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

FINANCIAL STATEMENTS

For the Year ended

31 March 2012

Company no 302132

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

For the year ended 31 March 2012

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

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 2012

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NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 March 2012.

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.

The Federation has reviewed and agreed strategic objectives designed to underpin our work for the next five years. These objectives, which will be subject to annual review, are:

A. Operating Environment

Create the conditions:

- for our members and their tenants to flourish
- by engaging with government, media and other parties
- to secure favourable and flexible, financial, legal & governance regimes

B. Members

Help our members:

- to perform effectively in rapidly changing conditions
- through effective communication
- and the provision of excellent support services

C. Federation

Ensure the Federation:

- is well governed and run
- has an excellent reputation and credibility
- is financially robust and operates cost effectively
- is a great place to work

Financial results

The profit before taxation for the year was £524k. This result benefited from cost savings following an organisational restructuring, the one off implementation costs for which had led to a loss for the previous year of £497k. This year's profit also benefited from a £290k one off recovery of VAT, net of fees, paid over the past three years, following negotiations with HMRC regarding our partial exemption methodology. The surplus for the year will be taken to reserves, in accordance with the Federation's Reserves Policy and as it largely results from an exceptional gain.

Total turnover was up by 2.2% to £14,563k. This was aided by a 2% increase in affiliation fees. Our commercial activities saw a small decrease in gross income but achieved an increase in contribution after savings in costs.

The Federation is keen to ensure that members are better informed about its financial performance, and is intending to produce for the first time a Financial Review for the year, which will be available to all members as a hard copy and on our website.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

REPORT OF THE DIRECTORS

Operations

During the year we continued to build on the successful implementation of our new governance arrangements. The board kept a clear focus on corporate risk while engaging with the strategic issues affecting housing associations. Accountability to members continued to improve through more focussed engagement with individual members. We continued to provide a range of high quality and well valued communications to members, which are continually subject to review and updating, and we made effective use of our website, re-launched at the beginning of the year.

In summer 2011, we launched a Strategic Business Review to ensure the Federation is responsive to its members, able to respond to and align with the environment in which members operate, and demonstrate value for money.

The Board established a Strategic Review Panel, drawn from members, to report back with options. The Panel carried out an extremely extensive consultation with members and stakeholders, utilising both quantitative and qualitative research, provided by independent research organisations. Feedback from the Review confirmed the high level of member satisfaction identified in our most recent biannual member survey, but also provided very useful material to inform the ways in which the Federation should develop over the next few years. The Panel has reported back to the Board which is considering what actions to take and will be communicating these over the next few months.

As noted under Risks and uncertainties (below) the significant changes in the operating environment for our members and the Federation, following the 2008 financial crisis and new Government in 2010, have continued to impact.

The lobbying work we carried out on behalf of members was defined by the raft of legislation which had been introduced by the Government and which is now largely nearing completion. The Welfare Reform Act, Localism Act, the Health and Social Care Act and the Energy Act will all have a major influence on the operating environment for members. We have also seen significant developments in the areas of financial reporting and taxation.

The Federation has engaged in detailed discussions with ministers, shadow ministers, MPs and peers to ensure members' concerns are fully understood and to shape legislation so that it enables our members to continue to operate effectively and deliver high value services.

With regard to the Welfare Reform Act, the Federation lobbied with some success in the priority areas of under-occupation (the "bedroom tax"), the overall benefit cap and direct payments. The government has committed that people in supported and sheltered housing will not be affected by the bedroom tax and a further £30m pa will be made available in Discretionary Housing Payments for foster families and tenants living in specially adapted properties. There will now in key circumstances be a nine-month grace period where the benefit cap will not apply and £130m has been committed in Discretionary Housing Payments to provide short term relief.

The revised draft Financial Reporting Standard (FRS) has been amended and hopefully when implemented will avoid significantly weakening the reported financial position of housing associations which could have raised members' future borrowing costs by billions of pounds.

HM Treasury proposals to implement a VAT Cost sharing Exemption, could save members tens of millions of pounds per annum.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

REPORT OF THE DIRECTORS

Operations (continued)

Our successful project work continued. Home Truths, our analysis of the housing market was again a key reference document with detailed information presented not just nationally and regionally but for every local authority in the country. On this occasion it generated unprecedented publicity as regards the shortfall in housing supply and appears to have permanently shifted the level of public debate on the subject.

