

NOTTING HILL
HOUSING TRUST

**Financial
Statements
2014 – 2015**



NottingHillHousing

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REGISTERED OFFICE AND HEAD OFFICE

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www.nottinghillhousing.org.uk

REGISTRATIONS

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

BOARD MEMBERS AND SENIOR STAFF

VICE PRESIDENT **Lionel Morrison OBE**

BOARD MEMBERS



BOARD CHAIRMAN
Paul Hodgkinson
CBE



VICE CHAIRMAN
Debra Yudolph
(appointed 17 September 2014)



CHIEF OPERATING
OFFICER
Andy Belton



Bukky Bird



Linde Carr



CHIEF EXECUTIVE
Kate Davies



Sue Hunt



Alastair Moss



GROUP FINANCE
DIRECTOR
Paul Phillips



James Wardlaw



Sophie Warner



Mohan Yogendran

Alexander Phillips Vice Chairman (resigned 17 September 2014)

EXECUTIVE BOARD



CHIEF EXECUTIVE
Kate Davies



GROUP FINANCE
DIRECTOR
Paul Phillips



GROUP
DEVELOPMENT
DIRECTOR
John Hughes



CHIEF OPERATING
OFFICER
Andy Belton



GROUP CORPORATE
SERVICES DIRECTOR
Andrew Muir



GROUP DIRECTOR
OF NHHT & NOTTING
HILL PATHWAYS
Mark Vaughan

Kath King Group Director Asset Management (resigned 4 December 2014)

Andrew Nankivell Secretary

ADVISORS AND BANKERS

INDEPENDENT AUDITORS

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

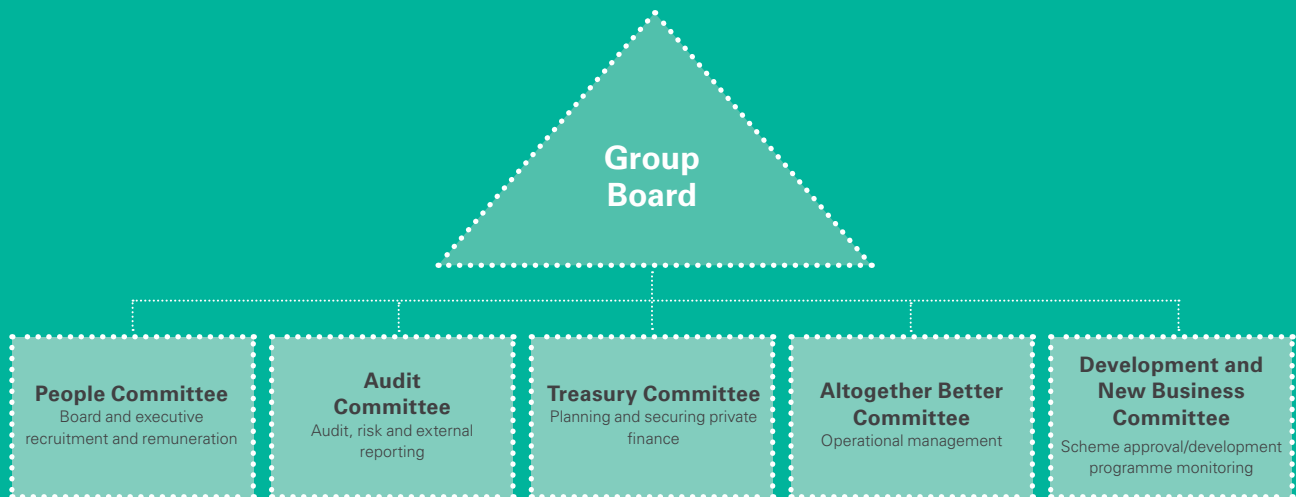
PRINCIPAL SOLICITORS

Devonshires
30 Finsbury Circus
London EC2M 7DT

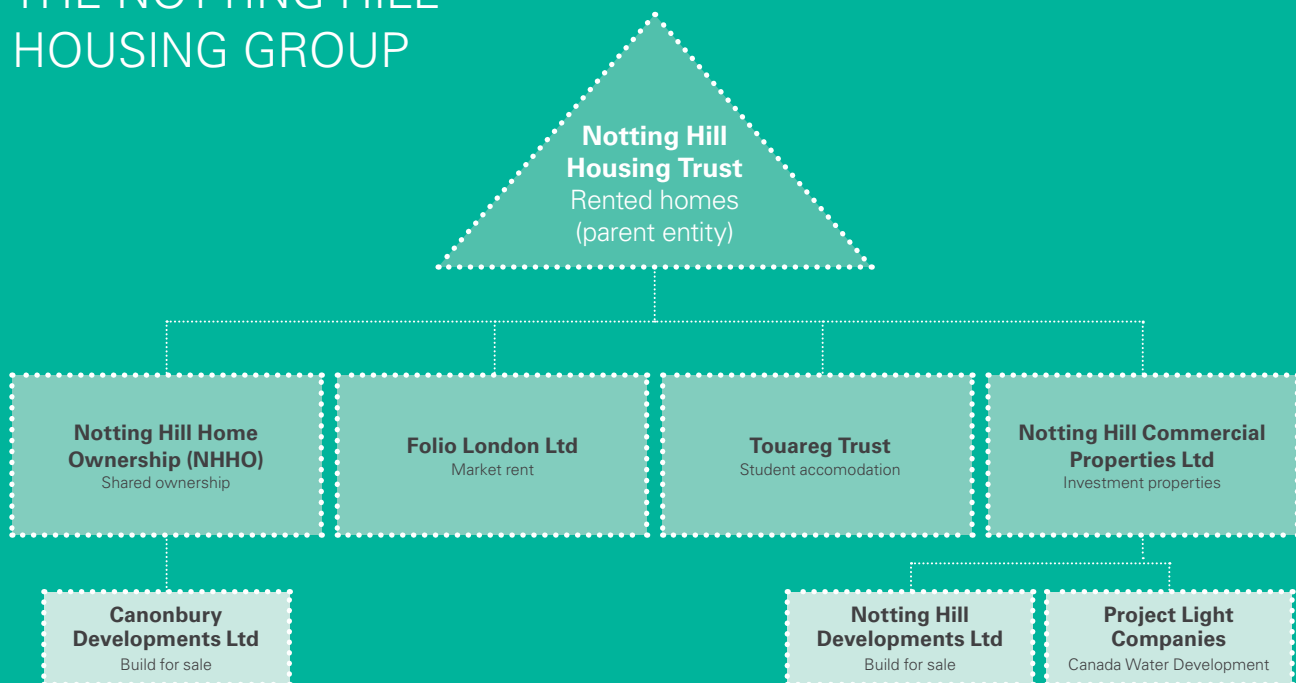
PRINCIPAL BANKERS

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

GOVERNANCE STRUCTURE



KEY* LEGAL ENTITIES IN THE NOTTING HILL HOUSING GROUP



*Key entities in terms of properties managed or active development. A full list of entities is available on page 65.

CHAIRMAN'S REPORT

“

It is a great pleasure to report such excellent results both in terms of our surplus and our overall activities in the year.

”



CHAIRMAN'S REPORT

PAUL HODGKINSON CBE
CHAIRMAN

Notting Hill Housing now owns or manages over 30,000 homes, almost exclusively within the Greater London Area. This focus on London and the affordable housing needs of Londoners presents particular cost challenges as we seek opportunities to develop more homes and manage the ones we already own. But it also contributes to a vacant possession value of our properties in excess of £10 billion.

Last year, we made a surplus of £121.3 million, an 85% increase on the previous year, primarily because of higher sales values for the homes we have developed for sale and strong revenues as shared ownership customers have purchased more equity in their homes from us. We do not pay any dividends so these surpluses, together with our balance sheet strength and ability to borrow, enable us to develop more new, affordable homes for Londoners. This balance sheet strength has been recognised by the two principal credit rating agencies, Moody's and Standard & Poor's. We now have the highest Standard and Poor's credit ratings in the housing association sector - AA for both NHHT and NHHO, shared with only three other peers.

We are very clear about how we are responding to the growing demand for housing in London: we are creating a supply of new homes. This year we have taken significant steps forward on two major developments in London for the Aylesbury Estate in Walworth and at Canada Water, Bermondsey. We are committed to our social purpose and an integral part of this is developing more homes in London. Social Housing Grant now represents 11% of the cost of affordable housing and so we must continue to develop mixed tenure sites and sell developed homes for private sale and undertake commercial rental activities, to enable us to retain the affordable housing units to let to new customers.

Acquiring development land remains difficult due to the strength of the housing market in London. Instead we are increasingly involved in partnerships and joint ventures to develop larger schemes and we are proud of our collaborative partnerships with a number of boroughs in London with respect to public sector land. We now own properties in all 32 London boroughs and we are actively developing in 20 of them. We were awarded £77.4m by the Greater London Authority for the 2015/18 Funding Round - the largest allocation in London, two and a half times more than the next highest recipient - to build 2,250 new homes in London. Our 'starts on site' in 2014/15 were the highest in the GLA area at 1,198 and we are one of the

biggest developers in London - we have 2,488 homes on site at the end of March. So we are not just a significant manager of over 30,000 existing homes for Londoners but we are also one of the largest housing developers of all types of tenure in London.

We have procured new framework contracts for repairs and maintenance which should help improve the service we give to our customers and reduce the costs where there is still work to be done because our operating margins are still below our peer group, the G15 average. Following a decline, our operating costs per unit have increased in the year; this will be a focus when delivering the new repairs and maintenance contracts. We have also launched a newly branded operation for our private rental operations, Folio London, and we expect the size of this portfolio to double over the next 5 years. But we are acutely aware that we must continue to improve our levels of customer satisfaction and use this to develop our capability to create better neighbourhoods and improve the management of our larger, mixed tenure schemes in particular.

The political landscape is changing, the government has announced they are extending the right to buy to our tenants and have more recently announced social rent reductions of 1% per year for the next four years, reductions in the benefit cap to £23,000 for Londoners and tenants paying a market rent if earning over £40,000 in London. These announcements present both risks and opportunities to our business. We will adjust our business plans to respond to these challenges, to work within the new government guidelines, but pragmatically continue to achieve our objectives.

I would like to thank two longstanding colleagues who have left us this year, for their service and commitment to the group: Alex Phillips, who was Vice-Chair and came to the end of his 6 year term; and Kath King, who was the Group Director of Asset Management and has not returned following her adoption leave.

We are fortunate to have an excellent and stable executive team led by Kate Davies supported by strength in depth among the business leaders. Finally, on behalf of the Board, I would like to express my gratitude to the entire staff of Notting Hill Housing Group. I have referred earlier to the strength of the housing market in London. This creates its own challenges for our staff, working in London as they do. Nonetheless I continue to be impressed by their enthusiasm and commitment to providing high quality housing for those who can't afford otherwise to live in London.

Paul Hodgkinson CBE
Board Chairman

PERFORMANCE HIGHLIGHTS

RATINGS

AA outlook negative
Standard & Poor's

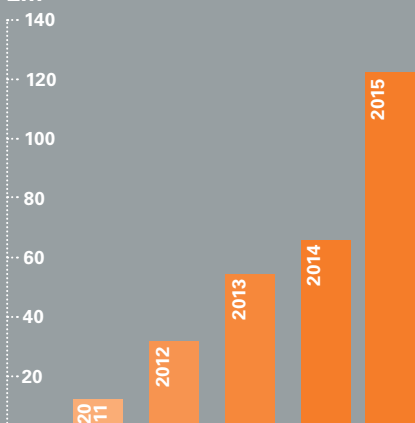
A2 outlook stable
Moody's

£10.3 billion

VACANT POSSESSION VALUE
OF PROPERTY PORTFOLIO

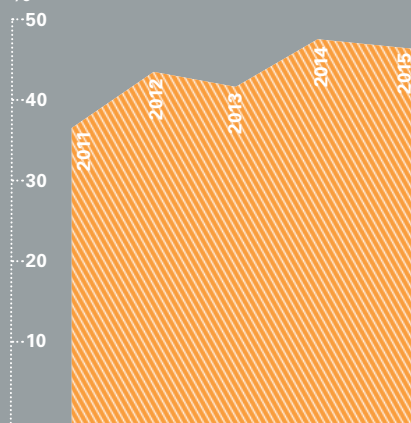
SURPLUS

£m



GEARING

%



We have achieved our highest ever **surplus** of **£121.3m** in 2014/15.

Our surplus as a % of turnover has **improved** from **3.9%** in 2010 to **31.8%** in 2015.

PROPERTIES COMPLETED

895

in 2011

1,580

in 2012

536

in 2013

925

in 2014

1,060

in 2015

Our development programme has completed **1,060 homes** in the year.

We have **8,308 units** in the development pipeline.

HOMES OWNED OR MANAGED

27,879

in 2011

28,320

in 2012

28,376

in 2013

29,475

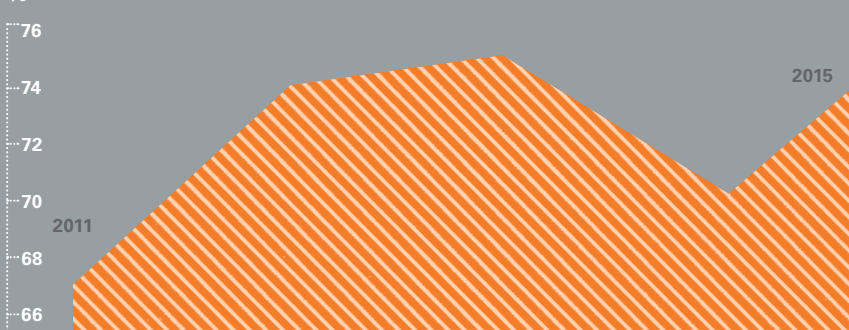
in 2014

30,613

in 2015

OVERALL CUSTOMER SATISFACTION

%



Our overall customer satisfaction has increased from **70%** in 2014 to **74%** in 2015. We have **more work to do to improve** customer satisfaction, in particular our leasehold customers.

