

**NATIONAL HOUSING
FEDERATION (A COMPANY
LIMITED BY GUARANTEE)**

FINANCIAL STATEMENTS

**For the Year ended
31 MARCH 2010**

Company no 302132

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
FINANCIAL STATEMENTS

For the year ended 31 MARCH 2010

Company registration number: 302132

Bankers: The Federation's main bank accounts are held at:

Lloyds TSB
King's Cross Branch
344 Gray's Inn Road
London
WC119 8B19

Banking services are also provided by:

Bank of Scotland
2nd Floor, St James's Gate
14-16 Cockspur Street
London
SW1Y 5BL

Solicitors: Izod Evans
11 Southwark Street
London
SE1 1RQ

Auditor: Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
FINANCIAL STATEMENTS

For the year ended 31 MARCH 2010

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The directors present their report together with the audited financial statements for the year ended 31 March 2010.

Principal activities

The National Housing Federation is the representative body for independent non profit social landlords in England whose principal role is to provide and manage affordable homes. The Federation supports and promotes the work of housing associations and campaigns for better housing and neighbourhoods.

In pursuit of this our principal aims are:

- To create the conditions for our members to flourish;
- To ensure that housing associations have a strong and positive reputation;
- To lead the housing and neighbourhoods policy agenda nationally and locally;
- To provide excellent highly valued organisational and business support;
- To ensure that the Federation is an exemplary organisation.

We strive to achieve excellence and value for money in all areas of our work and for our members.

Financial results

The results for the year show a profit after tax of £810k (2009: £507k) as shown in the consolidated profit and loss account on page 15. Although income from affiliation fees increased by £552k this was offset by a drop in commercial income due to the downturn in the economy. This resulted in a drop in turnover from £13,515k to £13,474k. Rental income from Lion Court Conferences saw a drop from £860k to £722k with income per delegate being squeezed. Administrative expenses decreased by £366k to £13,017k due to lower depreciation charges on Lion Court building and savings made in costs.

There was a net cash inflow of £1,852k (2009: £2,130k). Capital expenditure was lower at £310k (2009: £651k)

Operations

Following last year's review of the Federation's governance structure, a new system was approved and put in place. For the first time, new board members were nominated to the AGM following a recruitment and selection process managed by a newly created nominations committee. This process was also used for the appointment of the Federation's new chairman, Matthew Taylor. The National Council was disbanded as a new representative structure, based on our 9 Regional Committees was put in place. This structure underpins the new accountability arrangements. In future, the Chair of the Regional Chairs Group will make a statement to the AGM on the performance of the Board.

Our work on member engagement continued. Over 300 members were visited and almost all others were directly contacted. The Board is clear that members are the Federation's greatest resource.

As reported last year, the downturn in the economy continued to have adverse implications for the Federation and its members. Although conditions eased, the operating environment for housing associations remained difficult. The credit crunch and recession led directly to a rise in the cost of capital finance for housing associations and availability of finance remained constrained. This problem was exacerbated by the significant reduction in sales of both shared ownership and market homes as mortgage finance became increasingly difficult to access. This meant that the development model used by housing

associations for the past ten years, which depended on cross subsidy from the proceeds of sales, became unworkable.

In the light of these market difficulties the Federation worked extensively with the Bank of England, ministers and officials in a range of government departments and the new agencies, the Homes and Communities Agency (HCA) and the Tenant Services Authority (TSA) to limit the adverse impact and to ensure that development activity could continue. This activity was successful in ensuring that new flexibility was introduced to the development process and in focussing more on rented homes. Conditions were further improved by the decision by the government to put a further £1.5bn public investment into housing following lobbying by the Federation. This meant that new housing association development of rented homes was considerably up on previous years and represented over 40% of all new homes completed in the year. In the light of the expectation of a more difficult environment for future development we produced a new addition to our Federation Futures series which explored the market conditions and offered some alternative mechanisms for increasing delivery.

The mortgage rescue scheme we designed last year was put into place, supported by £200m government funding. This scheme grew in influence during the year and was a major reason for repossession rates being much lower than anticipated despite the impact of recession.

The Federation worked very closely throughout the year with members and the Tenant Services Authority to finalise a new regulatory settlement. Regulation now covers the whole social housing 'domain' and is a major change from the previous settlement. The new arrangements much more explicitly put boards at the centre of decision making with clear expectations of accountability to tenants and other stakeholders. Prescriptive guidance from the regulator has been removed giving boards much more freedom to make their own decisions. The regulator has enhanced intervention powers to take appropriate remedial action when there is evidence of service or governance failure.

Our focus on project working continued. We once more produced our annual assessment of the housing market. This publication, entitled 'Home Truths', is produced as a national report with detailed analysis for each of the nine English regions. Our analysis contains information not only about the 'for sale' market but also detailed information on the continuing need to increase availability of homes for affordable renting. The reports highlight the critical contribution housing associations make to creating successful, sustainable neighbourhoods. The analysis of the market in Home Truths continues to be commissioned from Oxford Economics.

Our project to improve access for housing association residents to high quality financial services continued during the year. By the year end we had reached agreement in principle to run a pilot project, MyHome Finance, in the West Midlands to open 11 shops providing access to affordable credit. This is a precursor to plans to expand this service across the country. Our tenants contents insurance scheme continued to grow and our campaign to stop energy companies charging a premium for users of pre-payment meters was successful. By the end of the year, all such premiums had been removed, saving poor and vulnerable customers approximately £150m per year. We made a successful bid with Groundwork UK for Future Jobs Fund money, creating up to 6,400 new job opportunities.

This work supports the work carried out by housing associations in their neighbourhoods and communities. The huge range of neighbourhood support services provided by Federation members continues to grow.

During the year, national consultation into the provision of adult social care continued. The Federation played an active role and has developed strong links with the Department of Health in creating mechanisms for housing associations to contribute to the debate. It was particularly welcome that housing was recognised as being one of the three key influences in the quality of adult social care.

Environmental sustainability remained a core concern. Our focus was on the challenge of retrofitting our existing housing stock to ensure that the level of greenhouse gas emission is significantly cut and, of equal importance, to tackle the growth in fuel poverty caused by rising energy costs. Our work with CECODHAS Housing Europe was instrumental in the EU reaching a decision to release up to 8bn euros of EU Structural Funds to invest in retrofitting for energy improvement in existing homes, of which £100m is available for England. The Federation has continued to lobby to ensure that this money, available through Regional Development Agencies, is used for this purpose and has been successful to date in identifying £70m new investment. We contributed to the CECODHAS Housing Europe contribution to the Copenhagen Climate Change summit.

In our wider lobbying work we continued to secure significant wins for our members. We ensured that affordable housing would be exempt from the requirement to pay Community Infrastructure Levy. We published a manifesto in advance of the general election and influenced the housing policies of all three major parties. The Federation's Chief Executive was invited by the then Conservative Shadow Housing Minister to chair a taskforce looking at mobility in social housing.