Our range of partnerships with other key civil society organisations has continued to grow. We have worked closely with members and 'prime contractors' to explore how to make the government sponsored 'Work Programme' as effective as possible, and helped members with a number of apprenticeships initiatives.

The Federation continued to support its members through a wide range of business and commercial services. Our Annual Conference was as ever highly valued by delegates in a conference programme which was acknowledged to be of real value. Our Finance Conference in Warwick was a huge success. We developed a range of new products and services throughout the year to respond to the changing needs of members, and are in the process of launching an expanded insurance offering.

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.

Lion Court Conference Centre, occupying part of the Federation's Head Office building in Holborn, London, retained its position as one of the best used and most highly valued conference centres, and delivered a successful outturn with an increase in occupancy despite the economic downturn.

As outlined under the section on financial results (above) the Federation has itself been very focused on cost control, and moved back into surplus in the year.

Risks and uncertainties

The last two years have seen a significant change in the operating environment for Federation members, bringing opportunities but also risks for both members and the Federation itself.

Government funding for new social housing has shifted away from capital grant and housing associations are becoming relatively more dependent on rental income and other sources of funding. At the same time the new Welfare Reform Act potentially reduces rent affordability for tenants and makes collection of rents more problematic. It remains to be seen how the new National Planning Framework will impact on the opportunities to build new homes, of which there is still a chronic under provision.

Our members will respond to these challenges in varying ways with potentially different expectations as to how best the Federation can help them. Our success in meeting these changing and varied demands may impact on future levels of Federation membership and fee income. Key risks for the Federation would be failure to engage effectively with members, inability to achieve sufficient policy outcomes on behalf of members and failure to exercise thought leadership for the sector.

Focus on these risks is an important element in our strengthened risk management and business planning processes further discussed under Risk Management Procedures, see below.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

REPORT OF THE DIRECTORS

Risks and uncertainties (continued)

As reported above, we have also carried out a comprehensive business strategy review to ensure we meet our members' needs in the medium term, although implementation of any changes resulting from this review may have associated risks.

A further risk impacting on the financial robustness of the Federation and its members is the cost of pensions provision. The Social Housing Pension Scheme ("SHPS") will shortly finalise the results of its triennial valuation at 30 September 2011. This is likely to result in an increased deficit and funding costs.

The risks and uncertainties relating to the housing sector also need to be viewed in the context of the wider economic, social and political uncertainties. Government is progressing fundamental reform in many areas, against the background of bringing the UK's fiscal deficit under control and intended reductions in public expenditure greater than achieved in living memory. The impacts of this process are unclear, but are currently subject to debate in the context of alternative growth agendas and the future of the Eurozone. These wider economic factors may impact further on the financial position of members and their ability or willingness to fund the Federation.

Future developments

Of key importance over the next year will be implementation of the decisions emanating from our Business Strategy Review (above). This will impact on the Federation and its service to members for a number of years. In the meantime we are keen during 2012/13 to build on the strong foundations already in place, and continue to deliver substantive benefit for members. Our immediate priorities are as follows, and further details are available in our separately issued Business Plan publication and on our website at www.housing.org.uk

- **A Vision for Housing**

We will work with members to develop a strategy for the housing market. By widening the housing debate, we want to challenge political and public perceptions of the value of housing associations and their tenants. We will work closely with our members to define a vision for the role of housing associations up to and beyond 2015.

- **Changing Lives**

We will continue to promote and champion housing associations as leading investors in people and places. By highlighting the influence housing associations have in creating better places to live, we want to demonstrate to politicians and decision makers their value beyond the provision of homes.

- **Localism: On the Front Line**

The involvement and engagement of members in the localism agenda is essential to regional development opportunities. We will work with local and regional government structures, city groups and private businesses to ensure housing is seen as a key driver of economic growth.

