

NATIONAL HOUSING

FEDERATION LIMITED

FINANCIAL STATEMENTS

For the Year ended

31 March 2017

Company no. 0302132

NATIONAL HOUSING FEDERATION
For the year ended 31 March 2017

Company registration number: 0302132

Registered office: Lion Court
25 Procter Street
London
WC1V 6NY

Bankers: Lloyds TSB
Kings Cross Branch
344 Grays Inn Road
London
WC1X 8BX

Banking services also provided by:

Bank of Scotland
2nd Floor, James's Gate
14-165 Cockspur Street
London
SW1Y 5BL

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

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KEY FIGURES – GROUP FIVE YEAR SUMMARY

	2016/17 £k	2015/16 £k	2014/15 £k	2013/14 £k	2012/13 £k
Turnover	15,122	16,653	15,464		
Underlying turnover	13,976	13,893	14,540	14,130	14,382
Change %	n/c	-4.4%	2.9%	-1.8%	-1.2%
Profit after tax	2,192	751	1,280		
Underlying surplus	456	382	293	347	325
Net assets	8753	6,561	5,810		
Net assets pre FRS 102			11,675	10,458	6,428
Net cash at year end	3,015	2,712	2,643	3,375	4,412

The Financial Statements for 2015/16 were prepared for the first time under Financial Reporting Statement 102 (FRS 102) and comparative figures for 2014/15 were restated.

Underlying turnover excludes unrealised property revaluation gains on investment property included under FRS 102 in turnover.

Surplus is the profit after tax on ordinary activities transferred to reserves. Underlying surplus excludes exceptional / one off items, unrealised property revaluation gains on investment property and pension deficit liability movements. It includes the impact of annual pension recovery payments.

Net Assets under FRS 102 reflect pension deficit liabilities and unrealised property revaluation gains on investment property.

All figures reported under FRS 102 reflect full provision for deferred tax.

Further details are provided in the Financial Review section of the Strategic Report and in the Financial Statements and Notes.

Further information on the Federation's financial performance is provided in our separate Annual Financial Review available on our website www.housing.org.uk which also provides extensive information about the Federation's activities generally.

CHAIR'S STATEMENT

This time last year the UK had just voted to leave the EU and there was much uncertainty and speculation as to what would happen next. The level of uncertainty is now even greater following the recent general election, and tragic terrorist and Grenfell fire events.

Nevertheless the intervening year saw some positive developments. Prior to the Brexit referendum vote, leading up to and following the 2015 general election, the sector had secured a cross-party consensus on the urgent need to provide far more housing. Key initiatives, facilitated by the Federation, were the hugely successful Homes for Britain campaign and the Voluntary Right to Buy agreement with government. The latter, regardless of its eventual impact, demonstrated to government that housing associations are an integral part of solving the housing crisis.

This relationship was further developed over the past year. The government not only reaffirmed the need to increase housing provision, but also adopted a more flexible attitude as to how that might be achieved. Encouragingly the need for both more housing and a range of delivery models, was reflected in the general election manifestos of all the main political parties. Development of new housing for outright sale is still vital, but alongside there is a need for other forms of sale and homes to rent, all including a significant affordable element, which I believe is vital to fulfilling our social purpose. I very much hope that this consensus will be positively carried forward despite the current uncertainties.

There are of course areas where we have been less aligned with government policy. Ongoing welfare reform, often focussed unfairly on the most disadvantaged members of society, is creating real issues in providing housing that is truly affordable.

I have continued to travel throughout the country meeting housing associations and am immensely impressed by how they are responding to both immediate and longer term challenges.

In 2016/17 the Federation made an underlying surplus of £456k compared to £382k in the previous year. We have continued on a sustained basis to maintain a strong financial position, consistently delivering modest financial surpluses in line with our Reserves Policy, whilst delivering significant, real reductions in the price of membership.

Following many years of no increase, for an average member we have reduced fees by 1% in 2016/17, followed by a further 4% in 2017/18. We are making no change for 2018/19 and as a result we will have delivered savings in fees to members in real terms of 29% / £13.5m over eight years. The price of Federation membership is 5% lower than it was in 2011/12.

I continue to be very well supported by a high performing Board and hugely effective Federation staff. I thank them all and particularly Mark Washer who retires from the Board after six years' service, latterly as my Vice Chair.



Baroness Diana Warwick

CHIEF EXECUTIVE'S REVIEW

In 2013, with the support of our members, we launched our 'Ambition to Deliver' outlining the contribution we could collectively make to increase the provision of affordable housing over the next twenty years. We have now updated, revitalised and reissued that Ambition which is still key to solving the housing crisis. Following the recent General Election, and in the wake of deeply tragic events affecting us all, this Ambition and our collective strength as a sector will be even more important.

We are now also well into our new business plan, which focuses on putting our members at the heart of everything we do. I would like to thank all our staff for their professionalism, commitment and support in establishing the 'Federation of the Future' and indeed for all that they do.

We now have a designated member services directorate, a new proactive Futures thinking initiative, a spread of commercial focus across the whole organisation and exciting plans to make even better use of technology. I look forward to seeing the results of all these, whilst the Federation continues to be an efficient, effective and well governed body for its members, providing even better value for money whilst reducing the affiliation fees it charges to members.

I am grateful for the support of our Board and particularly our Chair, Baroness Diana Warwick, who I'm pleased to say many members have now had the opportunity to meet. In Diana's statement she comments on the positive relationship we have developed with government, albeit highlighting that there are still issues we have fundamentally disagreed on. It was disappointing that despite government's good intentions, the Housing White Paper earlier this year was not as ambitious as we hoped. We await to see how matters proceed following the general election, but I'm encouraged by the continuing high profile of housing need, across the political spectrum.

From a sector perspective a major challenge will be the setting of a new social rent regime post 2020, following expiry of the current arrangement which specifies decreases of 1% pa. Housing associations are independent businesses in control of their own strategies and plans, so allowing them to set rents would be consistent. Equally some housing associations do have concerns about the potential impact and we continue to consult widely on what is the best outcome for all.

We will also see the impact of regulatory fees and the results of consolidation in the sector as some housing associations merge to give themselves greater capability to boost housing provision. As ever though it is for each association to look at its purpose and set its own strategy to best achieve it.

Whilst we make good progress, there is more to be done. I am pleased that the Federation is in good shape to help make it happen.



David Orr

STRATEGIC REPORT

Overview

The Federation is the representative trade body for organisations in England which provide and manage homes and do not trade for profit. The Federation supports and promotes the work of housing associations and campaigns for better housing and neighbourhoods. Virtually all housing associations of any significant size, in England, are members of the Federation.

The major part of the Federation's income is from members' annual affiliation fees, in return for which members receive a wide range of representation and support.

The Federation focuses on what matters most for housing associations, enabling them to prosper, whatever their business model. It aims to be the body to engage with on housing issues and be regarded by its members as a highly effective trade body.

The Federation exists for its members and they have varying views as to how best we can help them. Our members' success in meeting their challenges, and the Federation's success in providing the right support, ultimately determines levels of Federation membership and income.

Supplementing affiliation fees, the Federation's other main source of income is from commercial activities which are paid for on a usage basis. These include our highly valued conferences, publications and bespoke products and services for housing associations and their tenants.

