market Rent	44	50	44	53
	<b>5,359</b>	<b>5,573</b>	<b>2,089</b>	<b>1,553</b>
<b>In management at the end of the year</b>				
Rented social housing	15,872	15,628	15,865	15,628
Shared Ownership housing	4,406	4,523	49	58
Temporary housing	2,298	2,382	2,268	2,382
Leased housing accommodation	–	102	–	102
Market Rent accommodation	698	482	365	213
Intermediate rent accommodation	54	54	42	–
Student accommodation	839	839	–	–
Supported housing and housing for older people	1,348	1,233	1,348	1,233
Leasehold in management	1,620	1,579	369	340
	<b>27,135</b>	<b>26,822</b>	<b>20,306</b>	<b>19,956</b>
<b>Owned but not managed</b>				
General needs rented housing	464	471	464	471
Supported housing and housing for older people	565	586	565	586
	<b>1,029</b>	<b>1,057</b>	<b>1,029</b>	<b>1,057</b>

During the year the total amount of Supported Housing Management Grant payable to managing agents was £1,064,000 (2011: £1,172,000)

## 14. INVESTMENTS

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
<b>Cost</b>				
At 1 April	0.8	1.4	106.3	68.5
Additions	1.5	(0.6)	48.0	37.8
<b>At 31 March</b>	<b>2.3</b>	<b>0.8</b>	<b>154.3</b>	<b>106.3</b>
<b>Impairment</b>				
At 1 April	–	–	5.1	–
Provision for impairment	–	–	2.3	5.1
<b>At 31 March</b>	<b>–</b>	<b>–</b>	<b>7.4</b>	<b>5.1</b>
<b>Net book value</b>				
<b>At 31 March</b>	<b>2.3</b>	<b>0.8</b>	<b>146.9</b>	<b>101.2</b>
<b>At 1 April</b>	<b>0.8</b>	<b>1.4</b>	<b>101.2</b>	<b>68.5</b>

**Investment in subsidiaries**

As required by statute, the financial statements consolidate the results of Notting Hill Housing Trust and its subsidiaries at 31 March 2012 (see note 33).

The Trust has the right to appoint members to the boards of all of its subsidiaries, thereby exercising control.

Notting Hill Commercial Properties Limited made loans to KLA Twickenham LLP and Brenley Park LLP in the amount of £2,300,000 (2011: £800,000) at 12% per annum for development of two sites.

- It has invested £51,000 as shares and loans in Notting Hill Pocket LLP, a joint venture with Pocket Living Limited. This investment has been made to facilitate the development of small affordable flats in London. The company owns 51% of Notting Hill Pocket LLP and jointly controls it with Pocket Living Limited. The investment was impaired last year.

- It has invested £14.3m as shares in Seward Street Developments LLP, a partnership with Mount Anvil PLC. This investment has been made to fund the development of 107 private sale units. The company owns 75% of Seward Street Developments LLP.

During the year the Trust provided management services for Notting Hill Developments Limited, Notting Hill Home Ownership Limited, Notting Hill Commercial Properties Limited, Touraeg Trust Limited, Notting Hill Market Rent Limited and Presentation Market Rent Limited and charged them £3,353,000 (2011: £3,649,000).

## 15. PROPERTIES IN THE COURSE OF SALE

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Properties under construction	155.6	125.2	24.1	47.9
Completed properties	22.6	2.9	–	–
	<b>178.2</b>	<b>128.1</b>	<b>24.1</b>	<b>47.9</b>

## 16. DEBTORS FALLING DUE WITHIN ONE YEAR

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Rental debtors	18.4	19.6	15.9	14.9
Less provision	(8.8)	(9.9)	(8.2)	(8.7)
	9.6	9.7	7.7	6.2
Trade debtors	1.4	0.7	1.2	0.5
Social Housing Grant receivable	24.7	6.9	19.5	6.2
Amounts receivable from local authorities	1.9	1.5	1.8	1.5
Amounts owed by subsidiary undertakings	–	–	10.8	5.3
Value added tax receivable	7.1	0.7	–	–
Stock transfer (see note 18 and 19)	3.6	8.5	3.6	8.5
Other debtors	1.8	2.9	1.4	2.7
Prepayments and accrued income	1.2	3.1	0.9	2.3
	<b>51.3</b>	<b>34.0</b>	<b>46.9</b>	<b>33.2</b>