- **Back to Business**

We will continue to work to save the sector money and safeguard the interests of our members. By interpreting risks and pressures, and making sure housing associations are well informed on business critical issues, we'll work hard to protect members' finances.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

REPORT OF THE DIRECTORS

Future developments (continued)

- Being an Exemplary Organisation

We will continue to place members at the centre of everything we do by ensuring that our lobbying and influencing work reflects the diverse needs of the sector. We will develop our existing national and local partnerships, identifying where we can add the most value to deliver on behalf of our members.

In carrying out these activities we will work with key partners including the Chartered Institute of Housing, The National Federation of ALMOs, CECODHAS Housing Europe, the three other UK housing federations and others as appropriate to ensure the voice of affordable housing is clearly heard.

We will continue to invest in the further development of the talent in our most important resource – our staff team. The Directors particularly wish to express their appreciation of the very high quality work done by our staff in these challenging times.

Reserves

The profit after tax of £521k (2011: loss after tax of £526k) has been transferred to reserves as set out in note 15.

Fixed Assets

Movements on fixed assets are disclosed in note 6. Last year the directors decided to adopt the policy of carrying freehold property at original cost less depreciation.

Lion Court was valued by Strutt & Parker at 31 March 2011 on a vacant possession basis of £12,980,000 and on an existing use basis of £18,670,000. There is considered to be no permanent diminution in the value of the property.

Directors

The following were Directors of the company at 31 March 2012 and 1 April 2011:

Name	Organisation
Ann Santry (Vice Chair)	Sovereign Housing Group Ltd
David Orr	National Housing Federation
June Barnes	East Thames Group
Lindsey Williams (resigned 12 September 2011)	Futures Housing Group
Matthew Gardiner	Trafford Housing Trust
Matthew Taylor (Chair)	Independent
Michael Kent	Bromford Housing Group
Paul Tennant	The Orbit Group
Sinead Butters	Aspire Housing Association
Victoria Stark	Look Ahead Housing and Care
Terry Stacy	Island Homes
Mark Washer (appointed 12 September 2011)	Affinity Sutton
Peter Williams	Thames Valley Housing Association

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

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

REPORT OF THE 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

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 has adopted the Federation's code of governance, **Excellence in governance 2010** and is satisfied that it complies with the main principles and provisions in the code. It will assess compliance each year.

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 Annual General Meeting (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 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 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.

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 Report of the Directors and the financial statements in accordance with applicable law and regulations.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

REPORT OF THE DIRECTORS

Responsibilities of the Board (continued)

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). 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.

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 Regulator, key stakeholders, 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.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

REPORT OF THE DIRECTORS

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 including the chair of the Regional Chairs' Group (RCG). 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 133 staff; 19 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 Mazars who were appointed in June 2010. The contract for internal audit services was initially tendered for three years and will be reviewed annually by the Audit and Risk Management committee.

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

Planning and Reporting

The Federation works to a five 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 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 Federation has further strengthened its risk management procedures, through a project to embed risk management throughout the business. New project management and procurement frameworks and policies have been introduced. The Corporate Risk Register, which distinguishes between strategic and operational risks, captures risk from all parts of the organisation and is updated and reviewed regularly at departmental, directorate and Leadership Team levels, and by the Audit and Risk Management Committee. The Committee reports regularly to the Board.

The Chief Executive and Leadership Team assess the risk of decisions they make at their monthly meetings updating the Risk Register where necessary. 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. 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.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
REPORT OF THE DIRECTORS

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



Stephen Bull
Company Secretary

12TH July 2012

**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 2012 which comprise the principal accounting policies, the group and company profit and loss accounts, the group and parent company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses, and notes 1 to 25. 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 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 Responsibilities of the Board set out on pages 6 and 7, 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 (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/private.cfm.

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 2012 and of the group's profit 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

12th July 2012

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

PRINCIPAL ACCOUNTING POLICIES

Status

The National Housing Federation is a company limited by guarantee. The liability of members, of whom there are 1,033 (2011: 1,085) 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, and in accordance with applicable United Kingdom accounting standards.

The principal accounting policies are set out below.

Basis of Consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 March 2012. 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, 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	44 - 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.

Goodwill

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

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

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.

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.