Commercial activities are provided both for members and non-members. Income from commercial activities is dependent on the quality and pricing of the services, demand and a range of underlying economic factors. Members benefit from reduced rates for the commercial services they purchase.

Commercial activities are undertaken when they provide value to members and enhance the Federation's reputation. The Federation aims within these criteria to maximise the financial contribution from commercial activities, helping to keep down affiliation fees and thus provide maximum value for money to members.

Risks & Uncertainties

As a trade body the Federation is impacted by the risks and uncertainties applying to its members and those applying to its own business operations.

The Federation has identified as inherently high risk, the political, economic and regulatory aspects of its wider operating environment and the linked reputational risks relating to the activities of its members. These factors may impact in ways which are inherently unpredictable, particularly following the 2016 referendum vote to leave the EU, the June 2017 general election and the recent tragic terrorist and Grenfell fire events.

Key risks and uncertainties for our members include:

- The potential reputational and financial consequences of the Grenfell fire tragedy and the responses to it, both those from housing associations and other parties.

STRATEGIC REPORT

Risks & Uncertainties (continued)

- The extent to which housing associations can increase the supply of housing in line with Government objectives. Housing associations are independent businesses, with their own individual strategies and plans, but government, of any political persuasion, is likely to be focussed on the extent to which the sector as a whole is maximising its potential to increase delivery. Success is likely to be key to continuing a positive relationship with government on the broader front.
- The level of social rent increases which will be permitted following expiry of the current arrangement specifying decreases of 1% pa. Housing associations have very long term business plans and relatively small annual differences have a substantial long term cumulative impact. Currently there is uncertainty not just about the quantum and timeframe for any future controls but also whether controls might be loosened and associations given the ability to set their own rents. The confidence of housing associations as regards future rental streams is closely related to their ability to increase housing provision.
- Ongoing impacts from Government's welfare and benefit reform measures, including the introduction of benefit caps, and the revised funding mechanisms for providing special needs housing. Without a change in policy, there is a real possibility that housing will become less affordable for the disadvantaged whilst at the same time funding for supply and operation is effectively reduced.
- Impacts from the restructuring of the regulator's role, the splitting of regulatory and funding responsibilities, and the introduction of fees for regulation. The introduction of regulatory fees is clearly an additional cost, whilst the changes in responsibility and delivery mechanisms could have either beneficial or detrimental effects on the availability of funding and the quality of regulation, depending on how well the changes are implemented and then managed.
- All of the above will influence how housing associations are viewed by stakeholders, including funders. Housing associations are adopting a more innovative range of business relationships, operating structures and funding sources, but ultimately funding availability and cost will depend on the risk assessments by the funders.

Key risks for the Federation as regards its own activities are:

- Failure to engage effectively with and provide leadership for members
- Inability to achieve policy outcomes on behalf of members
- Failure to deliver sufficiently attractive commercial products and services
- Failure to operate efficiently and provide members with value for money

All of the above depend on the ability of the Federation to recruit, direct and motivate high quality staff, who successfully implement our strategy and business plans, both as regards outward facing and internal support services.

During the year the Federation underwent an organisational restructure to establish the 'Federation of the Future'. This embodies a dedicated member services directorate, a new proactive Futures thinking initiative, a spread of commercial focus across the whole organisation and exciting plans to make even better use of technology. It is allied to the development of a more flexible culture and working environment, but carries certain risks.

STRATEGIC REPORT

Risks & Uncertainties (continued)

We have particularly identified the risks of

- Not achieving the desired culture change, thus potentially demotivating / losing key staff
- Losing rather than enhancing commercial focus by no longer having a specific designated commercial directorate

If any combination of the above risks for our members and the Federation were to materialise on a significant scale, then members may become unable or unwilling to pay their affiliation fees or for commercial services. This could then result in there being insufficient funding for the Federation to operate in its current manner.

There is an ongoing increase in merger activity within the sector. This could reduce the Federation's income from affiliation fees under our current charging structure and will require the Federation to keep under review its service offers to members with differing characteristics.

Financially, the major cost outside the Federation's direct control is its deficit recovery payments to the Social Housing Pension Fund (SHPS). These costs relate to historic pension entitlements. They are subject to regular valuations of the fund and ultimately a wide range of valuation assumptions. The Federation has limited its exposure to cost increases in the long term by moving its pensions provision from a defined benefit to a defined contribution basis.

The Federation's Risk Management Procedures are detailed in the Report of the Directors. Extensive risk mitigation actions are taken, reviewed and further developed.

The Federation leads the sector in anticipating and analysing different scenarios and how to deal with them. There are operating policies, procedures and protocols in place controlling all public and private Federation pronouncements. Positioning is determined by the Board informed by widespread consultation with members.

Regarding commercial activities, strong market intelligence means conference programmes are constantly adjusted in line with market demands. Sponsorship has been taken in-house and increased income. Sophisticated & targeted marketing strategies are employed.

Financial Review

The Federation sets affiliation fees with the aim that members pay each year for the level of services they receive and budgets for an underlying break even position. We aim by operating efficiently to in practice make a small underlying surplus (profit after tax), which unless specifically decided otherwise by the Board, is added to reserves.

The Board has formally reviewed and updated its Reserves Policy. This requires the Federation to have at least six months operating expenditure covered by reserves and a cash flow profile which would support continued operations in the event reserves have to be realised, either in the short or longer term. The Board has concluded that given their nature, reserves are adequate but not excessive, and therefore the addition to reserves of annual surpluses including small annual underlying surpluses is appropriate.

STRATEGIC REPORT

Financial Review (continued)

Reserves for this purpose comprise net assets shown in the consolidated balance sheet plus the unrecognised unrealised property revaluation gain on property held for the Federation's own use.

The underlying surplus for 2016/17 was £456k compared to £382k for the previous year, which was in line with our financial objectives and Reserves Policy. Under FRS 102 our reported, headline, profit after tax was £2,192k (2016 £751k).

The headline figures include unrealised property revaluation gains on investment property. They do not reflect pension deficit recovery payments which are negative cash flows and reduce the pension deficit liability on the balance sheet. The movements in the pension deficit itself, excluding recovery payments in each year, impact on the headline surpluses. All figures reported under FRS 102 reflect full provision for deferred tax.

A full analysis of the differences between the underlying and headline surpluses for 2016/17 and 2015/16 is as follows:

	<u>2016/17</u>	<u>2015/16</u>
	£k	£k
Headline profit after tax under FRS 102	2,192	751
Unrealised property revaluation gain on investment property	-1,146	-2,760
Pension deficit recovery payments	-1,008	-726
Increase in pension deficit NPV excluding annual payments	401	2,859
Deferred tax and other FRS 102 adjustments	17	258
Underlying surplus	456	382

The changes in reported results under FRS 102 do not affect the underlying financial performance and the surplus for the year will be taken to reserves, in accordance with the Reserves Policy.

Net assets reported under FRS 102 include pension deficit and unrealised property revaluation gain on investment property. Net assets at the end of 2017 were £8.8m (2016 £6.6m).

Total turnover under FRS 102 was down by 9.2% to £15.1m. Excluding the unrealised property revaluation gain on investment property, underlying turnover was very marginally up, at just under £14.0m.

Gross income from affiliation fees was 1% below the previous year, reflecting our already announced reduction in the price of membership. The price of Federation membership is 5% lower than it was in 2011/12.