The Federation continued to support its members through a wide range of business and commercial services. Our Annual Conference was particularly highly valued by delegates in a conference programme which was acknowledged by members to be of real value. Our publications services were again highly effective and the Federation's Get on Board project continues to identify new Board members for a wide range of housing associations across the country. This supports the Federation's drive to assist in the development of high quality corporate governance in our sector. This work was supported by the publication of a revised and updated version of our Code of Governance and the publication of our new Code of Excellence in Customer Service and Accountability and Code of Excellence in Standards and Conduct.

Our work with HouseMark, the company jointly owned as a joint venture partnership with the Chartered Institute of Housing has continued to grow and expand during the year. We continued to work with HouseMark in developing Procurement for Housing as a major part of our support for efficiency measures through procurement throughout our sector. The Federation's offices at Lion Court continued to be fully utilised. The separately managed Lion Court Conference Centre retained its position as one of the best used and most highly valued conference centres in central London, and remained highly successful despite the economic downturn.

Risks and uncertainties

The operating environment for housing associations generally became much more difficult in the course of 2009/10. Although government support for the work of housing associations has grown, the liquidity crisis and credit crunch emanating from the sub prime crisis in the US has created a particularly difficult housing market for new development.

The Federation worked extensively with the Bank of England, government ministers, the Homes and Communities Agency (HCA) and the Tenant Services Authority (TSA) to limit the adverse impact and ensure development could continue.

Another issue for housing associations was the possibility of a fee for regulation to be imposed at a time when the regulation framework was still under development and organisations were struggling with a challenging operating environment. The Federation was successful in negotiating a deferral of any fees for 2009/2010.

The adverse economic environment has not only had an impact on housing associations but also their tenants. Recognising this the Federation put together a successful joint bid with Groundwork UK for up to 6,400 employment opportunities for unemployed young people between the ages of 18 and 24. This enabled more than 100 housing associations to become involved and generated millions of pounds for the sector for their neighbourhood activities. It also generated additional income for the Federation at a time when commercial activities were being challenged.

Extensive marketing and promotion plus rigorous attention to costs meant that the Federation reached its commercial income forecasts and in the case of Lion Court Conference Centre managed to attract new customers, whilst other conference venues in the locality failed to thrive. New products have been developed to mitigate the impact of lower returns on existing commercial activities.

Finally the Federation recognises that it needs to do all it can to keep the cost of membership as low as possible, whilst continuing to maintain an excellent service. It has rationalised its regional office structure, introduced video conferencing to reduce meeting and travel costs, increased its use of email and e-communications to reduce the cost of print and postage and is looking to upgrade and improve its internal I.T. structure. The latter will enable us to enhance our membership, whilst keeping fees as low as possible.

Future developments

We continue to work towards the achievement of our five strategic objectives through concentration on key in-year priorities supporting the six pillars of the business plan and three high profile campaigns. The business plan pillars are: access to homes and services; vulnerable and older people; better homes and neighbourhoods; greening homes and neighbourhoods; funding future homes and better neighbourhoods; and our offer to members.

In the forthcoming year we will:

- Work with the Government to create a demonstrably fair allocations system
- Work alongside members to understand and influence a range of housing options for those excluded from outright home ownership and with no hope of a social rented home
- Launch a new campaign in the run up to the Comprehensive Spending Review to ensure that the Government invests to deliver much-needed homes for the nation and understands the impact that good homes and housing based support have. Ensure our CSR bid is well evidenced and makes a compelling argument for investment
- Pilot MyHome Finance – a high-street based scheme for people currently excluded from affordable credit – in the West Midlands, with a view to national roll-out
- Work with our members to understand and engage with the personalisation agenda
- Promote the opportunities inherent in providing a quality housing offer to older people
- Put a positive proposal to the Government on a planning framework for affordable housing and work to unblock delivery barriers to rural and supported housing
- Proactively head off risks to independence through campaigning and seeking to protect key elements of the regulatory settlement, including a proportionate inspection regime

- Participate in the coalition welfare to work proposals including work pairings and apprenticeships – offering benefit both to members and the long-term unemployed
- Build stronger relationships with MPs and other national and local stakeholders better to ensure the contribution of housing is understood
- Lead a project on establishing a funding mechanism for the large scale retrofitting of existing homes, heading off any compulsory green successor to decent homes
- Consult with members, then lobby for a new rent settlement for the sector which supports delivery and investment in homes and communities
- Review the current fee structure for Federation members
- Build on our IT and web improvements, particularly in terms of access, content and e-booking and upgrade our customer relationship management system

In doing all of this we will continue to invest in our regional network to ensure our lobbying is informed by a full understanding of regional and local issues and to ensure that we can support members to engage in relevant regional and local structures not least because of the emphasis of place for many future funding streams. We will also invest in the further development of the talent in our most important resource – our staff team.

Reserves

The profit after tax of £810k (2009: £507k) has been transferred to reserves as set out in note 15.

Fixed Assets

Movements on fixed assets are disclosed in note 6. The directors have adopted a policy of maintaining freehold property on an existing use basis revaluing freehold property assets every five years, with an interim valuation in year three. A valuation was carried out by Strutt & Parker at 31 March 2009 which valued Lion Court at £9,900,000, resulting in a loss on revaluation of £6,860,000.

Over the last year values in the property market have improved slightly and the Board under advice from Strutt & Parker have determined that there has been an increase in the value of Lion Court of £1,600,000. The effect of this is to increase the value of Lion Court in these financial statements to £11,500,000.

Directors

The following were Directors of the company at 31 March 2010 and 1 April 2009:

| Name | Organisation |
|--|---|
| Ann Santry (Vice Chair) | Sovereign Housing Group Ltd |
| David Orr (Appointed 23 September 2009) | National Housing Federation |
| Deborah Shackleton (Vice-Chair) (Resigned 23 September 2009) | The Riverside Group Ltd |
| Janet Davies (Resigned 23 September 2009) | Women's Pioneer Housing |
| John Cross (Chair) (Resigned 23 September 2009) | Bedfordshire Pilgrims Housing Association |
| June Barnes | East Thames Group |
| Keith Exford | The Affinity Sutton Group |
| Lindsey Williams | Futures Housing Group |
| Matthew Gardiner | Trafford Housing Trust |
| Matthew Taylor (Chair) (Appointed 23 September 2009) | Independent |
| Maurice Condie (Resigned 23 September 2009) | Byker Bridge Housing Association |
| Michael Kent | Bromford Housing Group |
| Paul Tennant | The Orbit Group |
| Shena Latto | South Shropshire Housing Limited |
| Sinead Butters (Co-opted 26 November 2009) | Aspire Housing Association |
| Victoria Stark (Co-opted 26 November 2009) | Look Ahead Housing and Care |

Sinead Butters and Victoria Stark co-option to the Board was agreed by the Board with a view to full appointment at the AGM in September 2010.

The Federation is grateful for the service which all of the members have given to the sector through their role as Directors.

Board and Officers' Liability Insurance

During the year the Federation maintained insurance cover to provide indemnity to the members of the Board and officers of the company in respect of losses arising from any claim or claims made against them jointly or severally by reason of any wrongful act committed or alleged to have been committed by them in connection with the performance of their duties as the Board or officers of the company.

Corporate Governance

About the National Housing Federation

The National Housing Federation is a private company limited by guarantee, with no share capital or dividend. The operation of the Federation is governed by its Memorandum and Articles of Association.