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 2012

	Note	2012 £'000	2011 £'000
Turnover			
Continuing operations: group and share of joint venture's turnover		16,142	16,102
Less: share of joint venture's turnover	2	<u>(2,390)</u>	<u>(2,592)</u>
Group turnover	1	<u>13,752</u>	<u>13,510</u>
Other operating income: rental income		<u>811</u>	<u>736</u>
Total turnover		14,563	14,246
Administrative expenses	1	(13,546)	(13,879)
Reorganisation costs	1	<u>-</u>	<u>(460)</u>
Group operating profit/(loss) before share of joint venture		1,017	(93)
Share of operating profit in joint venture	2	<u>2</u>	<u>129</u>
Group operating profit		1,019	36
Interest payable	3	(512)	(561)
Interest receivable and similar income	3	<u>17</u>	<u>28</u>
Profit/(loss) on ordinary activities before taxation		524	(497)
Tax on profit/(loss) on ordinary activities	5	-	-
Share of tax on profit on ordinary activities in joint venture	2	<u>(3)</u>	<u>(29)</u>
Profit/(loss) on ordinary activities after taxation transferred to reserves	15	<u><u>521</u></u>	<u><u>(526)</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 2012

	Note	2012 £'000	2011 £'000
Turnover			
Continuing operations	1	13,752	13,510
Other operating income:			
Rental income		-	2
Total turnover		13,752	13,512
Administrative expenses	1	(12,838)	(13,116)
Reorganisation costs	1	-	(460)
Operating profit/(loss)		914	(64)
Interest payable		-	-
Interest receivable and similar income		14	36
Profit/(loss) on ordinary activities before taxation		928	(38)
Tax on profit on ordinary activities	5	-	-
Profit/(loss) on ordinary activities after taxation transferred to reserves	15	928	(38)

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.

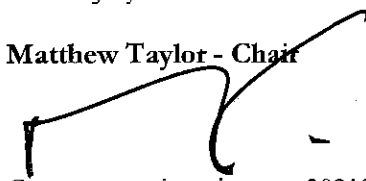
NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)
CONSOLIDATED AND COMPANY BALANCE SHEETS

For the year ended 31 March 2012

	Note	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Fixed assets					
Goodwill	8	328	-	359	-
Investments	7	10	541	10	541
Tangible fixed assets	6	15,372	487	15,852	707
		<u>15,710</u>	<u>1,028</u>	<u>16,221</u>	<u>1,248</u>
Current assets					
Stocks - publications	9	55	55	84	84
Debtors	10	1,664	6,946	977	5,492
Cash at bank and in hand		2,324	2,168	2,646	2,628
		<u>4,043</u>	<u>9,169</u>	<u>3,707</u>	<u>8,204</u>
Creditors: amounts falling due within one year	11	<u>(6,195)</u>	<u>(5,602)</u>	<u>(6,317)</u>	<u>(5,785)</u>
Net current (liabilities)/ assets		<u>(2,152)</u>	<u>3,567</u>	<u>(2,610)</u>	<u>2,419</u>
Debtors: amounts falling due after more than one year	10	-	3,500	-	3,500
Total assets less current liabilities		<u>13,558</u>	<u>8,095</u>	<u>13,611</u>	<u>7,167</u>
Creditors: amounts falling due after more than one year	12	<u>(8,154)</u>	-	<u>(8,727)</u>	-
Share of gross assets in joint venture	25	1,177	-	1,103	-
Share of gross liabilities in joint venture	25	(678)	-	(605)	-
Share of net assets in joint venture		<u>499</u>	-	<u>498</u>	-
Deferred taxation	14	-	-	-	-
Net assets		<u>5,903</u>	<u>8,095</u>	<u>5,382</u>	<u>7,167</u>
Capital and reserves					
Profit and loss reserve	15	5,903	8,095	5,382	7,167
	16	<u>5,903</u>	<u>8,095</u>	<u>5,382</u>	<u>7,167</u>

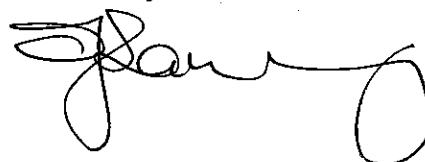
The financial statements were approved by the Board of Directors on 12th July and signed on their behalf on 12th July 2012.