MARINE WHARF,
LEWISHAM, 2015



“

Our financial performance and value for money underpins all of our strategic objectives.

We reinvest our entire surplus into providing more affordable homes in London for customers who cannot afford to rent or buy on the open market.

”

WHO ARE WE?

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

Notting Hill provides over 30,000 homes across London. The majority of these are at a low rent for people who cannot afford a full market rent. We also provide shared ownership homes; market rent homes and homes with additional support for those who need it. We are also a major developer of housing in London.

OUR VISION

To be London's leading housing organisation with customers who love where they live and staff who love where they work and the jobs they do.

OUR VALUES

At Notting Hill we are inspired by what we do; act with integrity and openness; and we challenge and support each other. We value individuality and we see our customers and our staff as individuals. Despite our size, the service we offer is flexible, local, and personal, and we are proud of that.

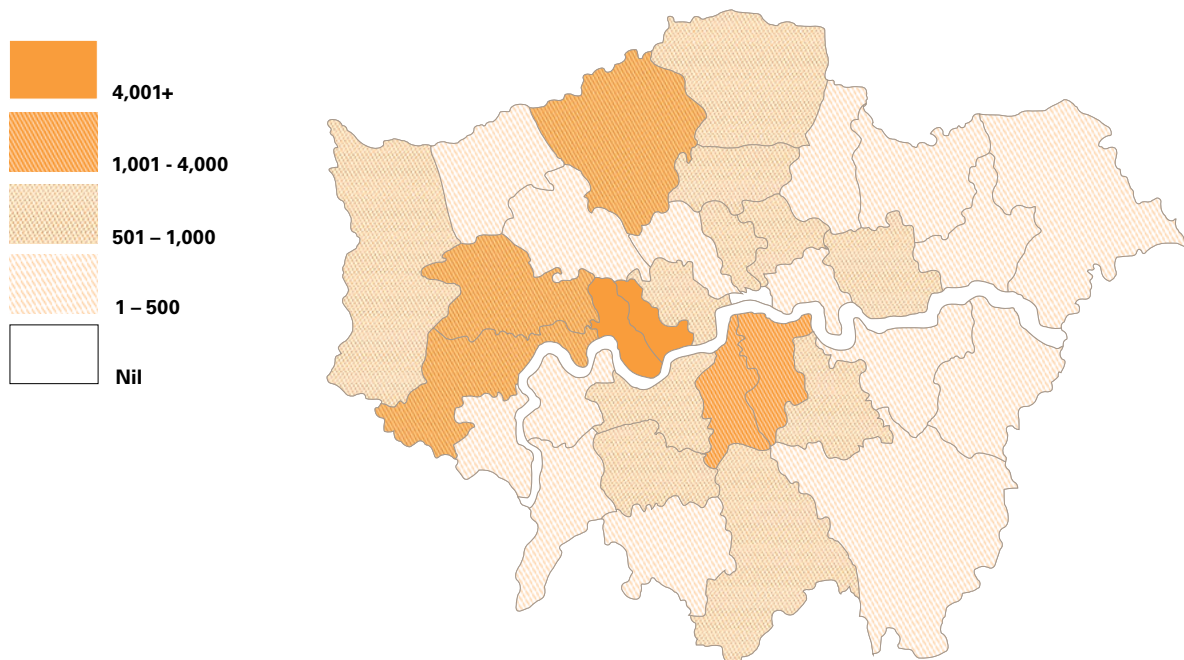
OUR GROUP'S KEY STRATEGIC OBJECTIVES

Customer satisfaction

Our homes Growth
People How we work

WHERE WE OPERATE

During the year the number of properties we own or manage surpassed 30,000. We have 29,573 managed properties and an additional 1,040 properties we own, but are managed by others.

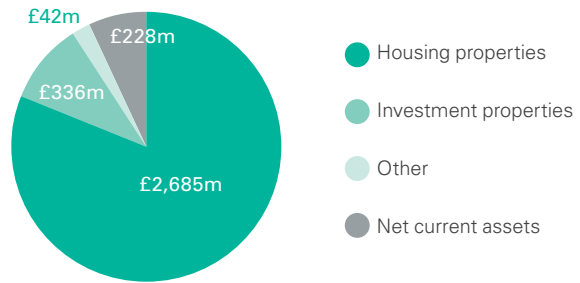


OUR MIX OF HOUSING PROPERTIES UNDER MANAGEMENT IS AS FOLLOWS:

2015		2014	
770	Market rent	665	
839	Student accommodation	839	
1,537	Supported housing	1,453	
1,830	Temporary housing	1,999	
2,452	Leasehold in management	2,045	
5,285	Shared ownership	4,980	
16,860	Rented social housing	16,437	
29,573		28,418	

STRATEGY, OBJECTIVES AND PERFORMANCE

ASSETS



FINANCES

Cost-effectiveness and value for money are key drivers for us which run throughout our strategy. All of our businesses need to make a profit, which is invested in building more homes for lower-income households.

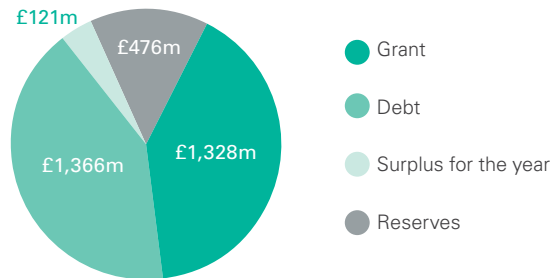
The Board estimates the value of our housing properties to be over £10 billion on a vacant possession basis.

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

KEY OBJECTIVES

- To generate sufficient surpluses to maintain adequate financial strength, support the development programme and meet lenders' covenants.
- To secure new funding to support the Group's needs.

FINANCED BY



COMMENTS

We generated a surplus of £121.3m in 2014/15.

New loan facilities of £30m were agreed during 2014/15 and a further £28m has been agreed in April 2015.

GROWTH

The external environment has challenged us to reconsider how we grow and to look afresh at the housing products that we offer. We want to address the particular circumstances of London's housing needs. Greater diversity in our product offer will help our financial viability and enable us to meet the housing needs of a wider group of people.

KEY OBJECTIVE

- Our target is to build at least 1,400 homes per year.

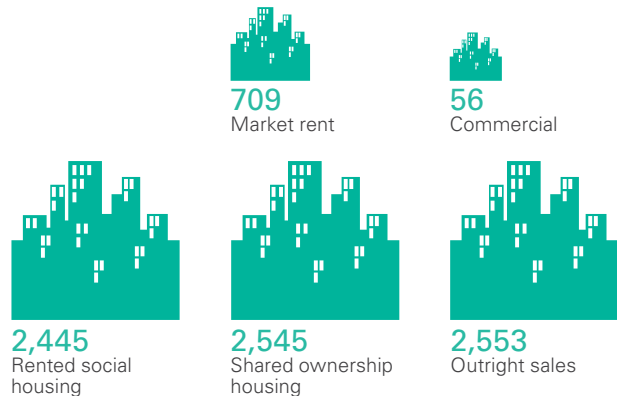
OUR CUSTOMERS

Our Altogether Better (A2B) model is a highly successful customer centred housing management service where housing officers take responsibility for approximately 125 tenants and their properties.

KEY OBJECTIVE

- To increase customer satisfaction and sustain satisfaction levels above 90%

Development pipeline of 8,308 plots by tenure:



COMMENT

In the year, we acquired plots for 1,510, started to build 1,198 homes and completed 1,060. We have let building contracts worth £200m which will add to the economic activity in London.

74%

**of customers
are satisfied
with our service**

COMMENT

Overall customer satisfaction has increased from 70% to 74%. We have more work to do to increase our customer satisfaction, particularly amongst our leaseholders.

OUR HOMES

Our vision is simply to do what we can to help residents love where they live. We aim to deliver this within our asset management strategy.

KEY OBJECTIVE

- **Manage our assets to provide maximum benefit for residents and for the organisation.**

OUR PEOPLE

Our vision is for our staff to love where they work and what they do.

KEY OBJECTIVE

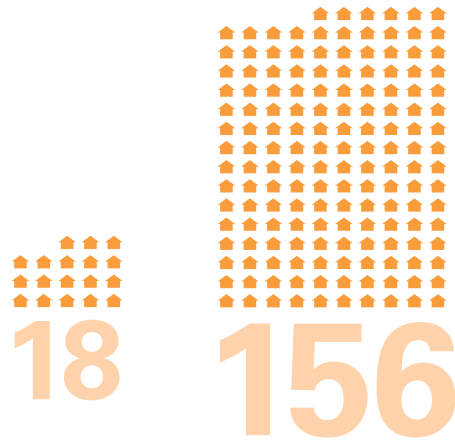
- **To ensure staff have meaningful and interesting jobs, with the freedom to make decisions.**

HOW WE WORK

We are governed and managed by an experienced Board and Executive Team.

We seek to maintain the highest standards of ethics and integrity.

We have a staff Cost Effectiveness Group which provides challenge and supports the overall Value for Money culture.



COMMENT

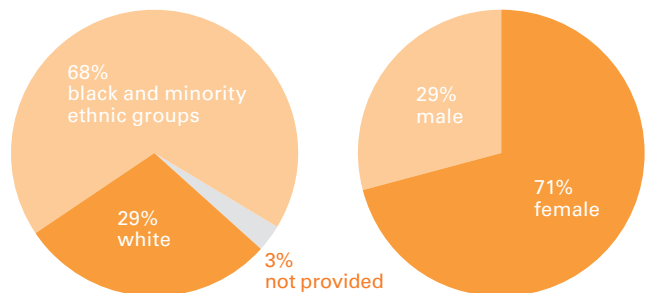
Our active management strategy ensures that smaller homes which require investment are sold and the proceeds invested in family homes in cheaper parts of London. In the financial year to March 2015, we have delivered 156 new family homes and made 18 sales.



COMMENT

Our overall staff satisfaction has increased year on year since 2009 to a high of 79% in 2014.

NHH's staff reflect the diversity of our customer base and of London.



KEY PERFORMANCE INDICATORS

Indicator	2014/15 Performance	2014/15 Target	2013/14 Performance	2013/14 Target
Number of homes currently owned or managed	30,613	30,584	29,475	29,890
Average overhead cost of developing a new home	£4,610	£3,653	£3,814	£4,132
Cost per square metre of homes constructed	£1,567	£1,900	£1,660	£1,900
Sales time to completion (weeks)	9	11	8	12
Rent collection rate over 12 months	100.5%	100.4%	100.6%	100.5%
Current tenant rent arrears	5%	6%	6%	6%
Rent loss due to voids	1.3%	1.2%	1.6%	1.2%
Number of voids	372	273	337	254
Customer satisfaction – overall	74%	75%	70%	78%
Customer satisfaction with sales process	65%	85%	85%	85%
Number of ombudsman investigations	18	0	13	25
Number of adverse findings by ombudsman	1	0	0	0
Percentage of homes with valid gas certificate	99.9%	100%	99.9%	100%
Plots acquired (excluding commercial units)	1,510	1,400	2,310	2,660
Homes started	1,198	1,325	1,412	2,408
Homes completed	1,060	1,711	925	1,332

We are pleased with our overall performance. We have more work to do in the following areas where we have not met our targets for the year:

- Void turnaround in most areas improved but we missed the rent loss target due to some hard-to-let homes in our supported housing business.
- Overall customer satisfaction for the Group has increased from 70% in 2013/14 to 74% in 2014/15, just below the annual target of 75%. Leaseholder satisfaction improved to 60% during the year.
- Customer satisfaction with our sales process was above the target of 85% for most of the year but dipped in the last quarter because of delays and minor defects at one new scheme. We expect satisfaction levels to recover early in the new year.
- We had one adverse finding from 18 ombudsman investigations during the year.
- The performance of the development programme was good in spite of the challenges currently facing the construction industry. Constructors struggled to meet programmes as the supply chain came under pressure from rapid inflation and many subcontractors walked away from contracts or became insolvent. All of our main contractors continued to operate successfully, all our schemes continued and cost inflation was minimised. Our strong relationship with our contracting base enabled us to get almost 1,200 homes under contract and started on site.

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 Debra Yudolph which consists of seven non-executive members and three executives with the meetings taking place concurrently with the Trust Board. Details of Board members, who are drawn from a range of backgrounds, are set out on page 1. The Board delegates some of its responsibilities to committees, which each has a Group-wide remit. Each of these committees has clear terms of reference and delegated authority. They report back to the Board after each meeting, where their recommendations are considered and approved where appropriate.

There are five main functional committees within the Group: the Audit Committee, the Treasury Committee, the Altogether Better Committee, the Development and New Business Committee and the People Committee.

THE AUDIT COMMITTEE

The Audit Committee oversees the work of the internal and external audit functions as well as the risk management framework and internal control framework for the Group. The Committee reviews the audited financial statements for all parts of the Group and recommends them to the relevant Boards for approval. Through the reports it receives, the Audit Committee gains external assurance that the Group has appropriate systems of internal control and complies with the HCA's expectations in this area. The Audit Committee met four times during the year. It comprised Sue Hunt (Chair), Linde Carr (appointed 23 September 2014), Deborah Harris (appointed 11 February 2015), Alastair Moss, James Wardlaw and Alex Phillips (resigned 17 September 2014).