Our commercial activities performed very strongly with net income showing an 11% increase on 2015/16. This resulted from a combination of higher sales and lower direct costs through focussed procurement. Our major Finance conference in March built on its move to Liverpool a year earlier and contributed to very strong end to the financial year.

Tight control meant that administrative expenses were marginally below the previous year, despite the costs of implementing our major organisational restructure 'Federation of the Future'.

STRATEGIC REPORT

Financial Review (continued)

Three floors of our main office, Lion Court in Holborn, London continued to be let on a ten-year commercial lease. The relevant portion of freehold property is treated as investment property and included at valuation in the accounts. The portion of the property used by the Federation for operational purposes is held at original cost less depreciation. At 31 March 2017 the whole property was independently valued at £27.8m (an increase of £1.8m) and this increased consolidated net assets shown in the Financial Statements by £1.1m.

To ensure that members are fully informed about our financial performance, particularly given the continuing differences between headline and underlying figures, we have again produced a Financial Review for the year. This will be available to all members as a hard copy and on our website.

Business Review

We are currently in the second year of our three-year business plan through to March 2019. Details of our business plan can be found on our website at www.housing.org.uk.

We have made great progress over the last year in positioning housing associations as the sector the Government needs to work with if it wants to deliver its housing ambitions. Our Influencing Academy alumni are developing and delivering their plans to build the sector's influence. We commissioned a set of questions in the 2016/17 British Social Attitudes Survey and launched the findings ahead of the White Paper. Our report highlighted the dramatic decline of nimbyism and huge support for the provision of affordable housing.

The media launch of Home Truths was focussed on enabling members to make the case for housing associations locally.

The Housing White Paper was finally published in early February. Though few of the policy measures could be described as truly radical or bold, the narrative and tone were welcome. There was recognition of the significant role housing associations already play, with encouragement for the sector to do even more.

We have commissioned detailed research on the potential of closer collaboration and partnerships between housing associations and local authorities in driving housing supply.

With the growing crises hitting NHS and social care services across the country, the Federation is working with its members to increase opportunities for housing and health partnerships. There is still a lot of work to do to co-create with members a proposal on rent freedom that works for the whole sector, but following widespread consultation with members, and our submissions to the government's consultation process, we were pleased with and welcomed the recommendations of the Select Committee report published in May.

STRATEGIC REPORT

Business Review (continued)

In light of the positive sector led work that is underway on efficiencies, including the Sector Scorecard, we are considering our next steps for this work. We want to focus on 'Business Transformation' in order to be less prescriptive and reflect the diversity of the significant change programmes members are currently undertaking.

The Federation continues to achieve its financial objectives and is in robust financial health, underpinning our ability to provide value for money to our members. Levels of member satisfaction are good and we are grateful to members for their prompt payment of fees which aids our cash flow and helps keep down fee levels.

In February, it was announced that we again were included in the Sunday Times top 100 not for profit organisations to work for. We have ambitious plans to make the Federation an even better place to work in the coming year.

Commercial activities

Sponsorship sales were brought in-house in mid-2016/17 with the objective of facilitating closer sponsor collaboration, maximising income and developing new products from wider Federation activities.

Our Events business has performed well with highlights being the VRtB, Service Charges, Annual and Finance conferences. Our exhibition at the Housing Finance Conference was the largest exhibition we have run in 35 years.

Future Plans

Our future plans continue to be underpinned by our vision 'An ambition to deliver – housing associations unbounded'. This highlights the aspirations of and potential for Federation members to play a major role in addressing the housing crisis through to 2035. It was originally launched with the support of our members in 2013 and we have now updated, revitalised and reissued it.

Our aim is that our members are independent, private businesses that exist for social good, taking charge of their own destiny and providing the homes the country needs. We will achieve this by keeping housing associations interests central to housing policy development as trusted and respected partners with key decision makers.

We are currently in the second year of our three-year business plan through to March 2019. Details of our business plan can be found on our website at www.housing.org.uk. Details of our achievements are set out above in the Business Review.

STRATEGIC REPORT

Future Plans (continued)

We focus on 3 themes.

- **Being the Leading Voice.** We use our collective voice to inspire confidence in housing associations, creating an environment that enables them to provide homes of all types and tenure and contribute to economic growth.
- **Strengthening our sector.** We work with policy makers and housing associations to create a coherent new economic model of delivery, within a new contractual relationship with Government. This will enable our members to be independent, diverse and efficient organisations, equipped to deliver the outcomes that strengthen their business and work for their communities.
- **Customer focused, relevant Federation.** We will retain in material terms full membership by demonstrating a sophisticated and nuanced understanding of our members and, by being fully aware of the external environment, we will add value to our members' businesses. We will ensure customer service runs through everything we do, every pound we spend and where we choose to focus our resources to achieve best outcomes for our members.

Our refreshed *Ambition to Deliver* document sets out our long term vision for the sector - building more homes, regenerating more communities, reinvesting profits, having an offer for everyone. In order to deliver that vision, we have said we need to build partnerships with the Government, have freedom to run our businesses in the way that makes sense for us, and a long-term supply of affordable land.

There is more work to do to deliver on these aims, particularly on securing rent freedom that works for the whole sector and access to land. However, over the next year we want to move to a position where the Government is creating the conditions for housing associations to flourish, rather than focussing on incremental individual measures.

We still have some way to go to put supported housing on a secure footing for the future and we do not underestimate the importance of getting this right. We continue to lobby government strongly in this area and welcomed the Select Committee recommendations published in May.

In carrying out our activities we continue to work with key partners including the Chartered Institute of Housing, The National Federation of ALMOs, Housing Europe, the three other UK housing federations and others as appropriate. Wherever possible we ensure that Federation resources are applied in such ways that add to and don't unnecessarily duplicate the input of our partners.

During 2017/18 the Federation will be reducing the space it occupies in its main office Lion Court by moving entirely on to one floor. This will release a further floor for letting, the income from which will help keep down future affiliation fees. We intend to retain the freehold investment in Lion Court as it provides a stable investment to underpin the Federation's long term viability.

Our objective continues to be that wherever members are based, or wherever they require support, they have access to the full range of Federation staff and resources wherever these are based.

STRATEGIC REPORT

Future Plans (continued)

Our financial objectives will continue to be aligned to our Reserves Policy described above in the Financial Review and performance will be monitored as set out in the Planning and Reporting section of the Report of the Directors.

ON BEHALF OF THE BOARD



Jackie Cunningham
Company Secretary

5 July 2017

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 March 2017.

Further information can be found in the Chair's Statement, Chief Executive's Review and Strategic Report.

Principal activities

National Housing Federation Limited is the representative trade body for organisations in England which provide and manage homes and do not trade for profit.

The Federation's mission is to support and promote the work that housing associations do and campaign for better housing and neighbourhoods.

Corporate Governance

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

The Board adopts the Federation's code of governance, updated and republished in February 2015, and carries out an annual compliance review to satisfy itself that it complies with the main principles and provisions in the code.

Reserves

A Surplus (Profit after Tax) of £2,192k (2016: £751k) has been transferred to reserves as described in the Financial Review within the Strategic Report.

Fixed Assets

Movements on fixed assets are disclosed in note 6 to the Financial Statements. Freehold property for the Federation's own use is carried at original cost less depreciation. Investment Property is included at valuation.