Matthew Taylor - Chair



Company registration no: 302132

Ann Santry - Vice Chair



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 2012

	Note	2012 £'000	2011 £'000
Net cash inflow from operating activities	17	858	706
Returns on investments and servicing of finance			
Interest receivable		17	28
Interest payable		<u>(512)</u>	<u>(561)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(495)</u>	<u>(533)</u>
Taxation			
Corporation tax paid		<u>-</u>	<u>-</u>
Capital expenditure and financial investment			
Payments to acquire fixed assets and investments	6	<u>(177)</u>	<u>(669)</u>
Net cash outflow from capital expenditure and financial investment		<u>(177)</u>	<u>(669)</u>
Net cash inflow/(outflow) before use of liquid resources		186	(496)
Increase/ (decrease) in cash	18,19	<u>186</u>	<u>(496)</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 2012

Consolidated statement of total recognised gains and losses

	Note	2012 £'000	2011 £'000
Profit/(loss) for the financial year	15	521	(526)
Adjustment to restate tangible fixed assets to cost		-	2,033
Total gains and losses recognised since last annual report		<u>521</u>	<u>1,507</u>

Consolidated note of historical cost profits and losses

		2012 £'000	2011 £'000
Reported profit/(loss) on ordinary activities after taxation	15	521	(526)
Historical cost profit/(loss) on ordinary activities after taxation		<u>521</u>	<u>(526)</u>

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

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

For the year ended 31 March 2012

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:

	2012 £'000	2011 £'000
Affiliation fees	8,607	8,321
Grants	266	452
Conferences, training and publications	3,993	4,595
Other income	886	142
Company and Group	13,752	13,510

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:

	2012 £'000	2011 £'000
Staff costs (note 4) excluding those in reorganisation costs (see note below)	6,822	6,658
Depreciation	260	233
Auditors' remuneration:		
- audit services	30	30
- non-audit services	113	19
Charges on operating leases	100	132
Reorganisation costs (see note below)	-	460
Other operating charges	5,513	6,044
Company	12,838	13,576
Depreciation	290	314
Other operating charges	418	449
Group	13,546	14,339

During 2011 a restructuring took place which led to a reduction in the overall staff numbers and the closure of the Birmingham office resulting in a one off cost of £460k which was funded from reserves built up in earlier years.

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

For the year ended 31 March 2012

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 2012 £'000	Group share (50%) 2012 £'000	Year ended 31 December 2011 £'000	Group share (50%) 2011 £'000
HouseMark turnover	4,781	2,390	5,184	2,592
HouseMark operating costs	(4,777)	(2,388)	(4,925)	(2,463)
Operating profit	4	2	259	129
Interest receivable	6	3	3	1
Profit on ordinary activities before tax	10	5	262	130
Tax on profit on ordinary activities	(6)	(3)	(58)	(29)
Net profit	4	2	204	101

3 Interest payable and similar charges

	2012 £'000	2011 £'000
Interest payable		
On bank loans and overdrafts	512	561
Interest receivable		
Bank	17	28

4 Directors and employees

Staff costs during the year were as follows:

	2012 £'000	2011 £'000
Wages and salaries (leadership team)	517	466
Wages and salaries (other staff)	4,963	5,048
Social security costs (leadership team)	61	52
Social security costs (other staff)	462	441
Other pension costs (leadership team)	65	65
Other pension costs (other staff)	494	586
Termination costs	260	377
	6,822	7,035

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

For the year ended 31 March 2012

Directors and employees (continued)

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

	2012 Number	2011 Number
Senior management team	4	4
Other staff	132	140
	<u>136</u>	<u>144</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:

	2012 £'000	2011 £'000
Salary	<u>158</u>	<u>158</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 £17,500 (2011:£15,000) for his services. No remuneration was paid to any other member of the Board other than the Chief Executive (2011: nil).