THE TREASURY COMMITTEE

The Treasury Committee undertakes an annual review of the Group's Treasury Policy and hedging strategy. It also oversees the Group's treasury activities including, in particular, the strategy for sourcing of new finance. The Treasury Committee met five times during the year. It comprised James Wardlaw (Chair), Deborah Harris (appointed 11 February 2015), Sue Hunt, Alastair Moss, Paul Phillips (Executive Board member), Alex Phillips (resigned 17 September 2014).

THE ALTOGETHER BETTER COMMITTEE

The Altogether Better Committee is responsible for overseeing the provision of services to the Group's residents and other customers. The Altogether Better Committee met six times during the year. It comprised Debra Yudolph (Chair), Mary-Anne Bowring, Robert Dyer, Michael Larbarlastier, Annabelle Louvros, Michael O'Connell, Stephen Johnson (appointed 21 May 2014), Catherine Stevenson, Samantha Tennakoon, Emina Trozic, Laura Wilkes and Kevin Williamson.

THE DEVELOPMENT AND NEW BUSINESS COMMITTEE

The Development and New Business Committee is responsible for overseeing the effective risk management, control and delivery of major business development programmes and projects across the Group. The Development and New Business Committee met nine times during the year. It comprised Sophie Warner (Chair), Bukky Bird, Joanna Embling, John Hughes (Executive Board member), John German, John Bullough (resigned 11 March 2015) and Robin Byde (resigned 9 March 2015).

THE PEOPLE COMMITTEE

The People Committee considers remuneration of the Board members and of the Executive Board. In addition it oversees the process for board member appraisal, reviews the process for board member appointment and reviews significant human resource and governance issues across the Group. The People Committee met five times during the year. It comprised Mohan Yogendran (Chair), Paul Da Gama, Angela Paradise, Romny Gray, Karen Richardson (appointed 17 July 2014) and Akin Adepoju (resigned 9 June 2014).

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 NHT & Pathways.

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

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

TENANT INVOLVEMENT

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

CODE OF GOVERNANCE

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

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

EMPLOYEES

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

VALUE FOR MONEY (VFM)

WHAT DOES VFM MEAN TO NOTTING HILL HOUSING?

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

HOW DO WE APPROACH VFM?

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

DELIVERY OF VFM

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

Notting Hill Housing has a VFM strategy which is supplemented by other strategies including those related to Asset Management, Development, Investments, ICT and Environment. These strategies determine how we decide on investment and how we will increase the VFM of services we provide.

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

Our people are vital to delivering VFM. We involve them in improvement processes via a number of means. We have a staff Cost Effectiveness Group which provides challenge and supports the VFM culture. Staff satisfaction has increased from 67% in 2011 to 79% in September 2014.

VFM ACHIEVEMENTS - RETURN ON ASSETS

Our aim is to have a development programme of an average of 1,400 homes per year and to have more than 35,000 homes by 2016. Growth is important to us as it satisfies housing need, adds social value and enables us to reduce costs per home. Activity across our Development Programme increased substantially last year and the outturn figures are given in Table A below.

Table A - Development units

Number of Homes	2014/15	
	Start on Site	Completion
Rented housing	562	555
Shared ownership	392	323
Market rent	73	121
Private sale	171	61
Total	1,198	1,060

In addition, we achieved 1,543 units as acquisitions, including the regeneration of the Aylesbury Estate in Southwark. As a result we are now actively developing across London ranging from Havering in the East to

Hillingdon in the West and from Barnet in the North to Lewisham in the South.

We were also successful in our bid for the GLA 2015/18 funding round for which we have been allocated grant for the delivery of 1,050 subsidised rent and 1,200 shared ownership homes.

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

Table B - Return on capital employed

	Operating surplus	Capital deployed	2015 Return	2014 Return
Rented housing	£35.2m	£772.6m	4.6%	4.1%
Shared ownership	£12.5m	£229.4m	5.4%	6.1%
Market rent	£6.8m	£200.4m	3.4%	2.8%
Student accommodation	£3.1m	£40.2m	7.7%	8.1%

The return on Rented Housing increased due to surpluses from affordable rents. Also rent increases exceeded increases in costs, offsetting the fact we have had to borrow more due to the reduction in government grant rates. Shared Ownership returns declined due to higher depreciation caused by a large number of new units. Market rent has increased from last year, closer to the 2013 return. The increased cost of cyclical repairs in the year has resulted in a reduction of student housing return.

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

This year we have sold 18 properties. These sales generated gross proceeds of £8.2m to which we added £17.7m from our own resources to enable us to spend £25.9m on the purchase of 93 affordable rent homes as part of the 156 purchased in the year. Cumulatively we have sold 46 homes and purchased 258, a net gain of 212 homes. We plan in

the 5 year programme to deliver a net gain of 400 largely family sized homes in London, and the new homes will give a significantly better return than the 77 existing properties which we expect to sell.

We have developed a sustainable retrofit strategy which aims to improve the minimum energy efficiency of our stock. We are upgrading all properties to a minimum of SAP40. All cavity walls and empty lofts will be insulated and modern central heating controls will be installed. We will investigate the installation of solar PV panels in suitable areas and review options for improving the energy efficiency of our Victorian street properties. We will seek to maximise external sources of funding for these improvements.

VFM ACHIEVEMENTS - SERVICE COSTS

The following analysis relates to our rented social housing.

Performance on satisfaction and other quality measures are described in the Annual Standards Report for residents and in the Operating and Financial Review within the financial statements. Customer satisfaction has increased for the fifth successive year, from 76% to 77%.

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

In response to the threats to our income streams from welfare reform we have put a great deal of emphasis on cash collection. This has resulted in significant improvements in rent arrears, cash collection and bad debts.

Operating cost per unit increased by £221, despite our budget anticipating a reduction in costs. This was caused by an increase of £153 per unit on repairs charged against income and expenditure and an increase of £145 on housing management costs.

Throughout the year we were in the process of implementing three important pieces of work to improve our repairs service in the future. These were the procurement of all of our repairs contracts, new processes for controlling repairs and restructuring of the teams managing repairs to enhance contract management. Although this work has all now been completed successfully, our focus on them resulted in some cost overruns at the same time as conclusion of the old contracts crystallised some historic costs.

Our management costs are low relative to others, but increased due to higher staff costs and costs from managing agents of large, complex schemes. This resulted in part from catching up on prior year costs and also recognising part of the cost as management costs where they had previously been seen as unrecovered service costs. There was also an increase in the number and value of disrepair claims, particularly solicitor costs. We are looking into better ways of avoiding and managing future claims.

Table C - VfM Indicators for social homes from the financial statements and Housemark

	NHHT 2015	NHHT 2014	G15 2014 Average	G15 Peer group 2014 ranking	Housemark 2014 ranking
Operating cost per home	£4,975	£4,754	£3,703	13	-
Maintenance cost per home – including capitalised repairs	£3,059	£2,959	£2,509	11	12
Management cost per home	£1,098	£953	£995	11	6
Service cost per home	£420	£431	£434	6	-
Overheads as % of income	6.4%	7.6%	-	-	1
Overheads per home	£459	£505	-	-	-
Current rent arrears	5.18%	6.75%	-	-	-
Cash collection %	100.50%	100.30%	-	-	-
Bad debts per home	£39	£50	£43	-	-
Spend per home on new supply	£4,628	£6,731	-	-	-
Total debt per home owned	£47,617	£47,446	-	-	-
Capital commitment % of fixed assets	24%	25%	-	-	-

Our costs remain high relative to our peers. We plan to reduce them in future, starting with the 2015/16 budget, which can be seen in Table D. This reflects lower costs resulting from the improvements to VfM of our maintenance operations outlined above. Our costs are also higher than others due to the nature of our stock. About 50% of our stock is in flat conversions within older properties (mostly Victorian) and this presents particular maintenance and asset management challenges.

Overhead costs were reduced further this year. There was a reduction of £1m on office costs as we occupy less space and surplus floors have been let to commercial tenants. We are introducing more flexible working which is helping reduce the number of desks required for our staff.

The downward trend on operating costs excluding service costs and depreciation but including capitalised repairs was in part reversed due to the factors outlined above, but our budget shows a return to much lower costs.

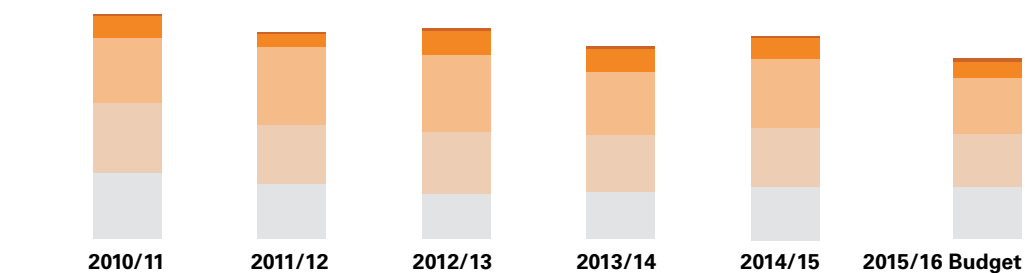
The other businesses within the group compete in the wider market, so we control costs by setting financial performance targets rather than benchmarking. VfM is essential for them to compete in their respective markets.

Notting Hill Housing made contributions of £2.1m in 2014/15 in respect of its liabilities for past service deficits in the Social Housing Pension Scheme. These liabilities have been capped by closing the scheme to future accrual of benefits.

We have continued to be effective at treasury management. A recent report in Social Housing magazine showed the average cost of borrowing for the Group in 2013/14 at 4.19% compared to the average of the 130 largest providers in the sector of 4.64%. Whilst bond yields have fallen across the market in 2014/15 our last issue in February 2014 still remains the lowest spread issued by any own name bond. In April 2015 we obtained unsecured fixed rate debt for NHHO at a cost below 3% which is below the rates being quoted by market advisors for similar term secured debt.

Table D - Trend on operating costs per unit including capitalised repairs

Cost per home(£)	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 Budget
Management	1,356	1,130	921	953	1,098	1,057
Routine Maintenance	1,429	1,206	1,271	1,177	1,205	1,095
Major Repairs	1,349	1,613	1,577	1,291	1,433	1,151
Planned Maintenance	450	267	508	491	421	336
Bad Debts	33	33	51	50	39	73
Total	4,617	4,249	4,328	3,962	4,196	3,712



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

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

VFM PLANS

Operating costs are projected to fall in the coming year and our business plans include unit cost reduction targets of 10% over the following four years.

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

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

We will improve VFM of our repairs services by the changes described above. The aim is to set in place long term contracts which will achieve customer satisfaction and cost effectiveness.

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

There are several IT projects underway which will improve efficiency and support the delivery of services. We are also looking at the way we use our offices in order to free even more space to let commercially, including mobile working and enhanced telephony solutions.

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

ASSURANCE GAINED BY BOARD THAT NOTTING HILL HOUSING ACHIEVES VFM

The Board contains executive members as well as non-executive members who have expertise in finance, development and customer service. It considers performance reports and management accounts quarterly.

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

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

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

FURTHER INFORMATION

Stakeholders can find more information on VFM at Notting Hill Housing on our website, www.nottinghillhousing.org.uk. This includes the VFM Strategy, further detail within the Financial Statements, the Corporate Strategy and the Annual Standards Report.

STATEMENT OF BOARD'S RESPONSIBILITIES

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Registered Provider (RP) 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 RP will continue in business.

The Board is responsible for keeping proper accounting records that are sufficient to show and explain the RP's transactions and disclose with reasonable accuracy at any time the financial position of the RP and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and Regulations thereunder, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012. It is also responsible for safeguarding the assets of the RP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INTERNAL CONTROL

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

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

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

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

IDENTIFICATION AND EVALUATION OF KEY RISKS

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

MONITORING AND CORRECTIVE ACTION

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

CONTROL ENVIRONMENT AND CONTROL PROCEDURES

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

INFORMATION AND FINANCIAL REPORTING SYSTEMS

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

FRAUD

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

ANTI-BRIBERY POLICY STATEMENT

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

AUDIT ASSURANCE

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

An audit plan was agreed by the Audit Committee for 2014/2015 and was completed with the exception of one audit which was deferred in agreement with the Audit Committee. The internal auditors have direct access to the Audit Committee. The Audit Committee met four times during the financial year and considered internal control and risk at each of its meetings.