The Board

The Board comprises twelve members. The fiduciary duties are the same as any other director under company law. Board members are elected by the membership of the Federation at the AGM following an open recruitment led by the nominations committee who then seek agreement by the board. The Board deals with the policy, strategy and business effectiveness of the organisation.

The Board's Commitment to Accountability

The Board is committed to integrity and accountability in the management of the Federation's affairs. The Federation's main mechanism for accountability by the Board to its members is the Annual General Meeting [AGM]. The AGM gives members the opportunity to hear from the **Chair** and **Chief Executive** about how

we have performed in the year, both in the work it carries out on behalf of members and financially. It also gives an opportunity for members to raise any resolutions as well as voting on those on the agenda. The Chair of the Regional Chairs' Group (RCG) provides an assurance statement to members at the AGM which outlines the group's engagement with the Federation Board and its satisfaction that the Board has fulfilled its role. At the annual board away day, the RCG is invited to attend and work with the Board to start the business planning process.

The governance review in 2009 has initiated the process of a fair and open recruitment process for board members who will bring the necessary skills and competencies needed for us to deliver our strategic aims.

The Audit and Risk Management Committee continues to provide detailed scrutiny of the Federation's finances. It also has placed more emphasis on the risks the Federation faces as a business and how risk is embedded in the culture of the organisation. The committee closely monitors projects that have a significant cost to ensure the money is being spent wisely and that, where possible, the projects result in efficiencies for us as a business and real benefits for our members. A good example of this has been the close monitoring of the new Customer Relationship Management system we are installing.

The Board has a register for declarations of interest. There is a similar register for the Federation's officers as part of the organisation's employee code of conduct. The Board is also committed to providing an accountability statement to members at the AGM.

Responsibilities of the Board

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant information and to establish that the auditors are aware of that information.

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

Committees of the Board

The Board delegates some areas of its work to:

- the Executive Committee
- the Audit and Risk Management Committee
- the Nominations Committee

The Executive Committee

This comprises the Chair, Vice Chair, chair of the Audit and Risk Management committee and the Chief Executive. It conducts Federation liaison with the TSA and HCA, partner organisations and other bodies. It is also responsible for ensuring that the work of the Board and its Committees is effectively co-ordinated at member level. The Executive Committee is also the Federation's Remuneration Committee.

Audit and Risk Management Committee

The Audit and Risk Management Committee advises the Board on the standard of internal control and systems. It also reviews and co-ordinates the internal audit programme, the risk register and overall risk in the organisation and is the primary point of contact for the external auditors.

Nominations Committee

The Nominations Committee comprises three members of the board and two co-optees from the wider Federation membership. It leads the annual board member recruitment programme, shortlisting and interviewing applicants and makes recommendations to the board for agreement and final ratification at the AGM.

Federation Staff

The Federation employs approximately 139 staff; 26 are based in our regional offices, with the remainder at Lion Court. All staff are responsible to and governed by the Board through the Chief Executive.

Internal Audit

The Federation has an internal audit function, currently provided by Deloitte & Touche LLP who were appointed in November 2003. The contract for internal audit services was initially tendered for three years and was reviewed annually by the Audit and Risk Management committee. Deloitte & Touche LLP's contract expired on 31 March 2010 and the Federation is currently tendering for internal audit services.

Internal (and external) auditors have direct access to the Audit Committee.

A System of Financial Planning and Reporting

The Federation works to a three year business plan which is reviewed and updated each year and agreed by the Board. A rolling five year financial plan underpins and supports the three year business plan. Annual budgets are also prepared and approved by the Board. Financial performance against the budget is reviewed monthly by the Chief Executive and the Leadership Team with the forecasted out turn for the year. Financial and operational performance is reviewed by the Audit and Risk Management committee at each of their meetings with a summary report on key issues sent to the Board at each of its meetings, using dedicated financial reports.

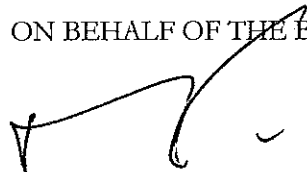
Risk Management Procedures

The Chief Executive and Leadership Team assess the risk of any decisions they make at their monthly meetings updating the Risk Register where necessary. All papers produced for committees and the Board consider the risks involved and actions taken to reduce such risks. A regular review of controls and systems are carried out by each budget area with the aim of updating the Risk Register. This is reviewed by the Audit and Risk Management Committee at each of their meetings. The Risk Register and papers are reviewed by the Audit and Risk Management Committee and Board in setting business strategy for the succeeding year and incorporated into the Business Plan and corporate strategy documents.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006

ON BEHALF OF THE BOARD



Matthew Taylor
Chair

10 August 2010

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)**

We have audited the financial statements of National Housing Federation for the year ended 31 March 2010 which comprise the principal accounting policies, the group and company profit and loss accounts, the group and company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses, the group note on historical gains and losses and notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Responsibilities of the Board and National Council set out on pages 7 and 8, the directors are 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2010 and of the group and parent company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns;
or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Carol Rudge
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
London

11 August 2010

Status

The National Housing Federation is a company limited by guarantee. The liability of members, of whom there are 1,153 (2009: 1,198) is limited to £1 per member. The Federation's group comprises two wholly owned subsidiaries, National Housing Federation Investments Limited and NHF Property & Services Limited.

Basis of Preparation

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

The principal accounting policies are set out below and remain unchanged from the previous period.

Basis of Consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 March 2010. Acquisition of subsidiaries are dealt with by the acquisition method of accounting.

The financial statements present information about the group as a whole. The group owns 49% of the issued share capital of Housemark Limited, which is shown separately from the group's information as a joint venture as required by FRS9. The group also owns shares in The Housing Finance Corporation.

Income

Turnover includes

- affiliation fees received from members;
- the total amount receivable by the company for goods supplied and services provided, excluding VAT;

All income is accounted for on a receivable basis. Rental income is shown net of all outgoings.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provisions for impairment.

Depreciation is provided at rates which are calculated to write off the cost of tangible fixed assets by equal annual instalments over the following estimated useful lives.

| | |
|------------------------------------|--------------------------------|
| Freehold property | 45 - 50 years |
| Improvements to Leasehold property | Over remaining period of lease |
| Office equipment and furniture | 7 years |
| Plant and machinery | 16 - 20 years |
| Computer equipment | 4 years |

No depreciation is provided on freehold land. Depreciation is charged monthly from the period of acquisition or commencement of use, up until the period of disposal.

Freehold property assets are revalued by a professional valuer every five years, with an interim valuation in year three and additional valuations in interim years where it is likely that there has been a material change in value. The latest valuation was at 31 March 2010 when Lion Court was valued at £11,500,000 on an existing use basis.

Tangible Fixed Assets and Depreciation (continued)

Where there is permanent impairment in the value of a property, a charge is made to the profit and loss account unless it represents a reversal of prior upward valuations in which case the charge is made to the revaluation reserve to the extent of reversing the current balance on the revaluation reserve. Where an impairment is considered by the directors to be temporary the full adjustment is made to the revaluation reserve.

Goodwill

Amortisation of purchased goodwill is provided at a rate which will write off the entire value of the asset over 20 years.