## 17. CURRENT ASSET INVESTMENTS

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Investments listed on a recognised stock exchange	0.2	0.2	0.2	0.2
Short term deposits	0.6	4.7	–	4.8
	<b>0.8</b>	<b>4.9</b>	<b>0.2</b>	<b>5.0</b>

The above-mentioned listed investments are authorised for sale within 12 months. At 31 March 2012 these had a cost of £73,000 and are stated at market value.

## 18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Housing loans (note 21)	4.8	3.7	4.0	3.4
Trade creditors	7.8	5.8	5.7	4.2
Amounts owed to Group undertakings	–	–	3.0	2.0
Other taxes and social security	3.4	1.6	3.4	1.6
Deferred purchase completion monies	–	39.3	–	33.4
Stock transfer (note 22)	3.6	8.5	3.6	8.5
Other creditors	18.2	14.4	9.4	8.3
Accruals and deferred income	53.2	44.7	34.3	32.3
	<b>91.0</b>	<b>118.0</b>	<b>63.4</b>	<b>93.7</b>

## 19. DEBTORS DUE AFTER MORE THAN ONE YEAR

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Stock Transfer (note 22)	–	5.3	–	5.3
Barnet Surplus and deficit agreement	3.4	3.4	3.4	3.4
Other long term debtors	1.0	0.3	0.8	0.2
	<b>4.4</b>	<b>9.0</b>	<b>4.2</b>	<b>8.9</b>

The stock transfer figure relate to a works programme to be undertaken on the Bolney Meadow estate, which was transferred from the London Borough of Lambeth. The amount 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.

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.

## 20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Housing loans (note 21)	1,003.8	828.3	727.2	581.5
Obligations under leased housing schemes	–	1.9	–	1.8
Recycled capital grant fund	26.4	21.1	3.5	3.8
Disposal proceeds fund	8.2	9.8	8.2	9.8
	<b>1,038.4</b>	<b>861.1</b>	<b>738.9</b>	<b>596.9</b>

**Recycled capital grant fund**

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
At 1 April	21.1	12.9	3.8	0.1
Acquisitions	–	–	–	4.4
Homebuy redemption	2.6	–	–	–
Grants recycled	4.5	11.2	–	–
Interest accrued	0.1	–	–	–
Transferred from other Group member	–	–	–	3.2
Used to finance new provision	(1.9)	(3.0)	(0.3)	(3.9)
<b>At 31 March</b>	<b>26.4</b>	<b>21.1</b>	<b>3.5</b>	<b>3.8</b>

**Disposals proceeds fund**

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
At 1 April	9.8	7.8	9.8	6.8
Transfers of engagements	–	–	–	1.2
Surplus on social homebuy and right to acquire properties	0.1	–	0.1	–
Grants recycled	0.3	1.9	0.3	1.7
Interest accrued	–	0.1	–	0.1
New Build	(2.0)	–	(2.0)	–
<b>At 31 March</b>	<b>8.2</b>	<b>9.8</b>	<b>8.2</b>	<b>9.8</b>

## 21. LOANS

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Secured loans and overdrafts	987.9	810.4	710.5	563.3
Non-recourse secured bank loans	20.7	21.6	20.7	21.6
<b>Housing loans</b>	<b>1,008.6</b>	<b>832.0</b>	<b>731.2</b>	<b>584.9</b>
<b>Analysis of loan repayments</b>				
Repayable on maturity	340.0	220.0	340.0	220.0
Repayable by annual instalments:				
– within one year	4.8	3.7	4.0	3.4
– between one and two years	16.2	9.8	3.3	4.2
– within two to five years	17.5	15.4	12.4	12.9
– in five years or more	630.1	583.1	371.5	344.4
	<b>1,008.6</b>	<b>832.0</b>	<b>731.2</b>	<b>584.9</b>

The loans are secured by fixed charges on individual properties.

