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**NATIONAL HOUSING
FEDERATION LIMITED**

FINANCIAL STATEMENTS

For the Year ended

31 March 2013

Company no 302132

NATIONAL HOUSING FEDERATION LIMITED
FINANCIAL STATEMENTS

For the year ended 31 March 2013

Company registration number: 302132

Registered office: National Housing Federation Limited
Lion Court
25 Procter Street
London
WC1V 6NY

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 LIMITED
FINANCIAL STATEMENTS

For the year ended 31 March 2013

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NATIONAL HOUSING FEDERATION LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2013

The directors present their report together with the audited financial statements for the year ended 31 March 2013.

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 supports and promotes the work of housing associations and campaigns for better housing and neighbourhoods.

The Federation has strategic objectives to underpin its work, and these are reviewed annually:

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 £529k compared to £524k for the previous year. The results for both years benefited from recovery of VAT paid in the past, following negotiations with HMRC regarding our partial exemption methodology. This year's result also benefited from satisfactory settlement of a legal claim. Excluding these items the profit for the year was £329k, 2% of turnover, compared to £234k the previous year.

The surplus for the year will be taken to reserves, in accordance with the Federation's Reserves Policy. The Federation budgets annually to break even, such that members fund the services they require. We normally expect to achieve a small surplus through better operational performance, and the Board decides if any surplus should be used for a particular purpose rather than be taken to reserves.

Total turnover was down by 1.2% to £14,382k. This reflected a standstill in affiliation fees and a reduction in sundry income including the VAT recovery mentioned above. Our commercial activities saw a small decrease in gross income but maintained contribution after savings in costs.

Administrative expenses were 0.9% lower than in the previous year.

NATIONAL HOUSING FEDERATION LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2013

Financial results (continued)

To ensure that members are better informed about its financial performance, last year we produced for the first time a Financial Review for the year. This was well received and will again be available to all members as a hard copy and on our website.

Strategic Business Review

In summer 2012, we completed our comprehensive 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 reviewed options developed by a Strategic Review Panel, drawn from members. The Panel had carried out an extremely extensive consultation with members and stakeholders.

There was overwhelming support from members for the work the Federation does. Very high levels of satisfaction were expressed in relation to lobbying and campaigning activities, and the acknowledgement of Federation influence and impact are particularly sound foundations on which to build.

The results re-affirmed National Housing Federation Limited as a trade body, championing the unique contribution housing associations can make as not for profit social enterprises.

The Board expressed its thanks to all the members, especially the review panel, who gave so generously of their time during the review. We were gratified that the feedback was so extremely positive.

We have communicated widely with members and subsequently kept them up to date with the actions emanating from the Review. Details are set out in the section on Future Developments (below)

Member services

The Federation has continued to engage in detailed discussions with ministers, shadow ministers, MPs, peers and government officials to shape legislation that reflects members' concerns, and ensures they can continue to provide more & better homes and deliver high value services to their communities.

This lobbying has been supported by ever wider and targeted communication activity together with a number of high profile, successful media campaigns. Last year our media coverage doubled with far stronger, consistent messaging.

A major area of activity has been around potential impacts of the Government's Welfare Reform Act. Some of the intentions are well founded, but in important respects the Act is likely to have very adverse consequences.

- The Under-Occupation Penalty ('Bedroom Tax') seeks to encourage social housing tenants to move into smaller accommodation where ostensibly feasible. In practice this legislation has been poorly thought through, taking insufficient account of the availability and location of such accommodation and the impact on particular groups of tenants such as the disabled. The Federation has been instrumental in bringing together a wide range of concerned organisations and individuals, including many politicians themselves, to lobby against some of the worst inequities of the legislation. Important concessions have been achieved, although the legislation remains seriously flawed.
- Another high profile welfare reform measure has been the introduction of the benefit cap. We have again, working with a wide range of concerned parties, highlighted the often arbitrary, random and inequitable impacts.

NATIONAL HOUSING FEDERATION LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2013

Member services (continued)

- The Government has now also started rolling out Universal Credit (bringing together a number of welfare benefits into a single payment) and the payment of housing benefit to social housing tenants, rather than direct to their landlords. The Federation has worked closely with its members and government to highlight potential difficulties, minimise potential disruption and reduce negative impact on housing associations' reputations.

Lack of decent, affordable housing continues to be a major concern throughout the country. The Federation has been influential in making the economic case for investment in housing and in the implementation of associated measures such as the £10bn government guarantee scheme announced in the September 2012 growth package.