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

For the year ended 31 March 2012

5 Tax on profit/(loss) on ordinary activities

(a) Analysis of the tax credit for the year

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

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Current tax:				
United Kingdom corporation tax at 26 % (2011: 28%)	-	-	-	-
Adjustments in respect of prior years	-	-	-	-
Deferred taxation:				
Timing difference, origination and reversal	-	-	-	-
	-	-	-	-

(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 26% (2011: 28%). The differences are explained below:

Profit /(loss) on ordinary activities before tax	<u>521</u>	<u>928</u>	<u>(526)</u>	<u>(38)</u>
Profit / (loss) on ordinary activities before tax multiplied by the standard rate of corporation tax of 26% (2011: 28%)	135	241	(147)	(11)
Effect of:				
Expenses not deductible for tax purposes	71	2	75	52
Capital allowances for the period in excess of depreciation	(7)	16	(32)	(30)
Group relief of current year losses				
Increase/(utilisation) of trading losses	66	6	165	50
Profit on mutual trading activities	<u>(265)</u>	<u>(265)</u>	<u>(61)</u>	<u>(382)</u>
Current tax charge for period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

For the year ended 31 March 2012

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 2011	15,197	1,624	1,900	893	91	19,705
Additions	15	-	123	39	-	177
Disposals	-	-	(184)	-	-	(184)
At 31 March 2012	<u>15,212</u>	<u>1,624</u>	<u>1,839</u>	<u>932</u>	<u>91</u>	<u>19,698</u>
Depreciation						
At 1 April 2011	1,154	580	1,358	741	20	3,853
Provided in the year	180	75	219	63	13	550
Disposals	-	-	(77)	-	-	(77)
At 31 March 2012	<u>1,334</u>	<u>655</u>	<u>1,500</u>	<u>804</u>	<u>33</u>	<u>4,326</u>
Net book amount at 31 March 2012	<u>13,878</u>	<u>969</u>	<u>339</u>	<u>128</u>	<u>58</u>	<u>15,372</u>
Net book amount at 31 March 2011	<u>14,043</u>	<u>1,044</u>	<u>542</u>	<u>152</u>	<u>71</u>	<u>15,852</u>

Included in freehold property is an amount of £6,921,351 in respect of freehold land which is not subject to depreciation.

The company's freehold property Lion Court has been independently valued at 31 March 2011 to by Strutt & Parker who are members of the Royal Institute of Chartered Surveyors. The value based on vacant possession was £12,980,000 and £18,670,000 based on existing use i.e. let to the National Housing Federation on a 25 year lease.

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

For the year ended 31 March 2012

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 2011	1,870	538	90	2,498
Additions	119	28	-	147
Disposals	(183)	-	-	(183)
At 31 March 2012	<u>1,806</u>	<u>566</u>	<u>90</u>	<u>2,462</u>
Depreciation				
At 1 April 2011	1,333	438	20	1,791
Provided in the year	218	30	12	260
Disposals	(76)	-	-	(76)
At 31 March 2012	<u>1,475</u>	<u>468</u>	<u>32</u>	<u>1,975</u>
Net book amount at 31 March 2012	<u>331</u>	<u>98</u>	<u>58</u>	<u>487</u>
Net book amount at 31 March 2011	<u>537</u>	<u>100</u>	<u>70</u>	<u>707</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 disposed of its £10 shareholding in Feedback Services Limited during the year.

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

For the year ended 31 March 2012

Investments (continued)

The Federation holds a £10,000 investment in Third Sector Consortia Management LLP a company delivering and managing public and community services during the year. The company made profits before tax of £109,246 for the year ended 31 March 2012. The Federation's share of the profit was £13,240 and estimated tax due was £4,000. No provision has been made for either the Federation's share of the profits or the tax due in these statements.

The Federation has a £25 share in a My Home Finance Limited a company limited by guarantee. The company provides finance to members of the public who are unable to obtain credit from reputable organisations. At 31 March 2012 the Federation held no cash (2011 -£968,762) on behalf of My Home Finance Limited.

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%
Third Sector Consortia Management LLP	Company delivering and managing public and community services.	10%
My Home Finance Limited	Provider of finance to those unable to obtain credit from reputable organisations	10%

	2012 £'000	2011 £'000
NHF Property & Services Ltd	-	-
Feedback Services Limited	-	-
Third Sector Consortia Management LLP	10	10
Other	-	-
Group	10	10
National Housing Federation Investments Limited	531	531
Company	541	541

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.