The bank and other loans are repaid in quarterly and half-yearly instalments at rates and variable rates of interest ranging from 0.8% to 11.3%. The final monthly instalments fall to be repaid in the period 2012 to 2042.

At 31 March 2012 the Group had undrawn loan facilities of £225m (2011: £264m).

Surplus cash is either used to repay short term or other variable rate loans or deposited on the money market at varying maturities. Any cash deposited is spread amongst a number of financial institutions that exceed a minimum rating approved by the Board.

The group loan balance of £1,008.6m includes £6.6m for the fair value of loans due to the acquisition of Presentation and has been netted off by loan arrangement fees of £7.2m, which are written off over the term of each loan.

On 26 July 2011, the Trust raised £120m via a tap issue of its existing 5.25% bond due 2042. The bond was priced at 1.2% over the benchmark gilt giving an effective rate of 5.285%. These loans were secured by fixed charges on individual properties.

The Trust loan amount of £731.2m includes £3.3m for the fair value of loans due to the acquisition of Presentation and has been netted off by loan arrangement fees which are written off over the term of each loan.

As at the year end, £279m (2011: £169m) of the Group's variable rate debt had its interest rate hedged by standalone interest rate swaps.

Note 37 is 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 2012.

## 22. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions are to provide for restoration of properties at the end of short-term leases.

The balance in respect of stock transfers relates to the costs of work programme to be under taken on the transferred Bolney Meadow in the London Borough of Lambeth. The amount stated represent the Group's legally binding obligation to the London Borough of Lambeth to undertake works under the contract. The VAT saving under this agreement will be shared between the Group and the Local Authority.

Group and Trust			
	Short term leases £m	Stock transfers £m	Total £m
<b>Group and Trust</b>			
At 1 April 2011	1.2	5.3	6.5
Utilised in the year	0.2	–	0.2
Release of provision	(0.2)	–	(0.2)
Reclassification (note 19)	–	(5.3)	(5.3)
<b>At 31 March 2012</b>	<b>1.2</b>	<b>–</b>	<b>1.2</b>

All provisions are attributable to the Trust.

## 23. CALLED UP SHARE CAPITAL

	2012 £	2011 £
At 1 April	97	88
Issued during the year	8	44
Redeemed during the year	(9)	(35)
<b>At 31 March</b>	<b>96</b>	<b>97</b>

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.

## 24. RESERVES

	General reserves £m	Revaluation reserves investment properties £m	Revaluation reserves quoted investments £m	Cash flow hedge reserve £m	Actuarial reserves £m	Minority interest £m	Total Reserves £m
<b>Group</b>							
At 1 April 2011	217.7	17.1	0.1	–	0.4	4.8	240.1
Surplus in the year	31.6	7.9	–	(16.6)	–	(0.1)	22.8
Actuarial deficit	–	–	–	–	(0.3)	–	(0.3)
<b>At 31 March 2012</b>	<b>249.3</b>	<b>25.0</b>	<b>0.1</b>	<b>(16.6)</b>	<b>0.1</b>	<b>4.7</b>	<b>262.6</b>

	General reserves £m	Revaluation reserves investment properties £m	Revaluation reserves quoted investments £m	Cash flow hedge reserve £m	Actuarial reserves £m	Minority interest £m	Total Reserves £m
<b>Trust</b>							
At 1 April 2011	170.2	1.0	0.1	–	0.4	–	171.7
Surplus in the year	19.3	4.7	–	(14.6)	–	–	9.4
Actuarial deficit	–	–	–	–	(0.3)	–	(0.3)
<b>At 31 March 2012</b>	<b>189.5</b>	<b>5.7</b>	<b>0.1</b>	<b>(14.6)</b>	<b>0.1</b>	<b>–</b>	<b>180.8</b>

The revaluation reserve relates to the surplus of current open market value over historical cost of market rent accommodation (see note 10) and commercial buildings (see note 11) and quoted investments.