REPORT OF THE DIRECTORS

Directors

The following table shows Directors of the company between 1 April 2016 and 5 July 2017. Details are also shown of membership to Board Committees, and position where applicable, as at 5 July 2017. Attendance at Board meetings is shown as meetings attended out of meetings eligible to attend.

Name / Board Meeting Attendance	Remuneration & Governance Committee	Audit & Risk Management Committee	Nominations Committee
Baroness Diana Warwick (Chair) 9/9	Chair		Member
Mark Washer (Vice Chair) 7/9	Member		Chair
Sean Anstee 3/4 (appointed 21 Sep 2016)			
Jane Ashcroft CBE 9/9			
Elizabeth Austerberry 9/9		Member	
Suzanne Fitzpatrick 5/6 (appointed 21 Sep 2016)			
Mark Henderson 6/9		Member	
Mervyn Jones 9/9			Member
Ashwin Kumar 3/3 (resigned 21 Sep 2016)			
Isobel Leaviss 9/9			
David Montague CBE 6/9	Member	Chair	
David Orr (Chief Executive) 9/9	Member		
Cath Purdy OBE 9/9		Member	
Peter Williams 3/3 (resigned 21 Sep 2016)			

Background information on Directors is available on the Federation's web site, www.housing.org.uk

Jack Stephen, who is not a Board member, is a co-opted member of the Audit & Risk Management Committee. Sinead Butters MBE and Victoria Stark CBE, who are not Board members, are co-opted members of the Nominations Committee.

The Federation is grateful for the support of all Board members and those co-opted on to committees, for the service given to the organisation and the sector.

REPORT OF THE DIRECTORS

Board and Officers' Liability Insurance

During the year the Federation continued to maintain 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.

The Board

Unless there are temporary vacancies, the Board comprises twelve members. The fiduciary duties are the same as any other director under company law. New Board members are elected by the membership of the Federation at the Annual General Meeting (AGM) following an open recruitment led by the nominations committee who then seek agreement by the Board. The Board may co-opt Board members between AGMs.

The Board deals with the policy, strategy and business effectiveness of the organisation.

The Board is committed to integrity and accountability in the management of the Federation's affairs and ensures that members receive regular communication about the Federation's activities.

The Federation's main formal mechanism for accountability by the Board to its members is the AGM. The AGM gives members the opportunity to hear about how we have performed in the year, both in the work carried 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 Audit and Risk Management Committee continues to provide detailed scrutiny of the Federation's finances. It has focussed on the risks the Federation faces, and continues to oversee further strengthening of the Federation's risk management procedures. As part of this process the committee reviewed the arrangements for internal audit and commissioned an Assurance Mapping exercise. As a result, the Federation has adopted a revised Corporate Risk Register reflecting updated assessments of risk appetite and potential risk impacts. It has also moved to a more project based internal audit regime, designed to maintain assurance but provide better value for money.

The committee closely monitors projects that have a significant cost to ensure the money is being spent wisely in accordance with a robust business case.

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.

REPORT OF THE DIRECTORS

Responsibilities of the Board

The directors are responsible for preparing the Strategic Report, Report of the Directors and 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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including FRS 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 are sufficient to show and explain the company's transactions and 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.

The directors confirm that:

- So far as each Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit 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.

REPORT OF THE DIRECTORS

Responsibilities of the Board (continued)

The Board delegates some areas of its work to committees:

- **Remuneration & Governance Committee**

This comprises the Chair, Vice Chair, Chair of the Audit and Risk Management Committee and the Chief Executive. It fulfils the role of the Executive Committee specified in the Federation's Articles. It deals with the performance appraisal and remuneration of the Chief Executive and Leadership Team, Board appraisal and any key or urgent governance issues relating to the Federation itself. The Chief Executive does not attend for any matters relating to their own performance or remuneration.

- **Audit and Risk Management Committee**

The Audit and Risk Management Committee oversees standards of internal control and risk management. It agrees the internal audit arrangements, reviews the corporate risk register and is the primary point of Board contact for the external auditors. It reviews the Federation's financial plans, budgets and results. The Committee reports to all Board meetings and formally on an annual basis.

- **Nominations Committee**

The Nominations Committee leads board member recruitment, shortlisting and interviewing applicants, making recommendations to the board for agreement and final ratification at the AGM.

Federation Staff

The Federation employed an average of 120 staff during the year to 31 March 2017. All staff are responsible to and governed by the Board through the Chief Executive. Key management personnel comprises the Chief Executive and other Leadership Team members.

Audit

The Audit and Risk Management committee have reviewed the arrangements for internal audit and commissioned an Assurance Mapping exercise. As a result, the Federation has adopted a revised Corporate Risk Register reflecting updated assessments of risk appetite and potential risk impacts. It has also moved to a project based internal audit regime, designed to maintain assurance but provide better value for money.

Internal and external auditors have direct access to the Audit & Risk Management Committee and have met with the committee without Federation staff present.

REPORT OF THE DIRECTORS

Planning and Reporting

The Federation works to a three-year business plan which is reviewed and updated each year and agreed by the Board. Annual budgets are also prepared and approved by the Board. Financial performance against budget and forecast out-turn for the year is reported in comprehensive monthly management accounts. Operational and financial performance is reviewed continuously during the year by the Chief Executive, the Leadership Team and senior management.

Financial performance is reviewed by the Audit and Risk Management committee at each meeting. The Board receives reports on performance against the business plan and key financial figures at each of its meetings.

Risk Management Procedures

The Federation has continued to strengthen its risk management procedures.

The Chief Executive and Leadership Team assess the risk of decisions they make at their monthly meetings. Papers produced for committees and the Board consider the risks involved and actions taken to reduce such risks. Regular reviews of controls and systems are carried out by each budget area.

Our Corporate Risk Register distinguishes between strategic and operational risks, and captures risk from all parts of the organisation. It is updated and reviewed regularly at departmental, directorate and Leadership Team levels, reviewed by the Audit and Risk Management Committee and by the Board itself on a regular basis.

Key risks are carefully reviewed when setting business strategy for the succeeding year. The Risk Register is directly linked to our strategic objectives and business plans, and contains detail on mitigating actions taken and planned.

the Federation has adopted a revised Corporate Risk Register reflecting updated assessments of risk appetite and potential risk impacts

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 notification under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD



Jackie Cunningham
Company Secretary

5 July 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL HOUSING FEDERATION LIMITED

We have audited the financial statements of National Housing Federation Limited for the year ended 31 March 2017 which comprise the group and parent company statement of comprehensive income and retained earnings, the group and parent company balance sheets, the group cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 15 and 16, 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 and express an opinion on 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of the group'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 matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NATIONAL HOUSING FEDERATION LIMITED (continued)**

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report and Directors' Report

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.

Grant Thornton UK LLP

Jennifer Brown
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
London

6 JULY

2017

PRINCIPAL ACCOUNTING POLICIES

Status

National Housing Federation Limited is a company limited by guarantee incorporated in England and Wales. The liability of members, of whom there are 919 (2016: 952) 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 modified by the revaluation of investment properties, and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102) and with the Companies Act 2006.

The functional currency of the Financial Statements is Pounds Sterling.

The principal accounting policies are set out below.

The directors have assessed the company's future activities and commitments against the working capital in place and access to funds. The directors view the level of net current assets as sufficient to ensure future operations and the company has the ability to reduce operational expenditure if necessary. Accordingly, the directors are satisfied that it is appropriate to apply the going concern principle.