Stock

Stock is stated at the lower of cost and net realisable value. Cost includes materials and production overheads. Net realisable value is based on selling price less relevant marketing, selling and distribution costs.

Investments

Investments are held as fixed assets and are stated at cost less provision for any impairment.

Regional Councils

The activities of these are included in the income and expenditure account and balance sheet under the relevant account headings.

Pensions

The company contributes to a multi-employer defined benefit scheme, but the company is unable to separately identify its share of the scheme's assets and liabilities and hence has accounted for the scheme under a defined contribution basis. The expected cost to the Federation of pensions is charged to the income and expenditure account so as to spread the cost of pensions over the service lives of employees.

Operating Leases

Rental costs under operating leases are charged to the income and expenditure account in equal annual amounts over the periods of the leases.

Reserves

The General Reserve is a long-term safeguard against unexpected shortfalls in the commercial areas. The Committee Reserve is a reserve set up on the closure of regional bank accounts representing amounts owing to Practitioner groups.

Reserves are designated by the Board when special projects are identified and reserves are specifically allocated.

Taxation

Provision is made for taxation on rents received, interest and on the trading surplus arising from non mutual trading.

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax on defined benefit pension scheme surpluses or deficits is adjusted against these surpluses. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

VAT recovery is accrued on the basis of a partial exemption formula agreed with HM Customs and Excise on 23 August 2004 which was effective from 28 January 2004. Amounts are included in the income and expenditure account and in the balance sheet gross of VAT where the VAT is reclaimable under this formula. The company is in a VAT grouping with its subsidiary company, NHF Property & Services Limited.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 MARCH 2010

| | Note | 2010 £'000 | 2009 £'000 |
|---|------|-------------------|-------------------|
| Turnover | | | |
| Continuing operations: group and share of joint venture's turnover | | 15,966 | 15,735 |
| Less: share of joint venture's turnover | 2 | <u>(2,493)</u> | <u>(2,220)</u> |
| Group turnover | 1 | <u>13,473</u> | <u>13,515</u> |
| Total turnover | | 13,473 | 13,515 |
| Other operating income: rental income | | <u>722</u> | <u>860</u> |
| | | 14,195 | 14,375 |
| Administrative expenses | 1 | <u>(13,016)</u> | <u>(13,383)</u> |
| Group operating profit before share of joint venture | | 1,179 | 992 |
| Share of operating profit in joint venture | 2 | <u>177</u> | <u>84</u> |
| Group operating profit | | 1,356 | 1,076 |
| Interest payable | 3 | (563) | (698) |
| Interest receivable and similar income | 3 | <u>14</u> | <u>102</u> |
| Profit on ordinary activities before taxation | | 807 | 480 |
| Tax on profit on ordinary activities | 5 | 43 | 49 |
| Share of tax on profit on ordinary activities in joint venture | 2 | <u>(40)</u> | <u>(22)</u> |
| Profit on ordinary activities after taxation transferred to reserves | 15 | <u><u>810</u></u> | <u><u>507</u></u> |

All transactions arise from continuing operations.

The accompanying accounting policies and notes form an integral part of these financial statements.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
COMPANY PROFIT AND LOSS ACCOUNT

For the year ended 31 MARCH 2010

| | Note | 2010 £'000 | 2009 £'000 |
|---|------|---------------------|-------------------|
| Turnover | | | |
| Continuing operations | 1 | 13,474 | 13,515 |
| Other operating income: | | | |
| Rental income | | <u>17</u> | <u>29</u> |
| Total turnover | | 13,491 | 13,544 |
| Administrative expenses | 1 | <u>(12,407)</u> | <u>(12,991)</u> |
| Operating profit | | <u>1,084</u> | <u>553</u> |
| Interest payable | | - | - |
| Interest receivable and similar income | | <u>13</u> | <u>90</u> |
| Profit on ordinary activities before taxation | | 1,097 | 643 |
| Tax on profit on ordinary activities | 5 | <u>-</u> | <u>-</u> |
| Profit on ordinary activities after taxation transferred to reserves | 15 | <u><u>1,097</u></u> | <u><u>643</u></u> |

All transactions arise from continuing operations.

There were no recognised gains or losses other than the profit for the financial year.

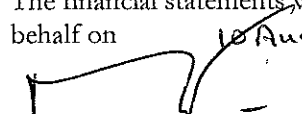
The accompanying accounting policies and notes form an integral part of these financial statements.

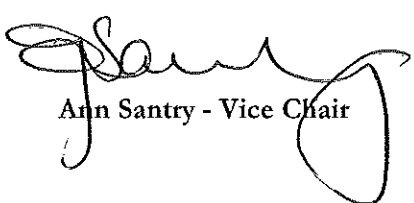
NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
CONSOLIDATED AND COMPANY BALANCE SHEETS

For the year ended 31 MARCH 2010

| | Note | Group 2010 £'000 | Company 2010 £'000 | Group 2009 £'000 | Company 2009 £'000 |
|--|------|------------------------|--------------------------|------------------------|--------------------------|
| Fixed assets | | | | | |
| Goodwill | 8 | 391 | - | 423 | - |
| Investments | 7 | - | 531 | - | 531 |
| Tangible fixed assets | 6 | 13,958 | 615 | 12,458 | 614 |
| | | <u>14,349</u> | <u>1,146</u> | <u>12,881</u> | <u>1,145</u> |
| Current assets | | | | | |
| Stocks - publications | 9 | 86 | 86 | 76 | 76 |
| Debtors | 10 | 982 | 4,694 | 1,035 | 4,136 |
| Cash at bank and in hand | | 3,606 | 3,596 | 2,200 | 2,166 |
| | | <u>4,674</u> | <u>8,376</u> | <u>3,311</u> | <u>6,378</u> |
| Creditors: amounts falling due within one year | 11 | <u>(6,326)</u> | <u>(5,817)</u> | <u>(5,392)</u> | <u>(4,915)</u> |
| Net current (liabilities)/assets | | <u>(1,652)</u> | <u>2,559</u> | <u>(2,081)</u> | <u>1,463</u> |
| Debtors: amounts falling due after more than one year | 10 | - | 3,500 | - | 3,500 |
| Total assets less current liabilities | | <u>12,697</u> | <u>7,205</u> | <u>10,800</u> | <u>6,108</u> |
| Creditors: amounts falling due after more than one year | 12 | (9,217) | - | (9,701) | - |
| Share of gross assets in joint venture | 25 | 1,110 | - | 839 | - |
| Share of gross liabilities in joint venture | 25 | (715) | - | (582) | - |
| Share of net assets in joint venture | | <u>395</u> | <u>-</u> | <u>257</u> | <u>-</u> |
| Deferred taxation | 14 | - | - | (43) | - |
| Net assets | | <u>3,875</u> | <u>7,205</u> | <u>1,313</u> | <u>6,108</u> |
| Capital and reserves | | | | | |
| Profit and loss reserve | 15 | 5,907 | 7,205 | 5,151 | 6,108 |
| Revaluation Reserve | 15 | (2,032) | - | (3,838) | - |
| | 16 | <u>3,875</u> | <u>7,205</u> | <u>1,313</u> | <u>6,108</u> |

The financial statements were approved by the Board of Directors on 15 July 2010 and signed on their behalf on 10 August 2010.