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

	Group	
	2012 £m	2011 £m
Operating surplus	47.7	40.9
Depreciation	19.1	12.8
Impairment	4.1	4.3
Amortisation of loan set up costs	0.2	0.5
Increase in properties and other assets in the course of sale	(50.1)	(38.5)
Decrease/(increase) in debtors	0.9	(0.2)
Increase in creditors	3.1	14.3
<b>Net cash inflow from operating activities at 31 March</b>	<b>25.0</b>	<b>34.1</b>

## 26. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Group	
	2012 £m	2011 £m
Decrease/(increase) in cash	4.4	(8.9)
Cash flow from decrease/(increase) in liquid resources	4.1	(2.5)
Cash flow from increase in debt and lease finance	176.4	39.4
Non cashflow changes	0.2	0.5
Financial derivatives	–	(19.0)
Total changes in net debt for the year	185.1	9.5
Net debt at 1 April	806.8	797.3
<b>Net debt at 31 March</b>	<b>991.9</b>	<b>806.8</b>

## 27. ANALYSIS OF CHANGES IN DEBT

	1 April 2011 £m	Cash flow £m	Non cashflow changes £m	31 March 2012 £m
Cash at bank and in hand	20.3	(4.4)	–	15.9
Current asset investment	4.9	(4.1)	–	0.8
<b>Loans</b>				
Short term loans	(3.7)	(0.8)	–	(4.5)
Long term loans	(821.7)	(175.6)	(0.2)	(997.5)
Financial derivatives	(6.6)	–	–	(6.6)
<b>Changes in net debt</b>	<b>(806.8)</b>	<b>(184.9)</b>	<b>(0.2)</b>	<b>(991.9)</b>

## 28. PENSION OBLIGATIONS

The Trust's employees are members of London Borough of Richmond Pension Fund (LBRPF), London Borough of Islington Pension fund (LBIPF) or of the Social Housing Pension Scheme (SHPS). The employees of other Group members are members of the SHPS. Further information on each scheme (apart from LBIPF, where figures are not material to the accounts) is given below. The group also contributes to a number of other defined contribution pension schemes for certain employees. Contributions to these schemes are immaterial consequently details of the schemes are not provided.

**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 2008 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527m. The valuation revealed a shortfall of assets compared with the value of liabilities of £663m, equivalent to a past service funding level of 69.7%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. 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 £1,985m and indicated an increase in the shortfall of assets compared to liabilities to approximately £497m, equivalent to a past service funding level of 80.0%.

The Scheme's 30 September 2011 valuation is currently in progress. We have received the provisional SHPS valuation indicating that the SHPS deficit has increased to £1,035m as at 30 September 2011. We expect the valuation to be finalised by December 2012.

## 28. PENSION OBLIGATIONS (continued)

**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 2010 by a qualified independent actuary. The amounts recognised in the consolidated balance sheet are as follows:

Year ended 31 March	2012 £m	2011 £m
Fair value of plan assets	2.4	1.9
Present value of funded retirement benefit obligations	(3.1)	(2.3)
<b>Net liability</b>	<b>(0.7)</b>	<b>(0.4)</b>

The cumulative actuarial gains recognised in the statement of total recognised surpluses and deficits at 31 March 2012 was £79,000 (2011: £341,000). The credit to the income and expenditure account was £20,000 (2011: £288,000).