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

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

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

RISK

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

Risk	Comments	Mitigation
Downturn in the housing market	A large part of the Group's development programme relates to low cost home ownership and outright sale. The Group's ability to deliver this will be adversely affected if there is a lack of demand for the resulting homes at the right price.	The Group keeps the level of work in progress and completed unsold homes under review. Appraisal assumptions allow for falls in value and delays in sales.
Government funding risk	Welfare reform changes in 2013, resulted in reductions in benefit paid to those who are regarded as under occupying their homes. The total amount of benefit payable to out of work families is now limited to £500 per week (and will fall further) and in future housing benefit may not be payable direct to landlords. Approximately 30% of the Group's income is dependent on Government support through housing benefit.	We have assessed the occupancy of our homes and will make offers of smaller accommodation to at risk households. We set rents for our new homes so they are likely to be affordable to those who find their total income capped. The effects of direct payment to residents are being assessed by the Government through a series of demonstration projects. We await the outcome and, if the effects on arrears are severe, we will lobby for changes that protect our position.
Extension of Right to Buy (RTB) to Registered Providers	The Government has announced that tenants of Registered Providers will be able to buy the home they occupy at a discount. The Government has said that they will compensate Registered Providers for the discount. We anticipate that we will be expected to reinvest the proceeds of the sales.	The Group is monitoring developments in this area closely. Scenarios are being developed to run within our financial plans to assess the impact.
Health and Safety	Given the death in 2008 of one of our residents from carbon monoxide poisoning, we remain concerned about health and safety	The Group continues to monitor this area closely. All new schemes are fitted with carbon monoxide detectors and fire prevention measures are reviewed regularly.
Interest rates	At the year end, the Group had £137m of variable rate borrowings, so each 1% increase in prevailing interest rates costs about £1.4m per annum. Of the Group's total debt, 81% is fixed, 11% is variable and 8% 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.
1% rent reduction	The government recently announced in the summer budget that they intend to "Reduce social sector rents by 1% each year for 4 years from 2016/17". The Group is in the process of assessing the impact of these changes on both our operations and our development programme.	The Group continues to monitor this closely and will take appropriate action.

INVESTMENT FOR THE FUTURE

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

To achieve this, the Board has approved a land bank of up to £250m. This has enabled advantage to be taken of low prices and maximise investment/acquisition opportunities across London. At the year end, the Group had invested £116.3m 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 34 to 38. The Group adheres to the requirements of the Statement of Recommended Practice: Accounting by registered social housing providers Update 2010 (the SORP 2010), which is mandatory for registered providers of social housing.

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

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

Other accounting policies that are critical to the results are:

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

RATINGS

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

NHHT was first rated by S&P on 20 October 2014. The rating was AA (stable) and means that, in the opinion of S&P, NHHT's capacity to meet its financial commitments is very strong. NHHT's shared ownership subsidiary, Notting Hill Home Ownership (NHHO), was separately rated by as AA (stable) by S&P on 20 January 2015. On 12 June 2015, S&P revised its outlook on the UK sovereign from stable to negative and following this, on 19 June 2015, S&P revised its outlook on NHHT and NHHO to negative.

Moody's rates Notting Hill Housing Group and has since June 2010. The rating is currently A2 (stable) and has been throughout the period from 1 April 2014 to date. This rating shows that, in the opinion of Moody's, the Group is subject to low credit risk.

RESULTS

Five year trends for the Group are set out on page 23. Turnover for 2014/15 (£381.4m) was higher than 2013/14 (£299.1m). 2014/15 saw an increase over the previous year due to property sales and shared ownership equity sales.

The surplus for the year at £121.3m after interest was above the approved budget of £58.6m and £55.6m greater than 2013/14 (£65.7m). The key reasons for this were as follows:

- The surplus from staircasing sales within our shared ownership business and additional property sales was £28.5m above budget.
- The sale of fixed assets due to our active asset management strategy produced £5m additional surplus.
- Property sales and shared ownership 1st tranche sales were £28.9m above budget.
- Asset management and repair costs were £3.6m above budget.

Group reserves at the year-end amounted to £596.5m (2014: £468.2m). See note 24.

CAPITAL STRUCTURE AND TREASURY POLICY

Borrowings at the year-end were £1,253.8m (2014: £1,206.6m) and undrawn facilities were an additional £465.2m. This debt is borrowed from banks and building societies in the UK as well as from the capital markets through bond issuance.

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

Table E - Interest rate strategy

	Target			Actual
	Lower	Central	Upper	Position
Floating	0%	15%	40%	11%
Inflation linked	0%	15%	25%	8%
Fixed	40%	75%	95%	81%

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

The figure shown as 'lower' is the minimum approved by the Board and the figure shown as 'upper' is the maximum. The Group also has target duration of 11 years and a permitted range of 9 - 14 years. The year-end position was 12.9 years. The Group Finance Director is authorised to enter into interest rate swaps to modify the Group's exposures provided they remain within this range.

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

Table F - Debt maturity

Maturity	Group £m	Trust £m
0-1 years	5.0	3.8
1-2 years	6.3	3.7
2-5 years	104.6	83.2
5-10 years	56.3	14.6
10-20 years	466.4	311.4
20-30 years	366.5	318.3
30-40 years	248.7	248.7
Total	1,253.8	983.7

The Group has entered into interest rate swaps with a gross notional value at 31 March 2015 of £340.1m (2014: £340.4m). The Group's policy in relation to cash surpluses is to preserve capital. Cash surpluses are thus invested in money market funds rated AAAMf and approved UK institutions rated ukA1 by Standard and Poor's.

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

The maximum amount of cash and properties pledged as security for interest rate swap transactions during the financial year was £14.4m (2014: £5.0m) and the amount at 31 March 2015 was £6.2m (2014: £4.0m). The Group generally borrows and lends only in Sterling and so does not have any currency risk. Where it borrows in a foreign currency, all associated cash flows are hedged to remove currency risk. All loans at 31 March 2015 are secured by first fixed charges over housing properties. The Trust and NHHO have a policy of not granting floating charges, although this policy does not extend to subsidiaries.

HOUSING PROPERTIES

Housing properties are held at cost in the balance sheet. At 31 March 2015, the Board was of the opinion that the value of the completed housing properties owned by the Group, compared with their cost is as detailed in Table G.

Table G - Property valuation

Item	Rented social housing £m	Shared ownership housing £m*	Other £m#	Total £m
Cost (excluding depreciation and social housing grant)	2,048.5	416.7	197.6	2,662.8
Net book value	841.9	237.7	279.7	1,359.3
Value				
- on a vacant possession basis	8,237.4	1,770.3	303.6	10,311.3
- on a market value subject to tenancy basis	4,029.1	513.4	279.7	4,822.2
- on an existing use for social housing basis	1,940.2	513.4	n/a	2,453.6

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

Other housing relates to market rent and commercial properties.

INDEPENDENT AUDITORS AND AGM

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

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

STATEMENT OF COMPLIANCE

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

GROUP HIGHLIGHTS

Five Year Summary

2015
£m

2014
£m

2013
£m

2012
£m

2011
£m

For the year ended 31 March

Group income & expenditure account

Total turnover	381.4	299.1	340.4	216.0	250.3
Income from lettings	199.1	184.2	175.5	179.6	177.5
Depreciation & amortisation of housing properties	16.7	16.7	14.3	15.7	9.9
Operating surplus	132.2	86.8	87.6	47.7	40.9
Surplus after interest and tax	121.3	65.7	55.5	31.6	9.8
Surplus/(deficit) before housing sales	30.9	9.4	6.6	4.7	(12.2)

Group balance sheet

Tangible fixed assets, at cost	2,685.0	2,535.9	2,399.9	2,329.5	2,226.0
Social Housing Grant	(1,327.8)	(1,309.4)	(1,301.7)	(1,291.1)	(1,237.8)
Net current assets	227.9	218.3	144.2	155.2	69.3
Indebtedness	1,253.8	1,206.6	997.6	1,008.6	832.0
Total reserves	596.5	468.2	342.3	284.4	240.1

Accommodation managed at year end	2015 Number	2014 Number	2013 Number	2012 Number	2011 Number
Rented Social Housing	16,860	16,437	15,600	15,926	15,628
Supported housing	1,537	1,453	1,415	1,348	1,233
Temporary housing	1,830	1,999	2,125	2,298	2,382
Student accommodation	839	839	839	839	839
Leasehold housing accommodation	-	-	-	-	102
Market rent accommodation	770	665	712	698	482
Intermediate market rent accommodation	-	-	-	-	54
Total rented housing	21,836	21,393	20,691	21,109	20,720
Shared ownership housing	5,285	4,980	4,700	4,406	4,523
Leasehold in management	2,452	2,045	1,779	1,620	1,579
Total housing	29,573	28,418	27,170	27,135	26,822

Statistics	2015	2014	2013	2012	2011
Surplus for the year as % of turnover	32%	22%	16%	15%	4%
Operating margin	35%	29%	26%	22%	16%
Operating margin - Social Housing lettings	29%	27%	25%	24%	18%
Surplus for the year as % of income from lettings	61%	36%	32%	19%	6%
Rent losses (voids and bad debts as % of rent and service charges receivable)	1%	2%	2%	2%	1%
Rent arrears (gross arrears as % of rent and service charges receivable)	8%	9%	11%	11%	12%
Gearing (total loans as % of housing properties at cost)	47%	48%	42%	43%	37%
Interest cover (surplus before interest payable, depreciation and amortisation of housing properties as % of interest payable)	410%	311%	338%	243%	206%

THE BLOOM,
SHEPHERD'S BUSH, 2015



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

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

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

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

- give a true and fair view of the state of the Group's and of the Trust's affairs as at 31 March 2015 and of the Group's and the Trust's surplus and Group's cash flows for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012.

What we have audited

The financial statements comprise:

- the Group and Trust Balance Sheets as at 31 March 2015;
- the Group and Trust Income and Expenditure Accounts and statements of total recognised surpluses and deficits for the year then ended;
- the consolidated Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In applying the financial reporting framework, the Board has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

- a satisfactory system of control over transactions has not been maintained; or
- we have not received all the information and explanations we require for our audit; or

- proper accounting records have not been kept by the Trust; or
- the Trust financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the Board

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

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

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

What an audit of financial statements involves

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

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

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

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

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

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



Julian Rickett
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 July 2015

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

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



“

Our record surplus of £121m in 2014/15 means we are able to continue to develop new affordable homes for Londoners whilst placing less reliance on government subsidy

”

CONSOLIDATED AND TRUST INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

	Notes	GROUP		TRUST	
		2015 £m	2014 £m	2015 £m	2014 £m
Turnover – continuing activities	2	381.4	299.1	192.1	181.0
Cost of sales	2	(88.9)	(51.3)	(0.5)	(4.8)
Operating costs	2	(160.3)	(161.0)	(137.0)	(139.6)
Operating surplus - continuing activities	2	132.2	86.8	54.6	36.6
Share of operating deficit in joint venture	33	-	0.2	-	-
Surplus/(deficit) on disposal of assets	4	34.0	25.8	(11.3)	11.9
Surplus before interest		166.2	112.8	43.3	48.5
Gift aid receivable		-	-	91.1	47.0
Interest receivable and other income	5	2.2	2.6	13.3	6.9
Interest payable and similar charges	6	(46.8)	(44.2)	(42.7)	(39.5)
(Losses) / Gains in respect of financial derivatives	37	(0.3)	(5.5)	4.5	(9.2)
Surplus on ordinary activities before taxation	7	121.3	65.7	109.5	53.7
Tax on surplus on ordinary activities	8	-	-	-	-
Surplus for year		121.3	65.7	109.5	53.7

STATEMENT OF TOTAL RECOGNISED SURPLUSES FOR THE YEAR ENDED 31 MARCH

	Notes	GROUP		TRUST	
		2015 £m	2014 £m	2015 £m	2014 £m
Surplus for the year	24	121.3	65.7	109.5	53.7
Surplus on revaluation	10	16.7	37.4	(11.8)	25.3
Actuarial surplus/(deficit)		(0.1)	-	(0.1)	-
(Losses) /Gains in respect of hedged financial derivatives	24	(9.6)	23.3	(6.3)	18.9
Total recognised surpluses for the year		128.3	126.4	91.3	97.9

The notes on pages 33 to 71 form part of these financial statements. Historical cost surpluses and deficits were identical to those shown in the income and expenditure account. All amounts relate to continuing activities.

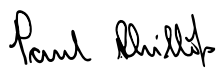
CONSOLIDATED AND TRUST BALANCE SHEETS AS AT 31 MARCH 2015

	Notes	GROUP		TRUST	
		2015 £m	2014 £m	2015 £m	2014 £m
Tangible fixed assets					
Housing Properties at cost less depreciation	9	2,685.0	2,535.9	2,043.3	1,960.6
Less Grants	9	(1,327.8)	(1,309.4)	(1,130.9)	(1,107.5)
		1,357.2	1,226.5	912.4	853.1
Investment properties	10	335.7	277.7	53.3	117.7
Other fixed assets	11	40.5	39.7	39.8	39.5
Investment in Homebuy and Homeoptions	12	34.9	37.2	0.4	0.5
Less Homebuy and Homeoptions grant repayable	12	(34.9)	(37.2)	(0.4)	(0.5)
Investments	14	-	-	377.4	255.7
Investment in joint venture	33	2.4	-	-	-
- share of gross assets	33	2.5	0.2	-	-
- share of gross liabilities	33	(2.5)	(0.2)	-	-
Total fixed assets		1,735.8	1,543.9	1,382.9	1,266.0
Current assets					
Properties in the course of sale	15	251.2	228.4	25.0	12.3
Debtors falling due within one year	16	23.6	19.5	109.9	69.8
Debtors falling due after one year	17	2.5	2.2	1.0	1.0
Interest rate swaps financial instruments	37	14.8	-	16.6	-
Current asset investment	18	1.7	5.4	0.1	0.8
Cash at bank and in hand		32.3	56.5	13.6	31.7
		326.1	312.0	166.2	115.6
Current liabilities					
Amounts falling due within one year	19	(98.2)	(93.7)	(95.0)	(73.6)
Net current assets		227.9	218.3	71.2	42.0
Total assets less current liabilities		1,963.7	1,762.2	1,454.1	1,308.0
Creditors					
Amounts falling due after more than one year	20	1,302.1	1,253.5	986.7	950.2
Pension deficit liability	28	0.8	0.8	0.8	0.8
Derivative financial instrument	37	63.4	38.7	48.6	30.2
		1,366.3	1,293.0	1,036.1	981.2
Provisions for liabilities and charges	22	0.9	1.0	0.9	1.0
Capital and reserves					
Share capital	23	-	-	-	-
General reserves	24	503.4	382.1	429.3	300.8
Revaluation reserves	24	110.5	93.8	2.2	33.0
Cash flow hedge reserve	24	(17.5)	(7.9)	(14.3)	(8.0)
Actuarial reserves	24	(0.1)	-	(0.1)	-
		596.3	468.0	417.1	325.8
Minority interest	24	0.2	0.2	-	-
		596.5	468.2	417.1	325.8
		1,963.7	1,762.2	1,454.1	1,308.0