Significant Judgements and estimates

Preparation of the financial statements requires management to make judgements and estimates. These are evaluated continually and based on historical performance and any other relevant factors. The only judgements or estimates in these accounts which are considered significant are:

- Valuation of Investment Properties - the company has re-valued its investment property to fair value based on advice from independent experts as detailed in note 6.
- Pension Deficit Liability – the company has recognised a liability for the deficit based on the net present value of the deficit reduction contributions discounted at a rate which gives the same results as using a full corporate AA bond yield curve as detailed in note 21.

PRINCIPAL ACCOUNTING POLICIES

Basis of Consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 March 2017. 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 section 15 of FRS 102.

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.

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 buildings	10-50 years
Improvements to leasehold	Term of lease
IT hardware and software	4 years
Office equipment and furniture	7 years
Plant and machinery	14 - 20 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.

Investment Properties

No depreciation is provided for in respect of investment properties. Such properties are held for their investment potential and not for consumption within the business. This is a departure from the Companies Act 2006 which requires all properties to be depreciated and the directors consider that to depreciate them would not enable the financial statements to give a true and fair view.

Goodwill

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

PRINCIPAL ACCOUNTING POLICIES

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.

Pensions

National Housing Federation Limited provides pensions for its employees through participation in the Social Housing Pension Scheme (SHPS). The Scheme has defined benefit and defined contribution elements.

The company contributed during the year to the defined contribution scheme.

The defined benefit scheme is a multi-employer scheme which provides benefits to other companies. The scheme is currently in deficit and the company has agreed a deficit funding arrangement. The company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement. The unwinding of the discount rate is recognised as a finance cost.

Payments made to the defined contribution scheme are recognised as an expense and charged to the comprehensive income and retained earnings account as incurred.

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.

The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Taxation

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

Deferred tax is provided in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. The deferred tax balance has not been discounted.

PRINCIPAL ACCOUNTING POLICIES

Taxation (continued)

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.

Financial Instruments

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The Company has not issued and is not in receipt of any compound financial instruments.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS

	Note	2017 £	2016 £
Turnover			
Continuing operations: group and share of joint venture's turnover		16,036	15,933
Less: share of joint venture's turnover	2	<u>(2,732)</u>	<u>(2,712)</u>
Group turnover	1	<u>13,304</u>	<u>13,221</u>
Other operating income:			
rental income		672	672
revaluation gain		<u>1,146</u>	<u>2,760</u>
Total turnover		15,122	16,653
Administrative expenses	1	<u>(12,730)</u>	<u>(15,339)</u>
Group operating profit before share of joint venture		2,392	1,314
Share of operating profit in joint venture	2	<u>21</u>	<u>68</u>
Group operating profit		2,413	1,382
Interest payable	3	<u>(213)</u>	<u>(220)</u>
Interest receivable and similar income	3	<u>9</u>	<u>10</u>
Profit on ordinary activities before taxation		2,209	1,172
Tax on profit on ordinary activities	5	<u>(28)</u>	<u>(415)</u>
Share of tax on profit on ordinary activities in joint venture	2	<u>11</u>	<u>(6)</u>
Profit for the financial year		2,192	751
Retained profits at 1 April		<u>6,561</u>	<u>5,810</u>
Retained profits at 31 March		<u>8,753</u>	<u>6,561</u>

All transactions arise from continuing operations.

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

The principal accounting policies on pages 20 to 23 and the notes on pages 28 to 46 form part of these financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS

	Note	2017 £	2016 £
Turnover			
Continuing operations	1	13,304	13,221
Other operating income:			
Rental income		<u>672</u>	<u>672</u>
Total turnover		13,976	13,893
Administrative expenses	1	(13,524)	(16,136)
Operating profit / (loss)		<u>452</u>	<u>(2,243)</u>
Interest receivable and similar income		<u>9</u>	<u>10</u>
Profit / (loss) on ordinary activities before taxation		461	(2,233)
Tax on profit / (loss) on ordinary activities	5	<u>172</u>	<u>164</u>
Profit / (loss) for the financial year		633	(2,069)
Retained profits at 1 April		<u>2,675</u>	<u>4,744</u>
Retained profits at 31 March		<u>3,308</u>	<u>2,675</u>

All transactions arise from continuing operations.

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

The principal accounting policies on pages 20 to 23 and the notes on pages 28 to 46 form part of these financial statements.

CONSOLIDATED AND COMPANY BALANCE SHEETS

	Note	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Fixed assets					
Goodwill	8	168	-	200	-
Investments	7	-	531	-	531
Tangible fixed assets	6	22,722	468	22,414	1,217
		<u>22,890</u>	<u>999</u>	<u>22,614</u>	<u>1,748</u>
Current assets					
Stocks – publications	9	29	29	32	32
Debtors	10	1,963	8,433	1,891	8,374
Cash at bank and in hand		3,015	2,968	2,712	2,665
		<u>5,007</u>	<u>11,430</u>	<u>4,635</u>	<u>11,071</u>
Creditors: amounts falling due within one year	11	<u>(7,911)</u>	<u>(7,186)</u>	<u>(8,083)</u>	<u>(7,377)</u>
Net current (liabilities) / assets		<u>(2,904)</u>	<u>4,244</u>	<u>(3,448)</u>	<u>3,694</u>
Debtors: amounts falling due after more than one year	10	<u>1,059</u>	<u>5,357</u>	<u>1,087</u>	<u>5,185</u>
Total assets less current liabilities		<u>21,045</u>	<u>10,600</u>	<u>20,253</u>	<u>10,627</u>
Creditors: amounts falling due after more than one year	12	<u>(12,083)</u>	<u>(7,205)</u>	<u>(13,432)</u>	<u>(7,845)</u>
Provisions for liabilities	14	<u>(87)</u>	<u>(87)</u>	<u>(107)</u>	<u>(107)</u>
Share of gross assets in joint venture	24	1,216	-	1,348	-
Share of gross liabilities in joint venture	24	(1,338)	-	(1,501)	-
Share of net assets in joint venture		<u>(122)</u>	<u>-</u>	<u>(153)</u>	<u>-</u>
Net assets		<u>8,753</u>	<u>3,308</u>	<u>6,561</u>	<u>2,675</u>
Capital and reserves		<u>8,753</u>	<u>3,308</u>	<u>6,561</u>	<u>2,675</u>
Profit and loss reserve		<u>8,753</u>	<u>3,308</u>	<u>6,561</u>	<u>2,675</u>

The financial statements were approved by the Board of Directors on 5 July 2017 and signed on their behalf on 5 July 2017.