Matthew Taylor - Chair


Ann Santry - Vice Chair

Company registration no: 302132

The accompanying accounting policies and notes form an integral part of these financial statements.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 MARCH 2010

| | Note | 2010 £'000 | 2009 £'000 |
|--|-------|---------------|---------------|
| Net cash inflow from operating activities | 17 | 2,711 | 3,377 |
| Returns on investments and servicing of finance | | | |
| Interest receivable | | 14 | 102 |
| Interest payable | | (563) | (698) |
| Net cash outflow from returns on investments and servicing of finance | | <u>(549)</u> | <u>(596)</u> |
| Taxation | | | |
| Corporation tax paid | | <u>-</u> | <u>-</u> |
| Capital expenditure and financial investment | | | |
| Payments to acquire fixed assets and investments | | (310) | (651) |
| Net cash outflow from capital expenditure and financial investment | | <u>(310)</u> | <u>(651)</u> |
| Net cash inflow before use of liquid resources | | 1,852 | 2,130 |
| Increase in cash | 18,19 | <u>1,852</u> | <u>2,130</u> |

The accompanying accounting policies and notes form an integral part of these financial statements.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

Other Primary Statements

For the year ended 31 MARCH 2010

Consolidated statement of total recognised gains and losses

| | Note | 2010 £'000 | 2009 £'000 |
|--|------|---------------|----------------|
| Profit for the financial year | 15 | 810 | 507 |
| Unrealised profit/(loss) on revaluation of properties | 15 | 1,752 | (6,654) |
| Total gains and losses recognised since last annual report | | <u>2,562</u> | <u>(6,147)</u> |

Consolidated note of historical cost profits and losses

| | | 2010 £'000 | 2009 £'000 |
|---|----|---------------|---------------|
| Reported profit on ordinary activities after taxation | 15 | 810 | 507 |
| Difference between a historical depreciation charge and the actual depreciation of the period calculated on the revalued amount | | (54) | 42 |
| Historical cost profit on ordinary activities after taxation | | <u>756</u> | <u>549</u> |

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2010

1 Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation is attributable to the following as follows:

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| Affiliation fees | 8,358 | 7,806 |
| Grants | 169 | 156 |
| Insurance commission | 50 | 50 |
| Conferences, training and publications | 4,294 | 4,723 |
| Other income | 602 | 780 |
| Company | 13,473 | 13,515 |
| Other income | - | - |
| Group | 13,473 | 13,515 |

All income in the current and preceding year is derived from United Kingdom operations.

The surplus on ordinary activities before taxation is stated after administrative expenses of:

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Staff costs (note 4) | 6,607 | 6,159 |
| Depreciation | 255 | 258 |
| Auditors' remuneration: | | |
| - audit services | 28 | 28 |
| - non-audit services | 8 | 7 |
| Charges on operating leases on premises | 171 | 129 |
| Other operating charges | 5,338 | 6,410 |
| Company | 12,407 | 12,991 |
| Depreciation | 258 | 309 |
| Other operating charges | 352 | 83 |
| Group | 13,017 | 13,383 |

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2010

2 Share of joint venture's results

Further information on the Federation's joint venture is disclosed at notes 7 and 25. Summary income and expenditure information for Housemark is:

| | Year ended 31 December 2009 £'000 | Group share (50%) 2009 £'000 | Year ended 31 December 2008 £'000 | Group share (50%) 2008 £'000 |
|--|---|--|---|---------------------------------------|
| Housemark turnover | 4,986 | 2,493 | 4,441 | 2,220 |
| Housemark operating costs | (4,632) | (2,316) | (4,273) | (2,136) |
| Operating profit | 354 | 177 | 168 | 84 |
| Interest receivable | 2 | 1 | 24 | 12 |
| Profit on ordinary activities before tax | 356 | 178 | 192 | 96 |
| Tax on profit on ordinary activities | (80) | (40) | (43) | (22) |
| Net profit | 276 | 138 | 149 | 74 |

3 Interest payable and similar charges

| | 2010 £'000 | 2009 £'000 |
|------------------------------|---------------|---------------|
| Interest payable | | |
| On bank loans and overdrafts | 563 | 698 |
| Interest receivable | | |
| Bank | 14 | 102 |

4 Directors and employees

Staff costs during the year were as follows:

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Wages and salaries (leadership team) | 445 | 436 |
| Wages and salaries (other staff) | 4,869 | 4,636 |
| Social security costs (leadership team) | 49 | 48 |
| Social security costs (other staff) | 421 | 406 |
| Other pension costs (leadership team) | 64 | 63 |
| Other pension costs (other staff) | 567 | 533 |
| Termination costs | 192 | 37 |
| | 6,607 | 6,159 |

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2010

Directors and employees (continued)

The average number of employees of the company during the year was:

| | 2010 Number | 2009 Number |
|------------------------|----------------|----------------|
| Senior management team | 4 | 4 |
| Other staff | 135 | 134 |
| | <u>139</u> | <u>138</u> |

All employees were employed in the Federation's principal activity.

The amounts set out above include remuneration (excluding pension contributions) in respect of the highest paid officer, the Chief Executive as follows:

| | 2010 £'000 | 2009 £'000 |
|--------|---------------|---------------|
| Salary | <u>158</u> | <u>155</u> |

The Chief Executive and the leadership team are ordinary members of the Social Housing Pension Scheme and participate in the scheme on the same basis as all other staff.

The Chair was paid £7,500 for his services from his appointment 25 September 2009 until the year end. No remuneration was paid to any other member of the Board (2009: nil).

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
 NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2010

5 Tax on profit on ordinary activities

(a) Analysis of the tax credit for the year

The tax credit is based on the profit for the year and represents:

| | Group 2010 £'000 | Company 2010 £'000 | Group 2009 £'000 | Company 2009 £'000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| Current tax: | | | | |
| United Kingdom corporation tax at 28% (2009: 28%) | - | - | 22 | - |
| Adjustments in respect of prior years | - | - | - | - |
| | - | - | 22 | - |
| Deferred taxation: | | | | |
| Timing difference, origination and reversal | (43) | - | (15) | - |
| Adjustment in respect of prior years | - | - | (34) | - |
| | (43) | - | (27) | - |

(b) Factors affecting current tax credit

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom of 28% (2009: 28%). The differences are explained below:

| | | | | |
|--|-------|-------|-------|-------|
| Profit on ordinary activities before tax | 810 | 1,097 | 480 | 643 |
| Profit on ordinary activities before tax multiplied by the standard rate of corporation tax of 28% (2009: 28%) | 226 | 307 | 134 | 180 |
| Effect of: | | | | |
| Expenses not deductible for tax purposes | 57 | 67 | (224) | (219) |
| Non qualifying depreciation | - | - | 49 | - |
| Capital allowances for the period in excess of depreciation | (21) | (12) | (41) | (13) |
| Difference in tax rates | - | - | 51 | 51 |
| Group relief of current year losses | | | | |
| Increase/(utilisation) of trading losses | 119 | 20 | 31 | 1 |
| Profit on mutual trading activities | (381) | (382) | 31 | 1 |
| Current tax charge for period | - | - | - | - |