The notes on pages 33 to 71 form part of these financial statements. The financial statements on pages 30 to 71 were authorised and approved by the Board on 22 July 2015 and signed on its behalf by



Paul Hodgkinson CBE
Chairman



Paul Phillips
Group Finance Director



Andrew Nankivell
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

		GROUP	
	Notes	2015 £m	2014 £m
Net cash inflow from operating activities	25	120.9	43.5
Returns on investments and servicing of finance			
Interest received		2.2	2.6
Interest paid (including capitalised interest)		(55.4)	(50.6)
Joint venture income		-	0.2
Net cash outflow from returns on investments and servicing of finance		(53.2)	(47.8)
Taxation			
Corporation Tax		-	-
Capital expenditure			
Purchase and construction of housing properties		(243.0)	(266.3)
Sale of housing properties		72.9	59.8
Social housing grant received		31.0	9.8
Purchase of other fixed assets		(3.4)	(0.7)
Fixed asset investment		(2.4)	-
Net cash outflow from capital expenditure		(144.9)	(197.4)
Net cash outflow before use of liquid funds and financing		(77.2)	(201.7)
Management of liquid resources			
Decrease in cash deposit	26	3.7	6.5
		3.7	6.5
Financing			
Loans received		98.5	423.8
Loans repaid		(48.2)	(215.5)
Set up costs paid		(1.0)	-
Minority interests		-	(0.5)
Net cash inflow/(outflow) from financing		49.3	207.8
(Decrease)/increase in cash and cash equivalents		(24.2)	12.6

The notes on pages 33 to 71 form part of these financial statements.

NOTES TO THE
FINANCIAL
STATEMENTS
FOR THE YEAR
ENDED 31
MARCH 2015

“

*We have invested over £350m
in new housing in 2014/15.*

*Our development pipeline will
deliver over 8,300 properties
within the Greater London
Area.*

”

1. ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

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

BASIS OF CONSOLIDATION

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

TRANSFER OF ENGAGEMENTS

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

TURNOVER

Turnover comprises rental and service charges, income from shared ownership first tranche sales, revenue grants from local authorities, and proceeds of properties developed for sale.

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

VALUE ADDED TAX

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT on costs to the extent that it is incurred 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.

PENSIONS

The Group has closed two of the multi-employer defined benefit schemes to future accruals, the Social Housing Pension Scheme ('SHPS') and The London Borough of Islington Pension Fund (LBIPF). LBIPF is now completely closed with no future liabilities. It participates in the multi-employer defined benefit scheme with the London Borough of Richmond Pension Fund (LBRPF).

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

For the LBRPF, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

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

DONATED LAND

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

OTHER GRANTS

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

PROPERTIES FOR SALE

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

CURRENT ASSET INVESTMENTS

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

LIQUID RESOURCES

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

REVALUATION RESERVE

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

HOUSING PROPERTIES

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

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

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

Refurbishment or replacement of such components is capitalised and depreciated over the estimated useful life of the component (excluding land and grant) as follows:

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

Housing properties for market rent are stated at market value subject to tenancies (MV-STT). Full revaluations of the properties are undertaken on an annual basis. The value of components is estimated to be equivalent to their depreciated historic cost.

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

Shared ownership properties in the course of development are split proportionally between current and fixed assets based on the element relating to expected first tranche sales.

The first tranche proportion is classed as a current asset and related sales proceeds included in turnover and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

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

Reinvestment expenditure is capitalised where the works increase the net rental stream over that expected at the outset. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance cost, or a significant extension in the life of the property. Where the works are either repair or replacement with no additional utility, the costs are charged to the income and expenditure account.

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

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

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

OTHER FIXED ASSETS

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

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

IMPAIRMENT

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

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

HOMEBUY

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

SOCIAL HOUSING AND OTHER GRANTS

Where developments have been financed wholly or partly by SHG and other grants the cost of the development is shown gross with the amount of grant receivable as a deduction.

SHG and other grants are split proportionally between land and structure with none allocated to components unless there is an excess. SHG and other grants which have not yet been received where claims have been submitted are recognised as debtors.

Where expenditure included in the income and expenditure account is wholly or partly financed by SHG and other

grants, the relevant amount of SHG and other grants receivable is shown as revenue grant in the income and expenditure account.

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

RENTAL DEBTORS

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

TAXATION

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

GIFT AID

Following the publication of Institute of Chartered Accountants in England and Wales (ICAEW) Technical Alert 16/14 BL, gift-aid payments are treated as distributions of reserves in the Group's subsidiaries. Previously gift-aid payments were recognised within the Income and Expenditure account in Notting Hill Home Ownership Limited, Presentation Market Rent Limited, Folio London Limited, and Goat Wharf Limited. In accordance with Financial Reporting Standard 28 - Corresponding amounts, the comparatives have been adjusted to provide comparable disclosures.

DEFERRED TAXATION

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

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

DEFICIT/SURPLUS AGREEMENTS

Certain agreements entered into by the Trust have been guaranteed by local authorities so that any capital deficits or revenue deficits/surpluses are refundable by/to the local

authority. Deficits or surpluses arising from these schemes are recorded either as debtors/creditors falling due within one year or as debtors/creditors falling due after more than one year.

PROVISIONS

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

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

LEASES

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

LOAN ISSUE COSTS

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

INTRA-GROUP DONATIONS

Charitable donations made between Group entities are shown in the financial statements at the value of the donation. Within the Group such transactions are eliminated.

SUPPORTED HOUSING SERVICES

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

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 33.

INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries are shown at cost.

DEBTORS FALLING DUE AFTER MORE THAN ONE YEAR

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

SERVICE CHARGES

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

ACCOMMODATION OWNED BUT NOT MANAGED

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

INTEREST RATE SWAP FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

The group designates interest rate swaps as:

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

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

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

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

of the gain or loss on the hedging instrument are recognised in the income and expenditure account.

For the portion of hedges deemed ineffective or transactions that do not qualify for hedge accounting under FRS 26, any change in assets or liabilities is recognised immediately in the income and expenditure account. Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the income and expenditure account when the committed or forecasted transaction is recognised in the profit and loss account. However, where an entity applied cash flow hedge accounting for a forecasted or committed transaction that is no longer expected to occur, the cumulative gain or loss that has been recorded in equity is transferred to the profit and loss account. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account.

FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS

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

FAIR VALUE THROUGH INCOME AND EXPENDITURE

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

LOANS AND RECEIVABLES

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

FINANCIAL LIABILITIES

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

FAIR VALUE THROUGH INCOME AND EXPENDITURE

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

OTHER FINANCIAL LIABILITIES

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

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

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



MARINE WHARF,
LEWISHAM, 2015

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

GROUP Continuing activities	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus £m
Year ended 31 March 2015				
Social housing lettings (note 3)	199.1	-	(141.9)	57.2
Other social housing activities				
Development services	0.4	-	(2.8)	(2.4)
Sales and marketing services	1.2	-	(2.5)	(1.3)
Neighbourhood activities	0.5	-	(0.6)	(0.1)
First tranche shared ownership sales	68.5	(39.7)	-	28.8
Supporting people and care	8.2	-	(9.1)	(0.9)
Other income	4.8	-	-	4.8
	83.6	(39.7)	(15.0)	28.9
Non-social housing activities				
Properties for sale	76.8	(49.2)	-	27.6
Charitable fundraising activities	0.3	-	(0.2)	0.1
Commercial activities	5.2	-	(0.8)	4.4
Student accommodation	6.1	-	(3.0)	3.1
Market rent	10.3	-	(3.5)	6.8
Impairment reversal	-	-	4.1	4.1
	98.7	(49.2)	(3.4)	46.1
Total	381.4	(88.9)	(160.3)	132.2

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

2. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS - CONTINUED

TRUST Continuing activities	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus £m
Year ended 31 March 2015				
Social housing lettings (note 3)	171.2	-	(126.5)	44.7
Other social housing activities				
Development services	0.5	(0.5)	(1.7)	(1.7)
Neighbourhood activities	0.5	-	(0.6)	(0.1)
Supporting people and care	8.2	-	(9.1)	(0.9)
Other income	1.6	-	-	1.6
	10.8	(0.5)	(11.4)	(1.1)
Non-social housing activities				
Commercial properties	3.5	-	(2.3)	1.2
Charitable fundraising activities	0.3	-	(0.2)	0.1
Market rent	6.3	-	(2.0)	4.3
Impairment reversal	-	-	5.4	5.4
	10.1	-	0.9	11.0
Total	192.1	(0.5)	(137.0)	54.6

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

3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

GROUP	Rented Social Housing £m	Shared Ownership £m	Temporary Housing £m	Supported Housing £m	2015 Total £m	2014 Total £m
Year ended 31 March 2015						
Income from lettings						
Rent receivable	112.6	19.9	33.4	12.5	178.4	166.8
Service charges receivable	5.3	8.2	-	5.7	19.2	17.0
Net rents receivable	117.9	28.1	33.4	18.2	197.6	183.8
Other grants	0.2	-	1.3	-	1.5	0.4
Total income from social housing lettings	118.1	28.1	34.7	18.2	199.1	184.2
Expenditure						
Management	(18.1)	(5.5)	(5.7)	(5.4)	(34.7)	(30.4)
Service charges	(7.0)	(8.2)	(0.1)	(2.5)	(17.8)	(16.2)
Routine maintenance	(20.1)	(0.4)	(1.2)	(1.7)	(23.4)	(22.0)
Planned maintenance	(7.0)	-	-	(1.0)	(8.0)	(9.4)
Major repairs expenditure	(16.3)	-	-	(1.5)	(17.8)	(14.0)
Bad debts	(0.6)	-	0.4	(0.2)	(0.4)	(1.1)
Lease charges	-	-	(23.1)	-	(23.1)	(24.3)
Depreciation of housing properties	(13.8)	(1.5)	(0.1)	(1.3)	(16.7)	(16.7)
Operating costs on social housing lettings	(82.9)	(15.6)	(29.8)	(13.6)	(141.9)	(134.1)
Operating surplus on social housing lettings	35.2	12.5	4.9	4.6	57.2	50.1
Void Losses	1.2	-	0.3	0.7	2.2	2.8

3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS - CONTINUED

TRUST	Rented Social Housing £m	Temporary Housing £m	Supported Housing £m	2015 Total £m	2014 Total £m
Year ended 31 March 2015					
Income from lettings					
Rent receivable	112.4	33.4	12.5	158.3	148.5
Service charges receivable	5.6	-	5.8	11.4	9.8
Net rents receivable	118.0	33.4	18.3	169.7	158.3
Other grants	0.2	1.3	-	1.5	0.4
Turnover from social housing lettings	118.2	34.7	18.3	171.2	158.7
Expenditure					
Management	(18.3)	(5.7)	(5.0)	(29.0)	(25.6)
Service charges	(7.3)	(0.1)	(2.5)	(9.9)	(9.0)
Routine maintenance	(19.8)	(1.2)	(1.7)	(22.7)	(22.0)
Planned maintenance	(7.0)	-	(1.4)	(8.4)	(9.4)
Major repairs expenditure	(16.3)	-	(1.5)	(17.8)	(14.0)
Bad debts	(0.7)	0.4	(0.2)	(0.5)	(1.1)
Lease charges	-	(23.1)	-	(23.1)	(24.3)
Depreciation of housing properties	(13.7)	(0.1)	(1.3)	(15.1)	(15.6)
Operating costs on social housing lettings	(83.1)	(29.8)	(13.6)	(126.5)	(121.0)
Operating surplus on social housing lettings	35.1	4.9	4.7	44.7	37.7
Void Losses	1.1	0.3	0.7	2.1	2.9

4. SURPLUS/DEFICIT ON SALE OF FIXED ASSETS

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Disposal proceeds	72.9	59.2	85.4	16.7
Carrying value of fixed assets	(38.0)	(33.0)	(96.0)	(4.7)
Other costs	(0.9)	(0.4)	(0.7)	(0.1)
At 31 March	34.0	25.8	(11.3)	11.9

5. INTEREST RECEIVABLE AND OTHER INCOME

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Bank deposits	2.2	2.6	2.2	2.2
Inter-company	-	-	11.1	4.7
	2.2	2.6	13.3	6.9

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Indexation on loans	-	0.5	-	0.5
Other loans	49.0	39.6	41.8	32.7
Interest paid on interest rate swaps	6.1	10.1	4.3	8.3
Loan set up costs	0.5	0.4	0.3	0.2
	55.6	50.6	46.4	41.7
Less: interest capitalised on developments	(8.8)	(6.4)	(3.7)	(2.2)
	46.8	44.2	42.7	39.5
Interest is capitalised at	4.16%	4.11%	4.81%	4.74%

7. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Surplus on ordinary activities before taxation is stated after charging:				
Depreciation on housing properties	16.7	16.7	15.1	15.6
Depreciation on other fixed assets	2.6	2.7	2.6	2.4
Impairment (reversal)/charged	(4.1)	1.9	(5.4)	3.1
Computer hire	0.1	0.1	0.1	0.1
Rent on temporary housing leases (Less than 28 days)	23.1	24.3	23.1	24.3
(These properties are leased from private landlords for three to five years to house homeless families nominated through local authority partners.)				
Auditors remuneration	£'000	£'000	£'000	£'000
Audit services (excluding VAT)	125.5	119.5	71.6	70.2
Non audit services (including VAT)				
Bond issue	-	9.0	-	9.0

8. TAXATION

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Current tax				
UK corporation tax on surplus for the year	-	-	-	-
The tax assessed for the year is lower than (2014: lower than) the standard rate of corporation tax in the UK of 21% (2014: 23%).				
	Group	Trust	Group	Trust
	2015 £m	2014 £m	2015 £m	2014 £m
Current tax reconciliation				
Surplus on ordinary activities before tax	121.3	65.7	109.5	53.7
Theoretical tax at UK corporation tax rate 21% (2014: 23%)	25.5	15.1	23.0	12.4
Differences in base cost for staircasing	-	-	-	-
Indexation on capital gains	-	-	-	-
Capitalised interest	(0.2)	(0.3)	-	-
Charitable activities	(23.4)	(14.1)	(23.0)	(12.4)
Losses carried forward	0.5	0.3	-	-
Benefit of wear and tear allowances	(0.1)	(0.1)	-	-
Differences between accounting profit and capital disposals for tax purposes	(1.9)	(1.9)	-	-
Fixed asset deficiencies	(0.1)	-	-	-
Depreciation in excess of / (less than) capital allowances	0.3	-	-	-
Impairment of fixed assets	-	0.3	-	-
Expenses not deductible for tax purposes	(0.6)	0.7	-	-
Current tax charge	-	-	-	-
Deferred tax				
Provision for deferred tax	-	-	-	-

9. HOUSING PROPERTIES

Group	Completed properties held for letting £m	Letting properties in the course of development £m	Completed shared ownership properties £m	Shared ownership properties in the course of development £m	Total £m
Cost					
At 1 April 2014	1,958.7	181.9	406.0	89.3	2,635.9
Additions	-	120.6	0.5	68.1	189.2
Impairment reversal	-	3.4	-	0.4	3.8
Works to existing properties	2.8	-	-	-	2.8
Properties completed	88.3	(88.3)	35.4	(35.4)	-
Disposals and stock transfers	(1.3)	(3.5)	(25.2)	(0.4)	(30.4)
At 31 March 2015	2,048.5	214.1	416.7	122.0	2,801.3
Depreciation					
At 1 April 2014	95.4	-	4.6	-	100.0
Charge for the year	15.2	-	1.5	-	16.7
Disposals	(0.1)	-	(0.3)	-	(0.4)
At 31 March 2015	110.5	-	5.8	-	116.3
Depreciated cost					
At 31 March 2015	1,938.0	214.1	410.9	122.0	2,685.0
At 31 March 2014	1,863.3	181.9	401.4	89.3	2,535.9
Grants					
Social housing grant	(1,079.7)	(22.8)	(180.2)	(21.7)	(1,304.4)
Other grants	-	(5.0)	-	-	(5.0)
At 1 April 2014	(1,079.7)	(27.8)	(180.2)	(21.7)	(1,309.4)
Additions	3.5	(20.4)	-	(11.8)	(28.7)
Schemes completed	(20.6)	20.6	(3.6)	3.6	-
Transferred to/from recycled capital grant fund	0.6	(8.1)	10.6	1.9	5.0
Transferred to creditors	0.1	1.0	-	4.2	5.3
At 31 March 2015	(1,096.1)	(34.7)	(173.2)	(23.8)	(1,327.8)
Social housing grant	(1,096.1)	(29.7)	(173.2)	(23.8)	(1,322.8)
Other grant	-	(5.0)	-	-	(5.0)
At 31 March 2014	(1,096.1)	(34.7)	(173.2)	(23.8)	(1,327.8)
Net Book Value					
At 31 March 2015	841.9	179.4	237.7	98.2	1,357.2
At 31 March 2014	783.6	154.1	221.2	67.6	1,226.5

9. HOUSING PROPERTIES - CONTINUED

Trust	Completed properties held for letting £m	Letting properties in the course of development £m	Total £m
Cost			
At 1 April 2014	1,904.1	150.0	2,054.1
Additions	-	96.0	96.0
Works to existing properties	2.8	-	2.8
Impairment reversal	-	3.5	3.5
Properties completed	88.3	(88.3)	-
Disposals and stock transfers	(1.2)	(3.4)	(4.6)
At 31 March 2015	1,994.0	157.8	2,151.8
Depreciation			
At 1 April 2014	93.5	-	93.5
Charge for the year	15.1	-	15.1
Disposals	(0.1)	-	(0.1)
At 31 March 2015	108.5	-	108.5
Depreciated cost			
At 31 March 2015	1,885.5	157.8	2,043.3
At 31 March 2014	1,810.6	150.0	1,960.6
Grants			
Social housing grant	(1,079.7)	(22.8)	(1,102.5)
Other grants	-	(5.0)	(5.0)
At 1 April 2014	(1,079.7)	(27.8)	(1,107.5)
Additions	-	(20.4)	(20.4)
Schemes completed	(20.6)	20.6	-
Transferred to/from recycled capital grant fund	4.0	(8.1)	(4.1)
Transferred to creditors	0.1	1.0	1.1
At 31 March 2015	(1,096.2)	(34.7)	(1,130.9)
Social housing grant	(1,096.2)	(29.7)	(1,125.9)
Other grants	-	(5.0)	(5.0)
At 31 March 2014	(1,096.2)	(34.7)	(1,130.9)
Net Book Value			
At 31 March 2015	789.3	123.1	912.4
At 31 March 2014	730.9	122.2	853.1

9. HOUSING PROPERTIES - CONTINUED

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Housing Properties comprise:				
Freeholds	2,583.6	2,434.5	2,002.4	1,919.7
Long leaseholds	101.1	101.1	40.6	40.6
Short leaseholds	0.3	0.3	0.3	0.3
	2,685.0	2,535.9	2,043.3	1,960.6

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Additions to properties include:				
Capitalised interest	8.8	6.4	3.7	2.2
Capitalised development salaries and overheads	5.2	2.2	2.4	1.6

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

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Expenditure on works to existing properties				
Amounts capitalised	2.8	9.6	2.8	9.3
Amounts charged to income and expenditure account	17.8	14.0	17.8	14.0
	20.6	23.6	20.6	23.3

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Social housing grant				
Total accumulated SHG receivable at 31 March was:				
Capital grants	1,322.8	1,304.4	1,125.9	1,102.5
Revenue grants	19.6	18.3	19.6	18.3
	1,342.4	1,322.7	1,145.5	1,120.8



**RATHBONE MARKET,
NEWHAM, 2015**

10. INVESTMENT PROPERTIES

Group	Completed market rent properties £m	Market rent properties in the course of development £m	Sub total £m	Completed commercial properties £m	Commercial properties in the course of development £m	Sub total £m	Total £m
Valuation							
At 1 April 2014	181.4	43.2	224.6	43.7	10.0	53.7	278.3
Additions	-	49.5	49.5	0.9	2.2	3.1	52.6
Transferred to housing properties	-	-	-	(0.8)	(4.6)	(5.4)	(5.4)
Completed properties	42.8	(42.8)	-	-	-	-	-
Disposals	-	-	-	(0.2)	(2.3)	(2.5)	(2.5)
Revaluation of property	(3.9)	-	(3.9)	16.9	0.8	17.7	13.8
At 31 March 2015	220.3	49.9	270.2	60.5	6.1	66.6	336.8
Impairment							
At 1 April 2014	0.2	-	0.2	0.4	-	0.4	0.6
Provision for impairment	0.5	-	0.5	-	-	-	0.5
At 31 March 2015	0.7	-	0.7	0.4	-	0.4	1.1
Net book value							
At 31 March 2015	219.6	49.9	269.5	60.1	6.1	66.2	335.7
At 31 March 2014	181.2	43.2	224.4	43.3	10.0	53.3	277.7
Summary of revaluation of properties							£m
Sale of market rent properties from Notting Hill Housing Properties to Folio London Limited							-
Increase in revaluation of other properties							13.8
							13.8
Transferred to revaluation reserves (note 24)							(16.7)
Transferred to loan from Homes and Communities Agency in respect of Get Britain Building properties							2.9
							-

The financial statements include market rent accommodation at open market value commercial basis subject to tenancies. These were valued by Jones Lang LaSalle, Members of the Royal Institute of Chartered Surveyors at 31 March 2015.

The financial statements include commercial properties at open market value with vacant possession. These were valued by Dunphys Ltd, Savills, Jones Lang LaSalle, Tuckerman Chartered Surveyors, and Currell Chartered Surveyors, Members of the Royal Institute of Chartered Surveyors at 31 March 2015.

10. INVESTMENT PROPERTIES - CONTINUED

Trust	Completed market rent properties £m	Market rent properties in the course of development £m	Sub total £m	Completed commercial properties £m	Commercial properties in the course of development £m	Sub total £m	Total £m
At 1 April 2014	104.4	10.2	114.6	1.8	1.7	3.5	118.1
Additions	-	36.0	36.0	-	-	-	36.0
Disposals							
- land and buildings	(66.5)	-	(66.5)	(0.2)	-	(0.2)	(66.7)
- revaluation of properties	(30.3)	-	(30.3)	-	-	-	(30.3)
Completed properties	41.1	(41.1)	-	0.1	(0.1)	-	-
Revaluation of property	(3.4)	-	(3.4)	-	-	-	(3.4)
At 31 March 2015	45.3	5.1	50.4	1.7	1.6	3.3	53.7
Impairment							
At 1 April 2014	-	-	-	0.4	-	0.4	0.4
Provision for impairment	-	-	-	-	-	-	-
At 31 March 2015	-	-	-	0.4	-	0.4	0.4
Net book value							
At 31 March 2015	45.3	5.1	50.4	1.3	1.6	2.9	53.3
At 31 March 2014	104.4	10.2	114.6	1.4	1.7	3.1	117
Summary of revaluation of properties							
					£m		
Sale of market rent properties from Notting Hill Housing Properties to Folio London Limited					(30.3)		
Decrease in revaluation of other properties					(3.4)		
					(33.7)		
Transferred to revaluation reserves (note 24)					30.8		
Transferred to loan from Homes and Communities Agency in respect of Get Britain Building properties					2.9		
					-		

The financial statements include market rent accommodation at open market value commercial basis subject to tenancies. These were valued by Jones Lang LaSalle, Members of the Royal Institute of Chartered Surveyors at 31 March 2015.

The financial statements include commercial properties at open market value with vacant possession. These were valued by Dunphys Ltd, Savills, Jones Lang LaSalle, Tuckerman Chartered Surveyors, and Currell Chartered Surveyors, Members of the Royal Institute of Chartered Surveyors at 31 March 2015.

11. OTHER FIXED ASSETS

Group	Other land and buildings £m	Other tangible fixed assets £m	Total assets £m
Cost			
At 1 April 2014	46.1	17.4	63.5
Additions	0.1	3.3	3.4
Disposals	(0.8)	(0.1)	(0.9)
At 31 March 2015	45.4	20.6	66.0
Accumulated Depreciation			
At 1 April 2014	8.6	15.2	23.8
Charge for the year	1.3	1.3	2.6
Disposals	(0.8)	(0.1)	(0.9)
At 31 March 2015	9.1	16.4	25.5
Net Book Value			
At 31 March 2015	36.3	4.2	40.5
At 31 March 2014	37.5	2.2	39.7

Trust	Other land and buildings £m	Other tangible fixed assets £m	Total assets £m
Cost			
At 1 April 2014	46.0	15.7	61.7
Additions	0.1	2.8	2.9
Disposals	(0.8)	(0.1)	(0.9)
At 31 March 2015	45.3	18.4	63.7
Accumulated Depreciation			
At 1 April 2014	8.4	13.8	22.2
Charge for the year	1.3	1.3	2.6
Disposals	(0.8)	(0.1)	(0.9)
At 31 March 2015	8.9	15.0	23.9
Net Book Value			
At 31 March 2015	36.4	3.4	39.8
At 31 March 2014	37.6	1.9	39.5

GROUP	other land and building	2015 £m	2014 £m
Freehold		36.3	37.3
Short leasehold		-	0.2
Total		36.3	37.5

Trust	other land and building	2015 £m	2014 £m
Freehold		36.4	37.4
Short leasehold		-	0.2
Total		36.4	37.6

12. INVESTMENT IN HOMEBUY AND TEMPORARY HOUSING ACTIVITIES

Group	Homebuy loans to customers £m	Temporary housing cost of lease £m	Total £m
At 1 April 2014	36.7	0.5	37.2
Paid in year	(2.2)	-	(2.2)
Written off in the year	-	(0.1)	(0.1)
At 31 March 2015	34.5	0.4	34.9

	Homebuy grants receivable £m	Temporary housing grants receivable £m	Total £m
At 1 April 2014	(36.7)	(0.5)	(37.2)
Received in the year	2.2	-	2.2
Written back in the year	-	0.1	0.1
At 31 March 2015	(34.5)	(0.4)	(34.9)

Trust	Temporary housing cost of lease £m
At 1 April 2014	0.5
Written off in the year	(0.1)
At 31 March 2015	0.4

	Temporary housing grants receivable £m
At 1 April 2014	(0.5)
Written back in the year	0.1
At 31 March 2015	(0.4)

13. NUMBER OF DWELLINGS UNDER DEVELOPMENT AND IN MANAGEMENT

	Group		Trust	
	2015 Number	2014 Number	2015 Number	2014 Number
In the development programme				
Commercial property	56	29	2	2
General needs housing	2,445	2,582	2,445	2,582
Shared ownership housing	2,545	2,128	-	-
Outright sales	2,553	1,640	414	-
Market Rent	709	921	-	921
	8,308	7,300	2,861	3,505
Rented social housing includes affordable housing units	1,809	2,582	1,809	2,582
In management at the end of the year				
General needs housing	16,860	16,437	16,827	16,396
Shared ownership housing	5,285	4,980	118	120
Temporary housing	1,830	1,999	1,830	1,999
Market rent accommodation	770	665	467	368
Student accommodation	839	839	-	-
Supported housing and housing for older people	1,537	1,453	1,537	1,453
Leasehold in management	2,452	2,045	439	420
	29,573	28,418	21,218	20,756
Rented social housing includes affordable housing units	1,554	810	1,554	810
Owned but not managed				
General needs rented housing	426	463	426	463
Supported housing and housing for older people	478	502	478	502
Leasehold in management	132	61	60	60
Market rent accommodation	2	2	-	-
Shared ownership housing	2	29	-	-
	1,040	1,057	964	1,025
Total	30,613	29,475	22,182	21,781

During the year the total amount of supported housing management grant payable to managing agents was £197,000 (2014: £793,000).