Diana Warwick - Chair

Mark Washer - Vice Chair

Company registration no: 302132

The principal accounting policies on pages 20 to 23 and the notes on pages 28 to 46 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2016	2015
		£	£
Net cash inflow from operating activities	17	1,232	1,213
Returns on investments and servicing of finance			
Interest receivable		9	10
Interest payable		<u>(216)</u>	<u>(225)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(207)</u>	<u>(215)</u>
Taxation			
Corporation tax paid		<u>-</u>	<u>-</u>
Capital expenditure and financial investment			
Payments to acquire fixed assets and investments	6	(36)	(262)
Proceeds from sale of fixed assets		<u>-</u>	<u>-</u>
Net cash outflow from capital expenditure and financial investment		<u>(36)</u>	<u>(262)</u>
Net cash inflow before financing	18	989	736
Financing		<u>(686)</u>	<u>(667)</u>
Increase in cash	18	303	69
Cash at the beginning of the year		<u>2,712</u>	<u>2,643</u>
Cash at the end of year		<u>3,015</u>	<u>2,712</u>

The principal accounting policies on pages 20 to 23 and the notes on pages 28 to 46 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Turnover and profit on ordinary activities before taxation

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

	2017	2016
	£'000	£'000
Affiliation fees	8,706	8,810
Grants	218	202
Conferences, publications and business development	3,581	3,487
Other income	799	722
Company and Group	<u>13,304</u>	<u>13,221</u>

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:

	Group	Company	Group	Company
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Staff costs (note 4)	6,931	6,931	6,526	6,526
Depreciation	874	784	387	297
Auditors' remuneration:				
- audit services	32	32	38	38
- non-audit services	6	6	6	6
Charges on operating leases	83	83	98	98
Change in pension deficit NPV	401	401	2,859	2,859
Other operating charges	4,403	5,287	5,425	6,312
Company and Group	<u>12,730</u>	<u>13,524</u>	<u>15,339</u>	<u>16,136</u>

NOTES TO THE FINANCIAL STATEMENTS

2. Share of joint venture's results

Further information on the Federation's joint venture, HouseMark Limited is disclosed at notes 7 and 24.

HouseMark Limited's accounting reference date is 31 December. The most recent audited accounts available are for the period ending 31 December 2016. These have been used in compiling the Federation's group financial statements.

Summary income and expenditure information for HouseMark is:

	Year ended 31 December 2016 £'000	Group share (50%) 2016 £'000	Year ended 31 December 2015 £'000	Group share (50%) 2015 £'000
HouseMark turnover	5,464	2,732	5,425	2,712
HouseMark operating costs	(5,426)	(2,713)	(5,292)	(2,646)
Operating profit	38	19	133	66
Interest receivable	3	2	4	2
Profit on ordinary activities before tax	41	21	137	68
Tax on profit on ordinary activities	22	11	(12)	(6)
Net profit	63	32	125	62

3. Interest payable and similar charges

	2017 £'000	2016 £'000
Interest payable		
On bank loans and overdrafts	213	220
Interest receivable		
Bank	9	10

NOTES TO THE FINANCIAL STATEMENTS

4. Directors and employees

Staff costs during the year were as follows:

	2017	2016
	£'000	£'000
Wages and salaries (leadership team)	585	564
Wages and salaries (other staff)	5,143	4,947
Social security costs (leadership team)	75	72
Social security costs (other staff)	553	549
Other pension costs (leadership team)	57	55
Other pension costs (other staff)	313	318
Termination costs	205	21
	<u>6,931</u>	<u>6,526</u>

Key management personnel comprises the Chief Executive and other Leadership Team members.

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

	2017	2016
	Number	Number
Leadership team	4	4
Other staff	116	120
	<u>120</u>	<u>124</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, who is a board director as follows:

	2017	2016
	£'000	£'000
Salary	<u>186</u>	<u>184</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 fee paid for the services of the Chair was £21k (2016: £20k). No remuneration was paid to any other member of the Board other than the Chief Executive.

NOTES TO THE FINANCIAL STATEMENTS

5. Tax on profit on ordinary activities

Analysis of the tax charge / (credit) for the year

The tax charge / (credit) is based on the loss for the year and represents:

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
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 20%. The differences are explained below:				
Profit/ (loss) on ordinary activities before tax	<u>2,209</u>	<u>461</u>	<u>1,172</u>	<u>(2,233)</u>
Profit/ (loss) on ordinary activities before tax multiplied by the standard rate of corporation tax of 20%	442	92	234	(447)
Effect of:				
Expenses not deductible for tax purposes	1,921	1,921	2,465	2,465
Income not taxable for tax purposes	(2,661)	(2,289)	(2,785)	(2,232)
Fixed asset timing differences	22	22	8	8
Chargeable gain	166	-	511	-
Group relief	(26)	26	-	-
Difference in deferred tax	164	56	(18)	42
Current tax charge for period	<u>28</u>	<u>(172)</u>	<u>415</u>	<u>(164)</u>

NOTES TO THE FINANCIAL STATEMENTS

6. Tangible fixed assets

Group

	Investment property £'000	Freehold property £'000	Plant and machinery £'000	*Computer equipment £'000	Office equipment and furniture £'000	Improve- ments to leasehold premises £'000	Total £'000
Cost:							
At 1 April 2016	16,004	6,321	615	1,780	556	62	25,338
Revaluation	1,146	-	-	-	-	-	1,146
Additions	-	-	-	5	1	30	36
Disposals	-	-	-	(22)	(7)	(40)	(69)
At 31 March 2017	<u>17,150</u>	<u>6,321</u>	<u>615</u>	<u>1,763</u>	<u>550</u>	<u>52</u>	<u>26,451</u>
Depreciation:							
At 1 April 2016	-	855	362	1,170	481	56	2,924
Provided in the year	-	574	28	230	36	6	874
Disposals	-	-	-	(22)	(7)	(40)	(69)
At 31 March 2017	-	<u>1,429</u>	<u>390</u>	<u>1,378</u>	<u>510</u>	<u>22</u>	<u>3,729</u>
Net book amount at 31 March 2017	<u>17,150</u>	<u>4,892</u>	<u>225</u>	<u>385</u>	<u>40</u>	<u>30</u>	<u>22,722</u>
Net book amount at 31 March 2016	<u>16,004</u>	<u>5,466</u>	<u>253</u>	<u>610</u>	<u>75</u>	<u>6</u>	<u>22,414</u>

On 27 February 2014 three floors of the freehold property Lion Court were let on a ten-year commercial lease and the relevant portion of property cost was moved to investment property and included at valuation.

The whole property was independently valued at 31 March 2017 to £27.84m by Strutt & Parker LLP, acting as an independent valuer as defined by Professional Standard 2 of the RICS Valuation Professional Standards, January 2014.

The basis of valuation was market value of the freehold interest in the property (as defined in the RICS Valuation Professional Standards), subject to any external tenancies. 61.6% of the building is let and is therefore included at a valuation of £17.15m i.e. 61.6% of the whole valuation.

Included in freehold property is an amount of £2.66m in respect of freehold land which is not subject to depreciation.

* Computer equipment includes various software and development cost which under FRS102 should be split out and shown separately as intangible assets. These are historical costs incurred as part of wider projects which also included other costs including hardware such as servers and it is not possible to appropriately split out such costs. There is no impact on the income and expenditure as the amortisation policy for these costs would be the same as the depreciation policy.