The case for more homes has again been underpinned by Home Truths, our analysis of the housing market which is a key reference document with detailed information presented not just nationally and regionally but for every local authority in the country. We have built on this through our very successful 'Yes to Homes' campaign, which has mobilised opinion shapers and the general public to highlight the negative impact of too few homes and the many advantages of investing in building more of them.

The VAT Cost Sharing Exemption, supported by the Federation, is now in place. Members have started to organise themselves to take advantage of the potentially significant cost savings.

We continue to work in partnership with other key civil society organisations and have launched a new knowledge hub for housing associations interested in community investment.

The Federation continues to support its members through a wide range of business and commercial services. Our conferences have as ever been highly valued by delegates, and our Finance Conference in Warwick had significantly more delegates this year. Allied to the Finance Conference, we launched the Housing Association National Accountancy Awards ('HANAAAs'), with the pre-conference dinner attracting over 300 attendees. We have developed a range of new products and services to respond to the changing needs of members, including a specialist insurances offering under the NHF Insurance Services brand.

Our work with HouseMark, the company jointly owned with the Chartered Institute of Housing has continued to grow and expand during the year. HouseMark has established a new strategic business plan investing in new services for the future.

Future Developments

Following our Business Strategy Review members know that the Federation will focus on what matters most for housing associations through its policy, lobbying and communication work.

The key elements are:

- Ring-fencing members' fees for core activity - lobbying and campaigning for housing associations at a national and local level and helping to drive policy thinking.
- Developing our commercial activity, operating to clear targets, with non-core activity required to be of benefit to members, self-funded and board approved.
- A new fee structure and a cost control plan announced at the Federation's annual conference in September 2012 and effective from 1st April 2013.
- Review of the representative structures of the Federation to support even more creative ways of delivering even better member engagement and local influencing.

NATIONAL HOUSING FEDERATION LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2013

Future Developments (continued)

- A commitment to provide greater transparency and accountability to members, with an ambition to make all information available easily and accessibly.
- A property review to ensure best value is made of the Federation's assets, especially the London office and conference centre.

We are making good progress.

As mentioned in the Financial Results section, above, we now produce an Annual Financial Review showing clearly how the Federation had progressed, and how it received and spent its income.

Our new, clearer, simpler methodology for levying affiliation fees from 2013/14 has been well received by members, together with the commitment to increase overall fees by no more than RPI less 3% (with a floor of zero increase), until 31st March 2016.

Following a comprehensive review of our property strategy, the Federation will remain in Lion Court, but occupy less space enabling the generation of more income from the remainder of the building. We are intending to retain the freehold interest in Lion Court, as we are advised the potential return is greater than alternatives. The location also has significant advantages in facilitating engagement with our members and stakeholders, particularly in government. We are reviewing how best to finance the related capital expenditure.

During 2013 we will be promoting our new specialist insurance offering and online Health & Safety portal.

We have reviewed the workings of our Regional Committees and Regional Chair Groups, and are in the process of establishing more flexible forums reflecting members' requirements in different locations.

Internal reorganisation has focussed on a seamless, joined-up delivery of services under the principle "everyone is local, everyone is national"

We will continue to prioritise our work in context of the decisions emanating from the Business Strategy Review. Our aim is to shape the external environment to enable housing associations to prosper, whatever their business model; be the body to engage with on housing issues and be regarded by members as a highly effective trade body.

We have communicated our Business Plan to members and it is available on our website at www.housing.org.uk. It encompasses four key themes

- Enabling the delivery of great homes - deliver homes that people can afford
- Promoting health & wellbeing - invest in people and communities
- Supporting resilient businesses - in it for the long term
- Running an effective, efficient Federation - providing value for money

In carrying out these activities we will continue to 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.

NATIONAL HOUSING FEDERATION LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2013

Future Developments (continued)

In light of Government's reforms in the health and social care sectors, and the cross-overs with housing policy, we see collaboration in this area becoming increasingly important. The Federation will be a member of the Health and Care Voluntary Sector Strategic Partner Programme for 2013/14.

Wherever possible we will ensure that Federation resources are applied in such ways that add to and don't unnecessarily duplicate the input of our partners.

We will continue to invest in the development of our people. The Directors wish to express their appreciation of the very high quality work done by our staff in these challenging times.

Risks and uncertainties

As a trade body the Federation is impacted by the risks and uncertainties applying to its members. The Federation exists for its members and they may have varying expectations as to how best we can help them.

Virtually all housing associations of any significant size, in England, are members of the Federation.