14. INVESTMENTS

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Cost				
At 1 April	-	-	264.3	152.4
Additions	-	-	178.6	112.4
Repayment	-	-	(56.9)	(0.5)
Disinvestment in subsidiaries	-	-	(8.6)	-
At 31 March	-	-	377.4	264.3
Impairment				
At 1 April	-	-	8.6	7.4
Provision for impairment	-	-	-	1.2
Disinvestment in subsidiaries	-	-	(8.6)	-
At 31 March	-	-	-	8.6
Net book value				
At 31 March 2015	-	-	377.4	255.7
At 31 March 2014	-	-	255.7	145.0

Investment in subsidiaries

As required by statute, the financial statements consolidate the results of Notting Hill Housing Trust and its subsidiaries at 31 March 2015 (see note 33). The Trust has the right to appoint members to the boards of all of its subsidiaries, thereby exercising control.

Notting Hill Commercial Properties had invested £14.3m as shares in Seward Street Developments LLP, a partnership with Mount Anvil PLC. This investment was made to fund the development of 107 private sale units and two commercial units. The company owns 75% of Seward Street Developments LLP. In 2014 the commercial units were sold and £2m was dis-invested. In 2013/14 the private units were sold and £12m was dis-invested and profits of £2.5m were distributed.

15. PROPERTIES IN THE COURSE OF SALE

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Properties under construction	117.9	100.5	9.8	9.1
Completed properties	16.7	45.9	0.1	-
Landbank	116.6	82.0	15.1	3.2
	251.2	228.4	25.0	12.3

16. DEBTORS FALLING DUE WITHIN ONE YEAR

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Rental debtors	15.4	16.8	12.7	14.5
Less provision	(5.8)	(6.8)	(5.3)	(6.3)
	9.6	10.0	7.4	8.2
Trade debtors	0.8	1.4	0.2	0.6
Social Housing Grant receivable	1.2	0.4	0.8	0.2
Amounts receivable from local authorities	1.6	1.4	0.8	1.4
Amounts owed by subsidiary undertakings	-	-	95.6	55.2
Value added tax receivable	4.2	0.3	-	-
Stock transfer (see note 19)	2.0	2.0	2.0	2.0
Other debtors	1.8	1.7	1.6	1.3
Prepayments and accrued income	2.4	2.3	1.5	0.9
	23.6	19.5	109.9	69.8

17. DEBTORS DUE AFTER MORE THAN ONE YEAR

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Other long term debtors	2.5	2.2	1.0	1.0
	2.5	2.2	1.0	1.0

18. CURRENT ASSET INVESTMENTS

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Short term deposit	1.7	5.4	0.1	0.8
	1.7	5.4	0.1	0.8

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Housing loans (note 21)	5.0	4.8	3.8	3.4
Trade creditors	9.2	12.0	7.3	7.3
Amounts owed to Group undertakings	-	-	37.2	17.7
Other taxes and social security	1.0	1.0	1.0	1.0
Deferred purchase completion monies	-	-	-	-
Stock transfer (see note below)	2.0	2.0	2.0	2.0
Other creditors	24.3	22.8	15.2	13.7
Accruals and deferred income	56.7	51.1	28.5	28.5
	98.2	93.7	95.0	73.6

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

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

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Housing loans (note 21)	1,248.8	1,201.8	979.9	938.6
Recycled capital grant fund	47.2	44.2	0.6	4.2
Disposal proceeds fund	2.1	4.6	2.1	4.5
Barnet surplus and deficit agreement (see note below)	1.5	1.2	1.5	1.2
Other long term creditor	2.5	1.7	2.6	1.7
	1,302.1	1,253.5	986.7	950.2

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

Recycled capital grant fund	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
At 1 April	44.2	30.7	4.2	3.5
Home buy redemption	2.3	2.9	-	-
Grants recycled	10.9	11.7	0.3	0.9
Interest accrued	0.3	0.2	-	-
Used to finance new projects	(8.7)	(0.4)	(8.6)	-
Transferred from other group members	-	-	4.7	-
(Paid)/payable	(1.8)	(0.9)	-	(0.2)
At 31 March	47.2	44.2	0.6	4.2

Disposals proceeds fund	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
At 1 April	4.6	5.0	4.5	5.0
Surplus on social homebuy and right to acquire properties	-	-	-	-
Grants recycled	1.2	0.4	1.2	0.4
Used to finance new projects	(3.7)	(0.5)	(3.6)	(0.6)
Payable	-	(0.3)	-	(0.3)
At 31 March	2.1	4.6	2.1	4.5

At the end of 31 March 2015 £1.8m (2014: £1.2m) of grants were repaid to the Homes and Communities Agency and no grants were due to Greater London Authority.

21. LOANS

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Secured loans and overdrafts	1,233.0	1,185.6	962.9	921.0
Non-recourse secured bank loans	20.8	21.0	20.8	21.0
Housing loans	1,253.8	1,206.6	983.7	942.0
Analysis of loan repayments				
Repayable on maturity				
- in less than five years	25.0	-	25.0	-
- in five years or more	815.0	840.0	815.0	840.0
Repayable by annual instalments				
- within one year or on demand	5.0	4.8	3.8	3.4
- between one and two years	6.3	5.0	3.7	3.9
- within two to five years	79.6	54.4	58.2	42.7
- in five years or more	322.9	302.4	78.0	52.0
	1,253.8	1,206.6	983.7	942.0

The loans are secured by fixed charges on individual properties. The number of charged properties for the Group is 16,522 and for the Trust is 11,789 (2014: Group is 15,542 and Trust is 11,640).

The bank and other loans are repaid in monthly, quarterly and half-yearly instalments at rates of interest ranging from 0.00% to 11.30%. The final instalments fall to be repaid in the period 2015 to 2054.

At 31 March 2015 the Group had undrawn loan facilities of £465.2m (2014: £471.3m). Included within the undrawn loan facilities are £17.7m of undrawn loan facilities from the Home and Communities Agency to be used for the acquisition of properties for private rental purposes.

The Group loan balance of £1,253.8m (2014: £1,206.6m) has been netted off by loan arrangement fees of £10.1m which are written off over the term of each loan. It also includes a £3.3m adjustment for the fair value of loans on the acquisition of Presentation Housing Association.

The Trust loan amount of £983.7m (2014: £942m) has been netted off by loan arrangement fees of £7.2m which are written off over the term of each loan.

As at the year-end £248.1m (2014: £278m) of the Group's variable debt had its interest rate hedged by standalone interest rate swaps. As at the year-end £92m (2014: £92m) of the Group's fixed debt had its interest rate hedged by standalone swaps. Note 37 has an analysis of the anticipated contractual cash flows including interest payable for the Group's financial liabilities on an undiscounted basis. Interest is calculated on drawn debt held as at 31 March 2015.

22. PROVISIONS FOR LIABILITIES AND CHARGES

Group and Trust	Short term leases total £m
As 1 April 2014	1.0
Set aside in the year	0.2
Release of provision	(0.3)
At 31 March 2015	0.9

During the year £200,000 (2014: £100,000) was set aside for future repairs and £300,000 (2014: £300,000) was utilised to carry out repairs to properties that were handed back during the year. All provisions are attributable to the Trust.

23. CALLED UP SHARE CAPITAL

Group and Trust	2015 £	2014 £
At 1 April	88	88
Issued during year	5	6
Redeemed during year	(2)	(6)
At 31 March	91	88

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

24. RESERVES

Group	General Reserves £m	Revaluation reserves investment properties £m	Cash flow hedge reserve £m	Actuarial reserves £m	Minority interest £m	Total reserves £m
At 1 April 2014	382.1	93.8	(7.9)	-	0.2	468.2
Surplus in the year	121.3	16.7	-	-	-	138.0
Fair value movements on hedging instruments	-	-	(11.8)	-	-	(11.8)
Recycled to income and expenditure cash flow	-	-	2.5	-	-	2.5
Recycled to income and expenditure on cessation of hedge accounting	-	-	(0.3)	-	-	(0.3)
Actuarial deficit	-	-	-	(0.1)	-	(0.1)
At 31 March 2015	503.4	110.5	(17.5)	(0.1)	0.2	596.5

Trust	General Reserves £m	Revaluation reserves investment properties £m	Cash flow hedge reserve £m	Actuarial reserves £m	Minority interest £m	Total reserves £m
At 1 April 2014	300.8	33.0	(8.0)	-	-	325.8
Surplus/ (deficit) in the year	109.5	(11.8)	-	-	-	97.7
Transfer to revaluation reserve	19.0	(19.0)	-	-	-	-
Fair value movements on hedging instruments	-	-	(7.3)	-	-	(7.3)
Recycled to income and expenditure cash flow	-	-	1.0	-	-	1.0
Recycled to income and expenditure on cessation of hedge accounting	-	-	-	-	-	-
Actuarial deficit	-	-	-	(0.1)	-	(0.1)
At 31 March 2015	429.3	2.2	(14.3)	(0.1)	-	417.1

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

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

	Group	
	2015 £m	2014 £m
Operating surplus	132.2	86.8
Depreciation	19.3	19.4
Disposal of fixed assets	-	0.2
Impairment (reversal/charge)	(3.8)	1.9
Amortisation of loan set up costs	0.6	0.4
(Increase) in properties and other assets in the course of sale	(17.4)	(92.3)
(Increase)/decrease in debtors	(6.0)	0.7
(Decrease)/increase in creditors	(4.0)	26.4
Net cash inflow from operating activities at 31 March	120.9	43.5

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

	Group	
	2015 £m	2014 £m
Decrease/(increase) in cash	24.2	(12.6)
Cash flow from decrease in liquid resources	3.7	6.5
Cash flow from increase in debt and lease finance	49.3	208.3
Non cashflow changes	(2.1)	0.7
Total changes in net debt for the year	75.1	202.9
Net debt at 1 April 2014	1,144.7	941.8
Net debt at 31 March 2015	1,219.8	1,144.7

27. ANALYSIS OF DEBT

Group	1 April 2014 £m	Cash flow £m	Non cash £m	31 March 2015 £m
Cash at bank and in hand	56.5	(24.2)	-	32.3
Current asset investment	5.4	(3.7)	-	1.7
Loans				
Short term loans	(4.8)	(0.2)	-	(5.0)
Long term loans	(1,198.5)	(49.1)	2.1	(1,245.5)
Financial derivatives	(3.3)	-	-	(3.3)
Changes in net debt	(1,144.7)	(77.2)	2.1	(1,219.8)

28. PENSION OBLIGATIONS

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

Social Housing Pension Scheme (Group and Trust)

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

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

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

The scheme actuary is currently finalising the 2014 valuation but the key provisional results have been confirmed. As at 30 September 2014, the market value of the scheme's assets was £3,123m. There was a shortfall of assets compared with the value of liabilities of £1,323m, equivalent to a past service funding level of 70%.

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

As at the year end £411,000 (2014: £759,000) has been accrued in respect of amounts paid to the Trust's defined contribution schemes.

London Borough of Richmond Pension Fund (LBRPF)

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

Year ended 31 March	2015 £m	2014 £m
Fair value of plan assets	2.8	2.5
Present value of funded retirement benefit obligations	(3.6)	(3.3)
Net liability	(0.8)	(0.8)

The cumulative actuarial (deficit)/gains recognised in the statement of total recognised surpluses and deficits at 31 March 2015 was £82,000 (2014:£3,000). The credit to the income and expenditure account was £36,000 (2014:£14,000).