NOTES TO THE FINANCIAL STATEMENTS

6. Tangible fixed assets (continued)

Company	*Computer equipment £'000	Office equipment and furniture £'000	Improvements to leasehold premises £'000	Total £'000
Cost				
At 1 April 2016	1,780	556	723	3,059
Additions	5	1	29	35
Disposals	(22)	(7)	(40)	(69)
At 31 March 2017	<u>1,763</u>	<u>550</u>	<u>712</u>	<u>3,025</u>
Depreciation				
At 1 April 2016	1,170	481	191	1,842
Provided in the year	230	35	519	784
Disposals	(22)	(7)	(40)	(69)
At 31 March 2017	<u>1,378</u>	<u>509</u>	<u>670</u>	<u>2,557</u>
Net book amount at 31 March 2017	<u>385</u>	<u>41</u>	<u>42</u>	<u>468</u>
Net book amount at 31 March 2016	<u>610</u>	<u>75</u>	<u>532</u>	<u>1,217</u>

* Computer equipment includes various software and development cost which under FRS102 should be split out and shown separately as intangible assets. These are historical costs incurred as part of wider projects which also included other costs including hardware such as servers and it is not possible to appropriately split out such costs. There is no impact on the income and expenditure as the amortisation policy for these costs would be the same as the depreciation policy.

7. Investments

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 £531k in the company's balance sheet.

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

The registered office of both subsidiaries is Lion Court, Procter Street, London, WC1V 6NY

The Federation owns one £1 ordinary share in The Housing Finance Corporation Limited (registered under the Co-operative and Communities Benefit Societies Act 2014), representing one-seventh of the nominal value of the issued share capital. The Housing Finance Corporation Limited assists housing associations and related charities in raising funds for capital projects and is incorporated in Great Britain.

NOTES TO THE FINANCIAL STATEMENTS

7. Investments (continued)

The Federation holds a £10k investment in Third Sector Consortia Management LLP a company delivering and managing public and community services during the year. The value of this investment has previously been reduced to £1. The Federation's liability is limited to its investment. No provision has been made in these statements in respect of any tax refund due in respect of losses available to be carried back.

The Federation has a £25 share in My Home Finance Limited a company limited by guarantee. The company provided finance to members of the public who are unable to obtain credit from mainstream banks, but became dormant in 2016.

Investments summary:

National Housing Federation Investments Limited	Investment company	100%
NHF Property & Services Limited	Property Owning and Conference Facility/Meeting Room providers	100%
HouseMark Limited (note 2)	Provider of benchmarking services to Housing Sector	49%
Third Sector Consortia Management LLP	Company delivering and managing public and community services	17%
My Home Finance Limited	Dormant	10%

	2017 £'000	2016 £'000
NHF Property & Services Ltd	-	-
Third Sector Consortia Management LLP	-	-
Other	-	-
Group	<u>531</u>	<u>531</u>
National Housing Federation Investments Limited	<u>531</u>	<u>531</u>
Company	<u>531</u>	<u>531</u>

NOTES TO THE FINANCIAL STATEMENTS

8. Goodwill

A fair value review of the gross assets and liabilities of HouseMark Limited was carried out; these have been restated under FRS 102 which has resulted in HouseMark Limited accounts showing net liabilities. However, management has considered HouseMark's performance against its business plan since the acquisition date together with the licence fee received each year and is content that no impairment has occurred therefore none of the carrying values of the assets or liabilities were altered for the goodwill calculation. No other 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.

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 2016 and at 31 March 2017	<u>639</u>
Accumulated amortisation:	
At 1 April 2016	439
Charge for the period	32
At 31 March 2017	<u>471</u>
Net book amount at 31 March 2017	<u>168</u>
Net book amount at 31 March 2016	<u>200</u>

9. Stocks

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Stock for resale	<u>29</u>	<u>29</u>	<u>32</u>	<u>32</u>

NOTES TO THE FINANCIAL STATEMENTS

10. Debtors

Amounts due in less than one year:

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Trade debtors	433	433	156	156
Other debtors	230	231	270	270
Prepayments and accrued income	1,300	1,300	1,465	1,465
Amounts due from group undertakings	-	6,469	-	6,483
	<u>1,963</u>	<u>8,433</u>	<u>1,891</u>	<u>8,374</u>

Amounts due in more than one year:

Deferred tax	1,059	1,857	1,087	1,685
Amounts due from group undertakings	-	3,500	-	3,500
	<u>1,059</u>	<u>5,357</u>	<u>1,087</u>	<u>5,185</u>

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 2017 the amount outstanding on the loan was £3.5m (2016: £3.5m), to be repaid 20 years from date of issue.

The company has agreed not to recall the intercompany balance of £6,469k 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 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Bank loan (note 13)	708	-	686	-
SHPS past service obligation (note 21)	1,045	1,045	1,007	1,007
Trade creditors	133	133	351	351
Other tax and social security	69	69	63	63
Other creditors	190	190	142	142
Accruals and deferred income	5,766	5,749	5,834	5,814
	<u>7,911</u>	<u>7,186</u>	<u>8,083</u>	<u>7,377</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Creditors: amounts falling due after more than one year

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Other creditors	202	202	198	198
Bank loan (note 13)	4,878	-	5,587	-
SHPS past service obligation (note 21)	7,003	7,003	7,647	7,647
	<u>12,083</u>	<u>7,205</u>	<u>13,432</u>	<u>7,845</u>

Other creditors comprises a three month rent deposit held in respect of the lease of floors 1-3 Lion Court and is repayable in more than five years.

13. Creditors: Capital borrowings

Creditors include bank loans (see note 22) which are due for repayment as follows:

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Amounts repayable:				
In one year or less or on demand	708	-	686	-
In more than one year, but not more than two years	730	-	708	-
In more than two years, but not more than five years	2,272	-	2,239	-
In more than five years	1,876	-	2,640	-
	<u>5,586</u>	<u>-</u>	<u>6,273</u>	<u>-</u>

14. Provisions for liabilities

Group and company

	Leave pay £'000
At 1 April 2016	107
Additions	87
Utilised	(107)
At 31 March 2017	<u>87</u>

The leave pay provision represents holiday and flexi time balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured at the salary cost payable for the period of absence.

NOTES TO THE FINANCIAL STATEMENTS

15. Deferred taxation

Group and Company

Deferred taxation consists of the tax effect of timing differences in respect of:

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Property revaluation	(110)	-	(452)	-
Pension deficit	(324)	(324)	384	384
Fixed asset timing differences	190	184	(11)	(24)
Losses and other deductions	216	312	(336)	(196)
	<u>(28)</u>	<u>172</u>	<u>(415)</u>	<u>164</u>

16. Reserves

Statement of Comprehensive Income and Retained Earnings includes all current and prior period retained profits and losses.

17. Net cash inflow from operating activities

	2017 £'000	2016 £'000
Operating surplus	2,393	1,314
Depreciation	874	387
Loss on disposal of tangible fixed assets / investments	-	14
Amortisation charges	32	32
Revaluation gain	(1,146)	(2,760)
Decrease in stock	3	(1)
(Decrease)/Increase in debtors	(73)	103
(Decrease)/Increase in creditors	(851)	2,124
Net cash inflow from operating activities	<u>1,232</u>	<u>1,213</u>

18. Analysis of changes in net debt

	At 1 April 2016 £'000	Cash flow £'000	At 31 March 2017 £'000
Cash in hand	2,712	303	3,015
Liquid resources	(6,273)	686	(5,587)
	<u>(3,561)</u>	<u>989</u>	<u>(2,572)</u>

NOTES TO THE FINANCIAL STATEMENTS

19. Capital commitments

The company had no capital commitments at 31 March 2017 or 31 March 2016.

20. Contingent assets / liabilities

There were no contingent assets or liabilities at 31 March 2017 or 31 March 2016.