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

For the year ended 31 March 2012

Goodwill (continued)

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 2011 and at 31 March 2012	<u>639</u>
Accumulated amortisation:	
At 1 April 2011	280
Charge for the period	31
At 31 March 2012	<u>311</u>
Net book amount at 31 March 2012	<u>328</u>
Net book amount at 31 March 2011	<u>359</u>

9 Stocks

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Stock for resale	<u>55</u>	<u>55</u>	<u>84</u>	<u>84</u>

10 Debtors

Amounts due in less than one year:

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Trade debtors	954	788	479	439
Other debtors	38	38	39	39
Prepayments and accrued income	672	672	459	459
Amounts due from group undertakings	-	5,448	-	4,555
	<u>1,664</u>	<u>6,946</u>	<u>977</u>	<u>5,492</u>

Amounts due after more than one year:

Amounts due from group undertakings	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
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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 2012 the amount outstanding on the loan was £ 3,500,000 (2011: £3,500,000), to be repaid 20 years from date of issue.

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

For the year ended 31 March 2012

Debtors (continued)

The company has agreed not to recall the intercompany balance of £5,448k 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 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Bank loan (note 13)	554	-	488	-
Trade creditors	133	133	329	329
Other tax and social security	217	214	251	251
Other creditors	123	127	151	1,114
Accruals and deferred income	5,168	5,128	5,098	4,091
	<u>6,195</u>	<u>5,602</u>	<u>6,317</u>	<u>5,785</u>

12 Creditors: amounts falling due after more than one year

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Bank loan (note 13)	<u>8,154</u>	<u>-</u>	<u>8,727</u>	<u>-</u>

13 Creditors: Capital instruments

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

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Amounts repayable:				
In one year or less or on demand	554	-	488	-
In more than one year, but not more than two years	578	-	521	-
In more than two years, but not more than five years	1,901	-	1,754	-
In more than five years	5,675	-	6,453	-
	<u>8,708</u>	<u>-</u>	<u>9,216</u>	<u>-</u>

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

For the year ended 31 March 2012

14 Deferred taxation

Group

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

	2012 £'000	2011 £'000
Provision for deferred tax at 1 April 2011	-	-
Current year deferred tax	-	-
Provision for deferred tax at 31 March 2012	<u>-</u>	<u>-</u>

Group and Company

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Unprovided deferred taxation asset:				
Fixed asset timing differences	109	(76)	(235)	(235)
Losses and other deductions	(486)	(144)	189	189
	<u>(377)</u>	<u>(220)</u>	<u>(46)</u>	<u>(46)</u>

There was no provision for deferred taxation as at 31 March 2012 (2011: £nil) in the company.

15 Reserves

Group

	General reserve 2012 £'000
At 1 April 2011	5,382
Profit for the year	521
At 31 March 2012	<u>5,903</u>

Company

	General reserve 2012 £'000
At 1 April 2011	7,167
Profit for the year	928
At 31 March 2012	<u>8,095</u>

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

For the year ended 31 March 2012

16 Reconciliation of movements in shareholders' funds

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Profit/ (loss) attributable to members	521	928	(526)	(38)
Net additions to shareholders' funds	521	928	(526)	(38)
Opening shareholders' funds	5,382	7,167	5,908	7,205
Closing shareholders' funds	5,903	8,095	5,382	7,167

17 Net cash inflow from operating activities

	2012 £'000	2011 £'000
Operating surplus	1,017	36
Depreciation	550	547
Profit on disposal of tangible fixed assets	106	249
Amortisation charges	32	32
Share of profit in joint venture	(2)	(130)
Decrease in stock	29	2
(Increase)/decrease in debtors	(688)	5
Decrease in creditors	(186)	(35)
Net cash inflow from operating activities	858	706

18 Reconciliation of net cash flow to movement in net debt

	2012 £'000	2011 £'000
Decrease in cash in the year	(322)	(960)
Cash outflow from loan financing	508	464
Movement in net debt in the year	186	(496)
Net debt at 1 April 2011	(6,570)	(6,074)
Net debt at 31 March 2012	(6,384)	(6,570)

19 Analysis of changes in net debt

	At 1 April 2011 £'000	Cash flow £'000	At 31 March 2012 £'000
Cash in hand	2,646	(322)	2,324
Liquid resources	(9,216)	508	(8,708)
	(6,570)	186	(6,384)

As stated in note 7, at 31 March 2012 the Federation held no cash (2011 - £968,762) on behalf of My Home Finance Limited.