**Contributions to pension schemes**

Group	2012 £m	2011 £m
SHPS	1.8	2.0
London Borough of Islington	–	–
London Borough of Richmond	0.1	0.1
Defined contribution scheme	0.4	0.3
<b>Total</b>	<b>2.3</b>	<b>2.4</b>

Trust	2012 £m	2011 £m
SHPS	1.7	1.9
London Borough of Islington	–	–
London Borough of Richmond	0.1	0.1
Defined contribution scheme	0.3	0.2
<b>Total</b>	<b>2.1</b>	<b>2.2</b>

## 29. EMPLOYEE INFORMATION

The number of full time equivalent persons (including part time staff) employed on a weekly average basis was:

	Group		Trust	
	2012 Number	2011 Number	2012 Number	2011 Number
Staff engaged in managing or maintaining housing stock	326	341	280	325
Staff engaged in developing or selling housing stock	79	74	42	41
Staff providing central administration services	143	132	143	132
Staff providing care and support	287	268	287	268
	<b>835</b>	<b>815</b>	<b>752</b>	<b>766</b>

Staff costs for the above persons:

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Wages and salaries	27.8	27.8	25.4	25.0
Social security costs	2.6	2.6	2.4	2.3
Other pension costs (note 28)	2.3	2.4	2.1	2.2
	<b>32.7</b>	<b>32.8</b>	<b>29.9</b>	<b>29.5</b>

Redundancy payments of £618,000 (2011: £974,000) were made during the year.

Salary range	2012 £'000	2011 £'000
Lowest paid employee	15	15
Highest paid employee	180	170

## 29. EMPLOYEE INFORMATION (continued)

## Group

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

£'000	2012 Number	2011 Number
60-70	12	16
70-80	9	6
80-90	4	3
90-100	9	7
100-110	–	–
110-120	–	–
120-130	3	3
130-140	–	–
140-150	–	–
150-160	1	1

## 30. BOARD AND EXECUTIVE DIRECTORS' EMOLUMENTS

	Group	
	2012 £'000	2011 £'000
The remuneration of the members of the Board and the Executive Directors was:		
Fees for members of the Board	75	96
Management services of Executive Directors (including pension contributions and benefits in kind).	880	851
Remuneration for management services (excluding pension contributions) includes the amount paid to the highest paid Director.	180	170

Remuneration paid to current Board members is set out below.

	2012 £'000
<b>Current Non-executive Board members</b>	
Paul Hodgkinson (Chairman)	16.5
Bukky Bird	5.5
Annabelle Louvros	5.5
Barbara Matthews	8.3
Alexander Phillips	–
Sophie Warner	8.3
Mohan Yogendran	8.3
Debra Yudolph	8.3
Alastair Moss (appointed 13 July 2011)	3.3

The payments to current non-executive Board members represents 0.03% of turnover.

## Executive Board members

	Salaries £'000	Car Benefits £'000	Pension costs £'000	Bonus £'000	2012 Total £'000	2011 Total £'000
Kate Davies, Group Chief Executive	159	11	14	10	194	184
John Hughes, Group Director of Development and New Business	125	8	31	10	174	163
Paul Phillips, Group Finance Director	125	8	11	4	148	144
Alastair Clegg, Group Corporate Services Director	93	8	22	–	123	122
Andrew Belton, Chief Operating Officer	125	8	11	10	154	154
Kath King, Group Director of Asset Management	80	–	7	–	87	84
	<b>707</b>	<b>43</b>	<b>96</b>	<b>34</b>	<b>880</b>	<b>851</b>

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.

### 31. CAPITAL COMMITMENTS

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	181.0	349.6	60.7	183.6
Capital expenditure that has been authorised by the Board but has not yet been contracted for	95.2	173.9	45.6	82.9

Capital commitments will be funded by a combination of Social Housing Grant, drawdown of existing or new loan facilities, issuing of bonds and or by internal resources.

### 32. 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.

	Group and Trust	
	2012 £m	2011 £m
Office rents		
– Less than one year	–	2.5
Computers		
– Less than one year	–	0.1
– One to five years	0.2	0.2

### 33. 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 accounts. The Trust is a Registered Housing Provider as defined by the Housing and Regeneration Act 2008.