21. Retirement benefit schemes

National Housing Federation Limited participates in the Social Housing Pension Scheme (SHPS) and the Growth plan. Both schemes are multi-employer schemes which provide benefits to some 500 non-associated employers. The schemes are defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the schemes as a defined benefit schemes. Therefore it accounts for the schemes as a defined contribution schemes.

The schemes are subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The schemes are classified as a 'last-man standing arrangements'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

SHPS

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 st April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 st April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)

NOTES TO THE FINANCIAL STATEMENTS

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUES OF PROVISION

	31 March 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Present value of provision	7,921	8,519	6,411

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2017 (£000s)	Period Ending 31 March 2016 (£000s)
Provision at start of period	8,519	6,411
Unwinding of the discount factor (interest expense)	164	116
Deficit contribution paid	(993)	(712)
Remeasurements - impact of any change in assumptions	231	(53)
Remeasurements - amendments to the contribution schedule	-	2,757
Provision at end of period	7,921	8,519

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2017 (£000s)	Period Ending 31 March 2016 (£000s)
Interest expense	164	116
Remeasurements – impact of any change in assumptions	231	(53)
Remeasurements – amendments to the contribution schedule	-	2,757
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

NOTES TO THE FINANCIAL STATEMENTS

ASSUMPTIONS

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.33	2.06	1.92

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	31 March 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Year 1	1,031	993	712
Year 2	1,070	1,031	741
Year 3	1,111	1,070	771
Year 4	984	1,111	803
Year 5	847	984	836
Year 6	877	847	701
Year 7	771	877	555
Year 8	656	771	576
Year 9	676	656	461
Year 10	348	676	337
Year 11	-	348	347
Year 12	-	-	179

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

Growth Plan

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2013 to 31 March 2023:	£13.9m per annum (payable monthly and increasing by 3% each on 1st April)
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NOTES TO THE FINANCIAL STATEMENTS

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUES OF PROVISION

	31 March 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Present value of provision	127	135	109

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2017 (£000s)	Period Ending 31 March 2016 (£000s)
Provision at start of period	135	109
Unwinding of the discount factor (interest expense)	2	2
Deficit contribution paid	(14)	(13)
Remeasurements - impact of any change in assumptions	4	(2)
Remeasurements - amendments to the contribution schedule	-	39
Provision at end of period	127	135

NOTES TO THE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2017 (£000s)	Period Ending 31 March 2016 (£000s)
Interest expense	2	2
Remeasurements – impact of any change in assumptions	4	(2)
Remeasurements – amendments to the contribution schedule	-	39
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

ASSUMPTIONS

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.32	2.07	1.74

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	31 March 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Year 1	14	14	13
Year 2	15	14	14
Year 3	15	15	14
Year 4	15	15	14
Year 5	16	15	15
Year 6	16	16	15
Year 7	17	16	16
Year 8	17	17	16
Year 9	9	17	-
Year 10	-	9	-

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

The total pension cost for the Federation for the year including pension deficit contributions was £1,377k (2016: £1,098k).

NOTES TO THE FINANCIAL STATEMENTS

22. Financial commitments

On 29 January 2004, the group purchased Lion Court in Holborn for the sum of £13.74m. The purchase was financed by a 25-year loan from the Bank of Scotland of £11.74m at an interest rate of 1.5% plus base. At 31 March 2017 the amount outstanding was £5.59m (2016: £6.27m).

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

On 11 June 2004, the company elected to fix the interest rate on £4m of the loan for 5 years at 7.315%, this then reverted to a base rate loan and on 29 July 2011 the outstanding amount of £2.04m was changed to a LIBOR loan repayable at 1.5% over LIBOR. On 11 June 2004 the interest rate on a further £4m of the loan was fixed for 10 years at 7.295% which reverted back to a base rate loan on 11 June 2015. On 22 February 2010, the company elected a further interest fix at 5.595% for 10 years, £3.32m to run from 11 March 2010 and £0.79m to run from 29 April 2010.

National Housing Federation Limited had an overdraft facility with its bankers Lloyds TSB Bank Plc amounting to £1m, which expired at the end of June 2017. The overdraft was £nil at 31 March 2017 (2016: £nil).

The group and company's future operating lease payments are as follows:

	Group and Company 2017 £'000	Group and Company 2016 £'000
Amounts repayable:		
In one year or less on demand	88	90
In more than one year, but not more than two years	75	86
In more than two years, but not more than five years	80	130
In more than five years	97	122
	<u>340</u>	<u>428</u>

NOTES TO THE FINANCIAL STATEMENTS

23. Transactions with directors and other related parties

During the year National Housing Federation Limited paid £nil (2016: £nil) to HouseMark for services and received licence income from HouseMark amounting to £306k (2016: £246k).

National Housing Federation Limited paid rent of £1.709m (2016: £1.709m) to NHF Property & Services Limited. NHF Property & Services Limited paid fees in respect of rents, rates and service charges to National Housing Federation Limited for the 1st, 2nd and 3rd floors of Lion Court amounting to £793k (2016: £785k).

In the normal course of business Housing Associations to which some directors are connected, pay affiliation fees, acquire publications and attend conferences of National Housing Federation Limited. All of these transactions are at arm's length other than attendance at conferences where the Director's attendance is required by virtue of being a Director. Affiliation fees received from members during the year ended 31 March 2017 were £8.71m (2016: £8.81m).

There are no other related party transactions.

24. 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. National Housing Federation Limited has 50% of voting rights and therefore 50% of the results of HouseMark Limited are treated as a joint venture.

- a) There are no intercompany loans or other balances due between National Housing Federation Limited and HouseMark Limited.
- 2) HouseMark Limited's accounting reference date is 31 December. The most recent audited accounts available are for the period ending 31 December 2016. These have been used in compiling the Federation's group financial statements.

NOTES TO THE FINANCIAL STATEMENTS

24. Group and joint venture disclosures (continued)

	2017 £	2016 £
Profit and loss account		
Turnover	5,464,415	5,425,491
Profit after tax	<u>63,171</u>	<u>125,141</u>
Balance sheet		
Fixed assets	266,577	158,929
Current assets	2,165,691	2,537,761
Creditors: amounts falling due within one year	(1,428,015)	(1,623,466)
Provision for liabilities	<u>(1,246,817)</u>	<u>(1,378,959)</u>
Net assets	<u>(242,564)</u>	<u>(305,735)</u>
Called-up share capital	100	100
Profit and loss account	<u>(242,664)</u>	<u>(305,835)</u>
	<u>(242,564)</u>	<u>(305,835)</u>

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

25. Financial risk management

The company has exposure to three main areas of risk:

Reputational risk

The company has identified as inherently high risk, the political, economic and regulatory aspects of its wider operating environment and the linked reputational risks relating to the activities of its members. These factors may impact in ways which are inherently unpredictable, but the company leads the sector in anticipating a range of scenarios and planning to deal with them. It does not involve itself directly in issues relating to an individual member, although offering advice and support where appropriate.

Customer credit exposure

The company has leased 3 floors of its freehold property to a serviced office provider for ten years with no break clause. There is a risk that the serviced office provider may default on the rent however this is mitigated by holding a three month rent deposit.

Interest rate risk

The company financed the purchase of its freehold property by way of a term loan from the Bank of Scotland and is therefore subject to interest rate changes. This is mitigated by fixing the interest on a portion of the loan as disclosed in note 22.