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2010

6 Tangible fixed assets

Group

| | Freehold property £'000 | Plant and machinery £'000 | Computer equipment £'000 | Office equipment and furniture £'000 | Improve- ments to leasehold premises £'000 | Total £'000 |
|-------------------------------------|-------------------------------|---------------------------------|--------------------------------|--|--|----------------|
| Cost/value | | | | | | |
| At 1 April 2009 | 10,856 | 987 | 1,851 | 893 | 40 | 14,627 |
| Increase on revaluation | 1,444 | 156 | - | - | - | 1,600 |
| Additions | - | - | 256 | 36 | 18 | 310 |
| Disposals | - | - | (463) | (2) | - | (465) |
| At 31 March 2010 | <u>12,300</u> | <u>1,143</u> | <u>1,644</u> | <u>927</u> | <u>58</u> | <u>16,072</u> |
| Depreciation | | | | | | |
| At 1 April 2009 | 148 | 4 | 1,422 | 592 | 3 | 2,169 |
| Provided in the year | 144 | 61 | 202 | 98 | 7 | 512 |
| Eliminated on revaluation | (92) | (60) | - | - | - | (152) |
| Disposals | - | - | (414) | (1) | - | (415) |
| At 31 March 2010 | <u>200</u> | <u>5</u> | <u>1,210</u> | <u>689</u> | <u>10</u> | <u>2,114</u> |
| Net book amount at 31 March 2010 | <u>12,100</u> | <u>1,138</u> | <u>434</u> | <u>238</u> | <u>48</u> | <u>13,958</u> |
| Net book amount at 31 March 2009 | <u>10,708</u> | <u>983</u> | <u>429</u> | <u>301</u> | <u>37</u> | <u>12,458</u> |

Included in freehold property is an amount of £ 5,558,069 (2009: £4,810,600) in respect of freehold land which is not subject to depreciation.

The Board under advice from Strutt & Parker have determined that there has been an increase in the value of Lion Court reflected in the financial statements of £1,600,000 at 31 March 2010. This adjustment increases the value of Lion Court in the financial statements to £ 11,500,000 on an existing use basis. The revaluation includes assets classified as freehold property plus plant and machinery deemed to form part of the core fabric of the building.

The company's freehold property Lion Court was previously independently revalued at 31 March 2009 to £9,900,000 by Strutt & Parker who are members of the Royal Institute of Chartered Surveyors. The basis of valuation used was existing use value.

If the property had not been revalued, it would have been included on the historical cost basis at a net book value of £ 13,532,618 (2009: £13,738,361).

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
 NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2010

Tangible Fixed assets (continued)

| Company | Computer equipment £'000 | Office equipment and furniture £'000 | Improve- ments to leasehold Premises £'000 | Total £'000 |
|----------------------------------|--------------------------------|--|--|----------------|
| Cost | | | | |
| At 1 April 2009 | 1,825 | 544 | 40 | 2,409 |
| Additions | 255 | 32 | 18 | 305 |
| Disposals | (463) | (2) | - | (465) |
| At 31 March 2010 | <u>1,617</u> | <u>574</u> | <u>58</u> | <u>2,249</u> |
| Depreciation | | | | |
| At 1 April 2009 | 1,401 | 391 | 3 | 1,795 |
| Provided in the year | 200 | 48 | 7 | 255 |
| Disposals | (414) | (2) | - | (416) |
| At 31 March 2010 | <u>1,187</u> | <u>437</u> | <u>10</u> | <u>1,634</u> |
| Net book amount at 31 March 2010 | <u>430</u> | <u>137</u> | <u>48</u> | <u>615</u> |
| Net book amount at 31 March 2009 | <u>424</u> | <u>153</u> | <u>37</u> | <u>614</u> |

7 Investments

The Federation owns one £1 ordinary share in The Housing Finance Corporation Limited, representing one-seventh of the nominal value of the issued share capital of the Industrial and Provident Society. This Industrial and Provident Society assists housing associations and related charities in raising funds for capital projects and is incorporated in Great Britain.

The Federation owns 100% of National Housing Federation Investments Limited, which itself owns a 49% ordinary shareholding in Housemark Limited. The total value of the investment is £531,166 in the company's balance sheet.

The Federation owns 100% of NHF Property & Services Limited which owns Lion Court, the Federation's head office and conference centre.

The Federation became a member in the Co-operative and Mutual Business Services Limited with an investment of one share of £1. The company carries out the registration of Co-operatives and Mutuals within the Financial Services Authority.

The Federation sold its status survey business to Feedback Services Limited on 11 July 2008 in return for a £10 shareholding in the company

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
 NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2010

Investments (continued)

| | | | | |
|---|--|------|--------------|------------|
| National Housing Federation Investments Limited | Investment company | 100% | | |
| NHF Property & Services Ltd | Property Owning and Conference Facility/Meeting Room providers | 100% | | |
| Housemark Limited | Provider of benchmarking services to Housing Sector | 49% | | |
| Feedback Services Limited | Provider of status surveys to Housing Sector | 10% | | |
| | | | 2010 | 2009 |
| | | | £'000 | £'000 |
| National Housing Federation Investments Limited | | | <u>531</u> | <u>531</u> |

8 Goodwill

A fair value review of the gross assets and liabilities of Housemark Limited was carried out with the result that none of the carrying values of the assets or liabilities were altered for the goodwill calculation. No circumstances have arisen which would indicate that the carrying amount of the goodwill (in the group's balance sheet) or the investment (in the balance sheet of National Housing Federation Investments Limited) are impaired. However, management has considered Housemark's performance against its business plan since the acquisition date and is content that no impairment has occurred.

As set out in the accounting policies, purchased goodwill is amortised over a period of twenty years. Management is of the opinion that such a period realistically reflects the expected useful economic life of the goodwill, given the nature of Housemark's business, the environment in which it operates and the scope and plans for future developments. Amortisation costs are charged to the income and expenditure account monthly. The following reconciliation of movements in goodwill is disclosed.

| | |
|--------------------------------------|--------------|
| | £'000 |
| Cost | |
| At 1 April 2009 and at 31 March 2010 | <u>639</u> |
| Accumulated amortisation: | |
| At 1 April 2009 | 216 |
| Charge for the period | <u>32</u> |
| At 31 March 2010 | <u>248</u> |
| Net book amount at 31 March 2010 | <u>391</u> |
| At 31 March 2009 | <u>423</u> |

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2010

9 Stocks

| | Group 2010 £'000 | Company 2010 £'000 | Group 2009 £'000 | Company 2009 £'000 |
|------------------|------------------------|--------------------------|------------------------|--------------------------|
| Stock for resale | 86 | 86 | 76 | 76 |

10 Debtors

Amounts due in less than one year:

| | Group 2010 £'000 | Company 2010 £'000 | Group 2009 £'000 | Company 2009 £'000 |
|-------------------------------------|------------------------|--------------------------|------------------------|--------------------------|
| Trade debtors | 469 | 272 | 440 | 315 |
| Other debtors | 44 | 44 | 52 | 52 |
| Prepayments and accrued income | 469 | 469 | 543 | 543 |
| Amounts due from group undertakings | - | 3,909 | - | 3,226 |
| | <u>982</u> | <u>4,694</u> | <u>1,035</u> | <u>4,136</u> |

Amounts due after more than one year:

| | | | | |
|-------------------------------------|---|-------|---|-------|
| Amounts due from group undertakings | - | 3,500 | - | 3,500 |
|-------------------------------------|---|-------|---|-------|

A non-interest bearing deferred loan was made to the company's subsidiary undertaking, NHF Property & Services Limited in January 2004 to assist in the financing of the purchase of Lion Court, a property owned by NHF Property & Services Limited. At 31 March 2010 the amount outstanding on the loan was £ 3,500,000 (2009: £3,500,000), to be repaid 20 years from date of issue.