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.
- Cheynne Limited – Ordinary shares and ordinary ‘A’ shares.

## 33. INCORPORATION, SUBSIDIARIES AND JOINT VENTURES (continued)

The Trust has the following subsidiaries.

<b>Company</b> (Subsidiaries)	<b>Principal activity</b>	<b>Parent</b>	<b>Country of registration</b>
Notting Hill Home Ownership Limited	Performs the activities of a registered housing association	The Trust owns one of seven shares and controls the Board. The remaining six shares are held in trust for the Trust.	England and Wales
Notting Hill Commercial Properties Limited	Develops and lets commercial properties	The Trust – 100% shares	England and Wales
Notting Hill Developments Limited	Develops and sells properties	Notting Hill Commercial Properties Limited – 100% shares	England and Wales
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	Dormant company	Notting Hill Home Ownership Limited	England and Wales
Arawak Developments Limited	Develops properties	The Trust – 100% shares	England and Wales
Cheyne Limited	Investment in company	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	Dormant Company	Notting Hill Home Ownership Limited – 100% shares	England and Wales
Grange Walk Notting Hill Limited	Dormant Company	Notting Hill Home Ownership Limited – 100% shares	England and Wales

**33. INCORPORATION, SUBSIDIARIES AND JOINT VENTURES (continued)**

Canonbury Developments Limited, Goat Wharf Limited, and Grange Walk Notting Hill Limited did not trade during the year to 31 March 2012.

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

Notting Hill Commercial Properties Limited has a joint venture with Notting Hill Pocket LLP, Brenley Park LLP and Seward Street Development LLP companies 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 £4.7m at 31 March 2012 (2011: £4.8m).

The Group's investment in joint venture projects amounted to £2.3m (2011: £0.8m). Details of these investments are shown below. During the year the Group made a deficit £0.2m (2011:nil)

The contingent liability is limited to the amount invested.

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).

<b>Name</b>	<b>Nature of business</b>	<b>Share of capital commitments</b>	<b>Proportion of holding</b>	<b>Year ended</b>	<b>Assets 2012 £m</b>	<b>Liabilities 2012 £m</b>	<b>Assets 2011 £m</b>	<b>Liabilities 2011 £m</b>
Wandsworth Parkside LLP	Development of 159 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation.	Nil	50%	31 March	0.4	(0.4)	0.6	(0.4)
KLA Twickenham LLP	Development of 280 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation.	Nil	50%	31 March	0.2	(0.2)	1.6	(1.6)
Notting Hill Pocket LLP	Development of affordable housing	Nil	51%	31 March	–	–	–	–
Brenley Park LLP	Development of 169 shared ownership, permanent rented and private for sale residential accommodation	Nil	50%	31 December	8.4	(8.4)	–	–
<b>Total</b>					<b>9.0</b>	<b>(9.0)</b>	<b>2.2</b>	<b>(2.0)</b>

### 34. TRANSACTIONS WITH RELATED PARTIES

At 31 March 2012 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 2012 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 lessees and the housing management procedures including those relating to management of arrears have been applied consistently to this leaseholder.

At 31 March 2012 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 (2011: £29,000) in respect of administration costs. At the year end date £89,000 (2011: £29,000) was owed to Notting Hill Home Ownership Limited by Seward Street Developments LLP.

### 35. 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.

### 36. POST BALANCE SHEET

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

### 37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

	<b>Loans and receivables</b>	
	<b>2012</b>	<b>2011</b>
	<b>£m</b>	<b>£m</b>
Current asset investments	0.8	4.9
Cash	15.9	20.3
Debtors	43.0	30.2
Debtors falling due after one year	4.4	9.0
	<b>64.1</b>	<b>64.4</b>

	<b>Financial liabilities at fair value</b>		<b>Financial liabilities at amortised cost</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Trade and other payables	–	–	91.0	118.0
Loans and borrowings	–	–	1,008.6	832.0
Other long term creditors	–	–	34.7	33.2
Derivatives				
– Fair value through income and expenditure	15.4	10.1	–	–
– Designated hedges	29.3	12.1	–	–
	<b>44.7</b>	<b>22.2</b>	<b>1,134.3</b>	<b>983.2</b>

#### Valuation

All financial assets or liabilities at fair value are calculated using measurements based on inputs that are observable for the asset/liability either directly or indirectly from prices. All derivatives are designated level 1. All other loans and receivables are shown at historical book value.