Contribution to pension schemes	Group				Trust			
	2015		2014		2015		2014	
	Rate	£m	Rate	£m	Rate	£m	Rate	£m
SHPS (defined benefit)	10.0%-10.4%	-	10.0%-10.4%	2.6	10.0%-10.4%	-	10.0%-10.4%	2.4
SHPS (defined contribution)	1.5%- 13.5%	1.6	4.5%- 13.5%	0.7	1.5%- 13.5%	1.4	4.5%- 13.5%	0.6
SHPS pension deficit	-	2.1	-	-	-	1.9	-	-
London Borough of Islington	18.1%	-	18.1%	-	18.1%	-	18.1%	-
London Borough of Richmond	16.0%	-	24.4%	-	16.0%	-	24.4%	-
Defined contribution scheme	1.5%- 13.5%	0.3	4.5%- 13.5%	0.2	1.5%- 13.5%	0.3	4.5%- 13.5%	0.2
Total		4.0		3.5		3.6		3.2

29. EMPLOYEE INFORMATION

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

	Group		Trust	
	2015 Number	2014 Number	2015 Number	2014 Number
Staff engaged in managing or maintaining housing stock	378	366	337	327
Staff providing other housing services	20	-	20	-
Staff engaged in developing or selling housing stock	87	84	46	43
Staff providing central administration services	164	149	164	149
Staff providing care and support	296	285	296	285
Total	945	884	863	804

Staff costs for the above persons:	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Wages and salaries	32.6	30.8	29.3	27.5
Social security costs	3.4	3.1	3.0	2.8
Other pension costs (see note 28)	4.0	3.5	3.6	3.2
Total	40.0	37.4	35.9	33.5

Redundancy payments of £348,000 (2014:£173,000) were made during year.

Salary range excluding pension contributions and social security costs	2015 £'000	2014 £'000	Remuneration banding for employees earning over £60,000		
			£'000	2015 Number	2014 Number
Lowest paid employee	14	14	60-70	20	22
Highest paid employee	220	186	70-80	16	14
			80-90	12	-
			90-100	9	12
			100-110	2	4
			110-120	4	-
			140-150	1	-
			150-160	1	2
			160-170	-	1
			170-180	1	-
			180-190	2	-
			200-210	-	1
			240-250	1	-

30. BOARD AND EXECUTIVE DIRECTORS' EMOLUMENTS

The remuneration of the members of the Board, the Committee and the Executive Directors was:	Group	
	2015 £'000	2014 £'000
Fees for members of the Board	66	66
Fees for Committee members	17	19
Management services of Executive Directors (including pension contributions and benefits in kind)	1,269	975
Remuneration for management services (excluding pension contributions) includes the amount paid to the highest paid Director	220	186

The payments to current non-executive Board members represents 0.02% (2014:0.02%) of turnover. Board members are appraised on an annual basis and there is an annual review of Board member payments.

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

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

Current non-executive Board members	2015 £'000	2014 £'000	
Bukky Bird	5.5	5.5	
Linde Carr	5.5	5.5	
Paul Hodgkinson (Chairman)	16.5	16.5	
Sue Hunt	8.3	8.3	
Alastair Moss	5.5	5.5	
Alexander Phillips (resigned 17 September 2014)	-	-	
Sophie Warner	8.3	8.3	Alexander Phillips and James Wardlaw are entitled to non-executive Board remuneration. They have elected to waive their remuneration therefore have received no payment.
Mohan Yogendran	8.3	8.3	
Debra Yudolph	8.3	8.3	
James Wardlaw (appointed 17 September 2014)	-	-	

Executive Board Members	Salaries £'000	Car benefits £'000	Pension costs £'000	Bonus £'000	2015 Total £'000	2014 Total £'000
Kate Davies, Group Chief Executive	208	11	29	1	249	205
John Hughes, Group Director of Development and New Business	152	8	21	1	182	169
Paul Phillips, Group Finance Director	152	8	16	1	177	154
Andrew Muir, Group Corporate Services Director	125	-	18	1	144	118
Andrew Belton, Chief Operating Officer	152	8	21	1	182	155
Kath King, Group Director of Asset Management (Resigned 31 December 2014)	53	-	14	1	68	94
Mark Vaughan, Group Director of Notting Hill Housing Trust and Notting Hill Pathways	135	-	19	1	155	80
Total	977	35	138	7	1,157	975

During the year loss of office payments were made in the sum of £112,000 (2014: nil).

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	
	2015 £m	2014 £m	2015 £m	2014 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements:	300.6	234.2	91.9	98.1
Capital expenditure that has been authorised by the Board but has not yet been contracted for:	114.9	147.1	80.3	116.6

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

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	
	2015 £m	2014 £m
Computers		
- Less than one year	-	0.1
- One to five years	-	-

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

	Group and Trust	
	2015 £m	2014 £m
Temporary housing leases		
- Less than one year	16.8	19.8

33. INCORPORATION, SUBSIDIARIES AND JOINT VENTURES

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

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

Notting Hill Housing Trust, has taken advantage of the exemption contained in Financial Reporting Standard 8 – “Related Party Disclosures” (FRS 8), and has therefore not disclosed transactions or balances with wholly owned subsidiaries.

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

- Notting Hill Commercial Properties Limited - Ordinary shares and redeemable ordinary shares
- Great Eastern Quay Limited - Ordinary shares and redeemable ordinary shares
- Project Light Development 1 Limited - Ordinary shares and redeemable ordinary shares
- Project Light Development 2 Limited - Ordinary shares and redeemable ordinary shares

The Trust has the following subsidiaries.

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

33. INCORPORATION, SUBSIDIARIES AND JOINT VENTURES - CONTINUED

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

Notting Hill Commercial Properties Limited has a joint venture with Seward Street Development LLP, a company registered in England and Wales (see note below). Seward Street Developments LLP commenced trading on 6 October 2010. The Partnership is accounted for as a subsidiary of the Group, as the group share of the partnership is 75%. The remaining 25% is owned by Mount Anvil plc, whose share is represented by a minority interest of £0.2m at 31 March 2015 (2014: £0.2m).

The Group's investment in joint venture projects amounted to £2.4m (2014: £nil). Details of these investments are shown below.

Joint venture income of £nil (2014: £0.2m) was received during the year.

The contingent liability is limited to the amount invested.

The Board has agreed to transfer the assets and liabilities of Great Eastern Quay Limited and Great Eastern Homes LLP to their ultimate parent company, with a view to discontinue them in the following year.

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

Notting Hill Housing Trust has accounted for its share of income and assets (18.36% ownership) in accordance with FRS 9 as a JANE (Joint Arrangement Not an Entity).

Name	Nature of business	Share of capital commitments	Proportion of holding	Year ended	Assets 2015 £m	Liabilities 2015 £m	Assets 2014 £m	Liabilities 2014 £m
Wandsworth Parkside LLP	Development of 159 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation.	Nil	50%	31 March	-	-	0.1	(0.1)
KLA Twickenham LLP	Development of 280 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation.	Nil	50%	31 March	-	-	-	-
Brenley Park LLP	Development of 169 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation.	Nil	50%	31 December	0.1	(0.1)	0.1	(0.1)
Chobham Farm North LLP	Development of 478 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation.	Nil	50%	31 March	2.4	(2.4)	-	-
Total					2.5	(2.5)	0.2	(0.2)

34. TRANSACTIONS WITH RELATED PARTIES

At 31 March 2015 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 2015 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 leases and the housing management procedures including those relating to management of arrears have been applied consistently to this leaseholder.

At 31 March 2015 there was one member on the Board who was a non-executive director of Deverill Smith Recruitment. During the year the Trust received, without charge, services from Deverill Smith Recruitment for one project.

During the year Notting Hill Home Ownership Limited charged Seward Street Developments LLP £50,000 (2014: £50,000) in respect of administration costs. At the year-end date £15,000 (2014: £17,000) was owed to Notting Hill Home Ownership Limited by Seward Street Developments LLP.

During the year Notting Hill Housing Trust had invested £92.2m (2014: £52.6m) in the share capital of its non-regulated subsidiaries and £215.2m (2014: £152.7m) in loans to its non-regulated subsidiaries. For further information see note 14. All subsidiaries are shown on note 33. Details of other transactions between Notting Hill Housing Trust and its non-regulated subsidiaries during the year are shown to the right.

During the year the Trust provided management services for Canonbury Developments Limited, Notting Hill Home Ownership Limited, Great Eastern Homes LLP, Notting Hill Developments Limited, Folio London Limited (formerly Notting Hill Market Rent Limited) and Presentation Market Rent Limited and charged them £4.6m (2014:£4.1m). The Board believe that the carrying value of the investment is supported by their underlying net assets.

	2015 £m	2014 £m
Other inter-company transactions		
Cash receipts for services provided	1.2	2.5
Excess cash invested/(returned)	18.9	(10.9)
Purchases	(2.6)	(0.6)
Overhead recharges	(0.1)	(0.2)
Payroll	(0.2)	(0.2)
Interest	(1.3)	(0.2)
Disinvestment in subsidiaries	5.4	(0.2)
Further investment	-	(1.5)
Total	21.3	(11.3)

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

35. LEGAL STATUS

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

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

	Loans and receivables	
	2015 £m	2014 £m
Current asset investments	1.7	5.4
Cash	32.3	56.5
Derivatives		
Fair value through income and expenditure		
- Interest rate swaps fixed to float	14.8	-
Debtors	17.0	16.9
Debtors falling due after one year	2.5	2.2
Total	68.3	81.0

All financial assets or liabilities at fair values are calculated using measurements based on inputs that are observable for the asset/liability either directly or indirectly from prices. The valuation techniques used to measure the above interest rate swaps financial instruments maximise the use of market data where available. All significant inputs required to value the financial instruments are observable and as such they are designated level 2. For all other financial instruments where fair value cannot be measured reliably, the fair value is considered to approximate to the carrying value of the instrument at historic cost less impairment.

Credit risk is assessed on all financial instruments in the tables above. Because the Group maintains a formal counterparty policy and reviews the credit worthiness of counterparties, it is not considered that any material credit risk attaches to the financial instruments and as such they are not subject to impairment.

	Financial liabilities at fair value		Financial liabilities at amortised cost	
	2015 £m	2014 £m	2015 £m	2014 £m
Trade and other payables	-	-	98.2	93.7
Loans and borrowings	-	-	1,253.8	1,206.6
Other long term loans	-	-	53.3	51.7
Derivatives				
Fair value through income and expenditure				
Interest rate swaps				
- fixed to float	-	4.7	-	-
- float to fixed	45.9	26.2	-	-
- Designated hedges	17.5	7.8	-	-
Total	63.4	38.7	1,405.3	1,352.0

A comparison of the book value to the fair value of the Group's long term borrowings at 31 March.	2015		2014	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Current portion of long term debt	5.0	5.0	4.8	4.8
Long term debt	1,247.4	1,248.8	1,197.7	1,201.8
Total	1,252.4	1,253.8	1,202.5	1,206.6

Losses/gains in respect of financial derivatives	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Losses/Gains on disposal of financial interest rate swaps	-	(2.8)	-	(2.8)
(Losses)/ gains in respect of interest rate swaps	(0.3)	(2.7)	4.5	(6.4)
Total	(0.3)	(5.5)	4.5	(9.2)

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 receive 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 has a 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 is 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 dependent on each contract. The periods in which the hedged payments are expected to occur are set out in the maturity analysis in note 21.

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.

Floating rate interest is determined using the prevailing implied forward rates as at the balance sheet date.

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

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

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - CONTINUED

Credit risk

The main credit risk applies to debtor balances, the majority of which relates to rental income and other arrears, which are reported weekly to business leaders assigned to manage the recovery process. 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 are provided for at 15%. Approximately 60% of arrears is in the form of housing benefit payment coming in directly from the local authorities which reduces to the Group's exposure to tenants' risk.

The Group recognises the risk whereby the inability of a provider of a credit facility, deposit taker, or interest rate swaps counterparty to 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 interest rate swap transactions, or with whom funds may be deposited. The longer the maturity of the commitment period, interest rate swap or investment, the greater the counterparty credit risk, and hence the minimum credit quality requirements will be more stringent.

Sensitivity analysis

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

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

The following assumptions were made in calculating the sensitivity analysis:

a) The balance sheet sensitivity to interest rates relates only to interest rate swap financial instruments and available for sale investments, as debt and other deposits are carried at amortised cost and so their carrying value does not alter as interest rates change

b) The sensitivity of accrued interest to movements in interest rates is calculated on net floating rate exposures on debt, deposits and interest rate swap instruments

c) Changes in the carrying value of interest rate swaps from movements in interest rates designated as cash flow hedges are assumed to be recorded within equity

d) Changes in the carrying value of interest rate swaps not in hedging relationships only affect the income and expenditure account.

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

UK interest rate movement	Group			
	2015 interest cost £m	2014 interest cost £m	2015 reserves £m	2014 reserves £m
0.25% increase	0.2	0.5	2.0	2.2
0.5% increase	0.3	1.0	4.0	4.3
0.75% increase	0.5	1.5	6.0	6.5

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 has a significant degree of active management other than in the case of current year income and expenditure that contributes to revenue reserves.

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - CONTINUED

Arrears provision	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
At 1 April	6.8	9.3	6.3	8.7
Actual provision	0.6	1.5	0.6	1.3
Amounts written off	(1.6)	(4.0)	(1.6)	(3.7)
At 31 March	5.8	6.8	5.3	6.3

Arrears	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Less than 30 days	2.9	3.6	2.7	3.5
30 to 60 days	3.0	2.3	2.6	2.1
60 to 90 days	1.8	1.7	1.5	1.5
More than 90 days	7.7	9.2	5.9	7.4
At 31 March	15.4	16.8	12.7	14.5
Former tenant arrears	3.1	2.7	2.8	2.5

There are no indications that the above rental debtors' balances are impaired. The above former tenant arrears have been fully provided for. All other sundry debtors of £2.6m (2014: £2.4m) have normal payment terms of 30 days and are not impaired.





NottinghamHousing

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