The company has agreed not to recall the intercompany balance of £3,909k for twelve months from the date of signing these accounts unless NHF Property & Services Limited has the available funds to make the payment.

11 Creditors: amounts falling due within one year

| | Group 2010 £'000 | Company 2010 £'000 | Group 2009 £'000 | Company 2009 £'000 |
|-------------------------------|------------------------|--------------------------|------------------------|--------------------------|
| Bank loan (note 13) | 462 | - | 425 | - |
| Trade creditors | 406 | 406 | 524 | 524 |
| Corporation tax | - | - | - | - |
| Other tax and social security | 288 | 288 | 239 | 239 |
| Other creditors | 122 | 122 | 83 | 83 |
| Accruals and deferred income | 5,048 | 5,001 | 4,121 | 4,069 |
| | <u>6,326</u> | <u>5,817</u> | <u>5,392</u> | <u>4,915</u> |

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
 NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2010

12 Creditors: amounts falling due after more than one year

| | Group 2010 £'000 | Company 2010 £'000 | Group 2009 £'000 | Company 2009 £'000 |
|---------------------|------------------------|--------------------------|------------------------|--------------------------|
| Bank loan (note 13) | 9,217 | - | 9,701 | - |

13 Creditors: Capital instruments

Creditors include bank loans which are due for repayment as follows:

| | Group 2010 £'000 | Company 2010 £'000 | Group 2009 £'000 | Company 2009 £'000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| Amounts repayable: | | | | |
| In one year or less or on demand | 462 | - | 425 | - |
| In more than one year, but not more than two years | 489 | - | 452 | - |
| In more than two years, but not more than five years | 1,656 | - | 1,539 | - |
| In more than five years | 7,073 | - | 7,710 | - |
| | <u>9,680</u> | <u>-</u> | <u>10,126</u> | <u>-</u> |

14 Deferred taxation

Group

Deferred taxation provided for in the financial statements is set out below.

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Provision for deferred tax at 1 April 2009 | 43 | 92 |
| Current year deferred tax | (43) | (15) |
| Prior year deferred tax | - | (34) |
| Provision for deferred tax at 31 March 2010 | <u>-</u> | <u>43</u> |

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Excess of taxation allowances over depreciation of fixed assets | - | 160 |
| Trading losses | - | (117) |
| | <u>-</u> | <u>43</u> |

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
 NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2010

Deferred taxation (continued)

| Group and Company | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| Unprovided deferred taxation asset: | | |
| Depreciation in excess of capital allowances | (87) | 71 |
| Trading losses | 351 | 95 |
| | <u>264</u> | <u>166</u> |

There was no provision for deferred taxation as at 31 March 2010 (2009: £nil) in the company.

15 Reserves

Group

| | Profit and loss account | | | Total 2010 £'000 | | |
|-----------------------|-------------------------------------|---------------------------------------|---|------------------------|---------|-------|
| | General reserve 2010 £'000 | Committee Reserve 2010 £'000 | Revaluation Reserve 2010 £'000 | | | |
| | At 1 April 2009 | 5,032 | 119 | | (3,838) | 1,313 |
| | Transfer between Reserves | (54) | - | | 54 | - |
| Profit for the year | 843 | (33) | - | 810 | | |
| Profit on revaluation | - | - | 1,752 | 1,752 | | |
| At 31 March 2010 | <u>5,821</u> | <u>86</u> | <u>(2,032)</u> | <u>3,875</u> | | |

Company

| | Profit and loss account | | | |
|------------------|-------------------------------------|---------------------------------------|------------------------|-------|
| | General reserve 2010 £'000 | Committee reserve 2010 £'000 | Total 2010 £'000 | |
| | At 1 April 2009 | 5,989 | 119 | 6,108 |
| | Profit for the year | 1,130 | (33) | 1,097 |
| At 31 March 2010 | <u>7,119</u> | <u>86</u> | <u>7,205</u> | |

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2010

16 Reconciliation of movements in shareholders' funds

| | Group 2010 £'000 | Company 2010 £'000 | Group 2009 £'000 | Company 2009 £'000 |
|--|------------------------|--------------------------|------------------------|--------------------------|
| Profit attributable to members | 810 | 1,097 | 507 | 643 |
| Other recognised gains and losses for the year | 1,752 | - | (6,654) | - |
| Net additions to shareholders' funds | <u>2,562</u> | <u>1,097</u> | <u>(6,147)</u> | <u>643</u> |
| Opening shareholders' funds | 1,313 | 6,108 | 7,460 | 5,465 |
| Closing shareholders' funds | <u><u>3,875</u></u> | <u><u>7,205</u></u> | <u><u>1,313</u></u> | <u><u>6,108</u></u> |

17 Net cash outflow from operating activities

| | 2010 £'000 | 2009 £'000 |
|--|---------------------|---------------------|
| Operating surplus | 1,357 | 1,076 |
| Depreciation | 512 | 567 |
| Profit/(loss) on disposal of tangible fixed assets | 48 | (37) |
| Amortisation charges | 32 | 32 |
| Share of profit in joint venture | (178) | (96) |
| (Increase)/Decrease in stock | (10) | (9) |
| Decrease/(increase) in debtors | 54 | 254 |
| Increase in creditors | 896 | 1,590 |
| Net cash inflow from operating activities | <u><u>2,711</u></u> | <u><u>3,377</u></u> |

18 Reconciliation of net cash flow to movement in net debt

| | 2010 £'000 | 2009 £'000 |
|---|-----------------------|-----------------------|
| (Decrease)/increase in cash in the year | 1,406 | 1,750 |
| Cash outflow from loan financing | 446 | 380 |
| Movement in net debt in the year | <u>1,852</u> | <u>2,130</u> |
| Net debt at 1 April 2009 | <u>(7,926)</u> | <u>(10,056)</u> |
| Net debt at 31 March 2010 | <u><u>(6,074)</u></u> | <u><u>(7,926)</u></u> |

For the year ended 31 MARCH 2010

19 Analysis of changes in net debt

| | At 1 Apr 2009 £'000 | Cash flow £'000 | At 31 Mar 2010 £'000 |
|------------------|---------------------------|--------------------|----------------------------|
| Cash in hand | 2,200 | 1,406 | 3,306 |
| Liquid resources | (10,126) | 446 | (9,680) |
| | <u>(7,926)</u> | <u>1,852</u> | <u>(6,074)</u> |

20 Capital commitments

The company had capital commitments at 31 March 2010 of £313k (2009 – nil)

| | 2010 £'000 | 2009 £'000 |
|------------------------------------|---------------|---------------|
| Contracts tendered for and awarded | <u>313</u> | <u>-</u> |

21 Contingent assets/liabilities

There were no contingent liabilities at 31 March 2010 or 31 March 2009.