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

	<b>2012</b>		<b>2011</b>	
	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Current portion of long term debt	4.8	4.8	3.7	3.7
Long term debt	997.2	1,003.8	821.7	828.3
	<b>1,002.0</b>	<b>1,008.6</b>	<b>825.4</b>	<b>832.0</b>

#### Losses/gains in respect of financial derivatives are set out below.

	<b>Group</b>		<b>Trust</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Gains on disposal of financial derivatives	2.1	–	2.1	–
(Losses)/gains in respect of financial derivatives	(5.8)	1.2	(2.9)	2.6
	<b>(3.7)</b>	<b>1.2</b>	<b>(0.8)</b>	<b>2.6</b>

## 37. 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 21.

**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.

2012	Debt £m	Interest on debt £m	Cash flows on derivative financial instruments	Total £m
			£m	
0-1 year	5.1	33.5	6.3	44.9
1-2 years	16.5	32.9	5.5	54.9
2-5 years	18.3	107.3	12.1	137.7
Over 5 years	969.3	777.1	16.1	1,762.5
	<b>1,009.2</b>	<b>950.8</b>	<b>40.0</b>	<b>2,000.0</b>

2011	Debt £m	Interest on debt £m	Cash flows on derivative financial instruments	Total £m
			£m	
0-1 year	4.0	27.7	5.2	36.9
1-2 years	10.0	30.8	3.9	44.7
2-5 years	16.1	111.4	4.3	131.8
Over 5 years	801.2	689.3	4.1	1,494.6
	<b>831.3</b>	<b>859.2</b>	<b>17.5</b>	<b>1,708.0</b>

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

## 37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

**Sensitivity analysis**

Financial instruments affected by market risk include borrowings and derivative 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 derivatives 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 derivative 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 derivative instruments.
- Changes in the carrying value of derivatives from movements in interest rates designated as cash flow hedges are assumed to be recorded within equity.
- Changes in the carrying value of derivatives 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.

UK interest rate movement	Group			
	2012 interest cost	2011 interest cost	2012 reserves	2011 reserves
0.25% increase	2.3	0.7	4.9	4.7
0.5% increase	4.5	1.4	9.8	9.5
0.75% increase	6.8	2.1	14.7	14.2

**Arrears provision**

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
At 1 April	9.9	12.0	8.7	10.0
Actual provision	0.2	2.4	0.7	3.2
Amounts written off	(1.3)	(4.5)	(1.2)	(4.5)
<b>At 31 March</b>	<b>8.8</b>	<b>9.9</b>	<b>8.2</b>	<b>8.7</b>

**Arrears**

	Group		Trust	
	2012 £m	2011 £m	2012 £m	2011 £m
Less than 30 days	4.0	5.5	3.6	2.7
30 to 60 days	3.1	2.4	2.6	1.9
60 to 90 days	2.0	1.8	1.5	1.4
More than 90 days	9.3	9.9	8.2	8.9
<b>At 31 March</b>	<b>18.4</b>	<b>19.6</b>	<b>15.9</b>	<b>14.9</b>
Former tenant arrears	4.2	5.9	4.0	5.6

There are no indications that the above rental debtors balances are impaired. Included in the above are former tenant arrears have been fully provided for. All other sundry debtors of £3.2m (2011: £3.6m) have normal payment terms of 30 days and are not impaired.

**Capital Risk management**

The capital balances in the Group comprises share capital (note 23), revaluation reserves (note 24) and revenue reserves (note 24). 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.

## NOTES