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

For the year ended 31 March 2012

20 Capital commitments

The company had capital commitments at 31 March 2012 of £nil (2011 – £26,000)

	2012	2011
	£'000	£'000
Contracts tendered for and awarded	<u>-</u>	<u>26</u>

21 Contingent assets/liabilities

There were no contingent liabilities at 31 March 2012 or 31 March 2011.

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, until 31 March 2007. From April 2007 three benefit structures have been 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 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 was made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open defined benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The National Housing Federation has operated 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 reflect 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.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

Retirement benefit schemes (continued)

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 10.1% and 10.8% depending on their age.

As at the balance sheet date there were 91 active members of the Scheme employed by The National Housing Federation. The pensionable payroll in respect of these members was £4,076,542. 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 69.7%.

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

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.

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

For the year ended 31 March 2012

Retirement benefit schemes (continued)

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
Final salary with a 1/80 th accrual rate	13.5
Career average revalued earnings (CARE) 1/80 th accrual rate	11.9

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.

The scheme's 30 September valuation is currently in progress and will be finalised by 31 December 2012. The results of the 2011 valuation will be included in next year's disclosure note.

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 defined benefit section of 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.

New employers 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 new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

NATIONAL HOUSING FEDERATION (A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

Retirement benefit schemes (continued)

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 provided a response in respect of the September 2008 actuarial valuation in August 2011, stating that it does not propose to take any scheme funding action under Part 3 of the Pensions Act 2004.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80.0%.

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 £547,284 £ (2011: £651,159).

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 2012 the amount outstanding was £8,708,006 (2011: £9,215,714).

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 £4,000,000 of the loan for 5 years at 7.315%, this then reverted to a base rate loan and on 29th July 2011 the outstanding amount of £2,043,050.95 was changed to a LIBOR loan repayable at 1.5% over LIBOR. On 11 June 2004 the interest rate on a further £4,000,000 of the loan was fixed for 10 years at 7.295% and on 22 February 2010, the company elected a further interest fix at 5.595% for 10 years, £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 2012. At the 31 March 2012, the overdraft with the bank was £nil. (2011: £nil).

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

For the year ended 31 March 2012

Financial commitments (continued)

At 31 March 2012 there were commitments to make the following payments during the next year in respect of operating leases on premises:

	Group and Company 2012 £'000	Group and Company 2011 £'000
Land and buildings		
Leases which expire within one year	-	45
Leases which expire over five years	45	45
Other		
Leases which expire within one year	3	9
Leases which expire within two to five years	48	49
Leases which expire over five years	-	-

24 Transactions with directors and other related parties

During the year the National Housing Federation paid £nil (2011: £229) to HouseMark for services and received licence income from HouseMark amounting to £316,062 (2011: £254,644).

National Housing Federation paid rent of £1,037,237 (2011: £1,037,237) to NHF Property & Services Limited. It also paid £85,597 (2011: £64,054) 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 £1,129,790 (2011: £1,106,039).

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 arm's length. Affiliation fees received from members during the year ended 31 March 2012 were £ 8,606,997 (2011: £8,320,955).

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 2011. 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 2012

Group and joint ventures disclosures (continued)

	2012	2011
	£	£
Profit and loss account		
Turnover	4,780,9072	5,183,582
Profit after tax	3,375	204,094
Balance sheet		
Fixed assets	227,533	210,480
Current Assets	2,125,893	1,995,070
Creditors: amounts falling due within one year	(1,350,824)	(1,210,523)
Provisions for liabilities	(4,200)	-
Net liabilities	<u>998,402</u>	<u>995,027</u>
Called-up share capital	100	100
Profit and loss account	998,302	994,927
	<u>998,402</u>	<u>995,027</u>

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