22 Retirement benefit schemes

The National Housing Federation participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the “SHPS House Policies and Rules Employer Guide”.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to 31 March 2007. From April 2007 there are three benefit structures available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.

From April 2010 there are a further two benefit structures available, namely:

- Final salary with a 1/80th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate

A defined contribution option will be made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

For the year ended 31 MARCH 2010

Retirement benefit schemes (continued)

The National Housing Federation has elected to operate the final salary with a 1/60th accrual rate and a career average revalued earnings with a 1/60th accrual rate benefit structure for active members as at 31 March 2007 and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1 April 2007. This does not affect any benefit structure changes from April 2010.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period the National Housing Federation paid contributions at the rate from 12.3% to 14.5%. Member contributions varied between 6.2% and 7.5% depending on their age.

As at the balance sheet date there were 102 active members of the Scheme employed by The National Housing Federation. The pensionable payroll in respect of these members was £631,180. The National Housing Federation continues to offer membership of the Scheme to its employees.

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 a 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 Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 70%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

| | % pa |
|-------------------------------|------|
| Valuation Discount Rates | |
| Pre retirement | 7.8 |
| Non Pensioner Post retirement | 6.2 |
| Pensioner Post retirement | 5.6 |
| Pensionable earnings growth | 4.7 |
| Price inflation | 3.2 |
| Pension Increases | |
| Pre 88 GMP | 0.0 |
| Post 88 GMP | 2.8 |
| Excess over GMP | 3.0 |

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate

For the year ended 31 MARCH 2010

Retirement benefit schemes (continued)

The valuation was carried out using the following demographic assumptions

Mortality pre retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1%pa
 Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1%pa

The long-term joint contribution rates that will apply from April 2010 required from employers and members to meet the cost of future benefit accrual were assessed at:

| Benefit structure | Long-term joint contribution rate (% of pensionable salaries) |
|---|--|
| Final salary with a 1/60 th accrual rate | 17.8 |
| Final salary with a 1/70 th accrual rate | 15.4 |
| Career average revalued earnings with a 1/60 th accrual rate | 14.9 |

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

Employers joining the Scheme after 1 October 2002 that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator is currently in the process of reviewing the recovery plan for the SHPS Scheme in respect of the September 2008 actuarial valuation. A response from the regulator is expected in due course.

For the year ended 31 MARCH 2010

Retirement benefit schemes (continued)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2009. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,723 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £738 million, equivalent to a past service funding level of 70.0%.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The total pension cost for the Federation for the year was £ 631,180 (2009: £596,200).

23 Financial commitments

On 29 January 2004, the group purchased Lion Court in Holborn for the sum of £13,739,182. The purchase was financed by a 25 year loan from the Bank of Scotland of £11,739,182 at an interest rate of 1.5% plus base. At 31 March 2010 the amount outstanding was £9,679,115 (2009: £10,126,826).

The loan is secured by mortgage charge over the building known as Lion Court.

On 11 June 2004, the group fixed the interest rate on £8,000,000 of the loan with the Bank of Scotland. The interest rate on £4,000,000 of the loan was fixed for 5 years at 7.315% and the interest on the other £4,000,000 was fixed for 10 years at 7.295%. The interest fix for 5 years at 7.315% expired on 10 June 2009 and the £3,443,366 remaining on the loan allowed to float. On 22 February 2010, the company elected to fix interest at 5.595% for 10 years on £3,318,244 to run from 11 March 2010 and £791,700 to run from 29 April 2010.

The National Housing Federation has a temporary overdraft facility with its bankers Lloyds TSB Bank Plc amounting to £1,000,000, which expires at the end of June 2011. At the 31 March 2010, the overdraft with the bank was £nil (2009: £nil).

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2010

Financial commitments (continued)

At 31 March 2010 there were commitments to make the following payments during the next year in respect of operating leases on premises:

| | Group and Company 2010 £'000 | Group and Company 2009 £'000 |
|--|---------------------------------------|---------------------------------------|
| Land and buildings | | |
| Leases which expire within one year | - | 11 |
| Leases which expire over five years | 117 | 50 |
| Other | | |
| Leases which expire within one year | 4 | 6 |
| Leases which expire within two to five years | 45 | 48 |
| Leases which expire over five years | <u> </u> | <u> </u> |

24 Transactions with directors /and other related parties

During the year the National Housing Federation paid £nil (2009: £135) to Housemark for services and received licence income from Housemark amounting to £227,500 (2009: £220,144).

National Housing Federation paid rent of £1,037,237 (2009: £1,037,237) to NHF Property & Services Limited. It also paid £56,650 (2009: £65,215) for catering services. NHF Property & Services Limited paid fees in respect of rents, rates and service charges to the National Housing Federation for the 1st and 2nd floors of Lion Court amounting to £1,034,042 (2009: £771,962).

In the normal course of business the Housing Associations to which the directors are connected, pay affiliation fees, acquire publications and attend training courses of the National Housing Federation. All of these transactions are at arms length. Affiliation fees received from members during the year ended 31 March 2010 were £8,358,380 (2009: £7,806,182).

There are no other related party transactions.

25 Group and joint venture disclosures

The group and company have a 49% shareholding in Housemark Limited. Housemark's only other shareholder is the Chartered Institute of Housing. The National Housing Federation has 50% of voting rights and therefore 50% of the results of Housemark Limited are treated as a joint venture.

- (a) There are no inter company loans or other balances due between the National Housing Federation and Housemark Limited.
- (b) Housemark Limited's accounting reference date is 31 December. The most recent audited accounts available are for the period ending 31 December 2009. These have been used in compiling the Federation's group financial statements. They contained the following information:

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 2010

Group and joint ventures disclosures (continued)

| | 2010 | 2009 |
|--------------------------------|--------------------|--------------------|
| | £ | £ |
| Profit and loss account | | |
| Turnover | 4,985,515 | 4,440,778 |
| Profit after tax | 276,735 | 148,904 |
| Balance sheet | | |
| Gross assets | 2,220,605 | 1,677,658 |
| Gross liabilities | <u>(1,429,672)</u> | <u>(1,163,460)</u> |
| Net liabilities | <u>790,933</u> | <u>514,198</u> |
| Called-up share capital | 100 | 100 |
| Profit and loss account | <u>790,833</u> | <u>514,098</u> |
| | <u>790,933</u> | <u>514,198</u> |

Housemark Limited's registered address is 8 Riley Court, Millburn Hill Road, University of Warwick Science Park, Coventry, CV4 7HP.

26 Post balance sheet event

The Federation formed a wholly owned subsidiary company MyHome Support Services Limited (Registration Number 7259007) on 19 May 2010 to provide support services to a special purpose vehicle MyHome Finance Limited of which the Federation is the only member at present. MyHome Finance Limited is a company limited by guarantee and the Federation's liability is £1.