Our members' success in meeting their challenges, and the Federation's success in providing the right support to meet members' changing and varied demands, both impact on future levels of Federation membership, fee income and ultimate success.

Key risks and uncertainties for our members are:

- The Government's welfare and benefit reform measures, outlined under the section on Member Services (above) are likely to mean that social housing tenants are less able to afford to pay their rents, increase the likelihood of non or late payments and increase Housing Associations' operating costs.
- As Government funding for new social housing has shifted away from capital grant, housing associations are becoming relatively more dependent on rental income, other sources of funding and a wider range of operating models.
- The HCA has initiated a discussion and consultation process about the implications of a more diverse social housing sector and how regulation may change to ensure that social housing assets are not put at risk.

Key risks for the Federation are:

- failure to engage effectively with members
- inability to achieve sufficient policy outcomes on behalf of members
- Failure to exercise thought leadership for the sector.
- Failure to operate efficiently and provide members with value for money

Strategically the Federation has identified as inherently high risk, the political / reputational, economic and regulatory aspects of its wider operating environment.

Government is still progressing reduction of the UK's fiscal deficit against a background of low economic growth and an upcoming General Election in 2015. Thus the wider political, economic and regulatory factors may impact in ways which are inherently unpredictable, but the Federation leads the sector in anticipating a range of scenarios and planning to deal with them.

NATIONAL HOUSING FEDERATION LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2013

Risks and uncertainties (continued)

As reported above, we have completed a comprehensive business strategy review to ensure we meet our members' needs in the medium term both as their trade body and operationally, and we are implementing a range of measures to ensure success.

The Federation's Risk Management Procedures are detailed in a separate section below, and address risks and uncertainties from all sources.

Reserves

The profit after tax of £525k (2012: £521k) has been transferred to reserves as described in the section on Financial Results and set out in note 15.

Fixed Assets

Movements on fixed assets are disclosed in note 6. Freehold property is carried at original cost less depreciation.

Our principle operational location, Lion Court in Holborn, London, 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 table shows Directors of the company between 1 April 2012 and 11 July 2013.

- Background information on Directors is available on the Federation's web site, www.housing.org.uk
- Attendance at Board meetings is shown as meetings attended out of meetings eligible to attend.
- Details are also shown of membership to Board Committees, and position where applicable.
- Unless otherwise shown, Board members were appointed to and resigned from Board Committees and positions thereon, on the dates they joined or resigned from the Board.

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

NATIONAL HOUSING FEDERATION LIMITED
REPORT OF THE DIRECTORS

For the year ended 31 March 2013

Directors (continued)

Name / Board Meeting Attendance	Board	Committees		
		Executive	Audit and Risk Management	Nominations
Lord Taylor of Goss Moor 7/7	Chair	Chair		Yes
Mark Washer 5/7	Vice Chair From 10 May 2013	Yes	Yes Resigned 10 May 2013	Yes From 10 May 2013
June Barnes 6/7 Resigned 1 May 2013	Vice Chair From 17 Sep 2012	Yes From 17 Sep 2012	Yes Resigned 21 June 2012	Yes From 17 Sep 2012
Ann Santry CBE 3/3 Resigned 17 Sep 2012	Vice Chair	Yes		Yes Chair From 10 June 2012 to date
Sinead Butters 6/7	Yes		Yes	
Matthew Gardiner 3/3 Resigned 17 Sep 2012	Yes		Yes	
Michael Kent 4/7	Yes			
David Montague 0/1 Co-opted 3 May 2013	Yes			
David Orr 6/7	Yes	Yes		
Cath Purdy OBE 4/4 Appointed 17 Sep 2012	Yes		Yes From 10 May 2013	
Terry Stacey MBE 6/7	Yes			
Victoria Stark CBE 7/7	Yes			Yes
Paul Tennant 5/7	Yes	Yes	Chair	
Peter Williams 6/7	Yes			
Penny Young 2/2 Co-opted 14 Dec 2012	Yes			

NATIONAL HOUSING FEDERATION LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2013

Directors (continued)

Rosemary Farrar and Philip Bowles, who are not Board members, are co-opted members of the Audit & Risk Management Committee.

Ian Munro, who is not a Board member but has served as Chair of the Regional Chairs group, is a co-opted member of the Nominations Committee, as is Ann Santry since her resignation from the Board.

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

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 has adopted the Federation's code of governance, **Excellence in governance 2010** and, following its annual compliance review, is satisfied that it complies with the main principles and provisions in the code.

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. 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's Commitment to Accountability

The Board is committed to integrity and accountability in the management of the Federation's affairs.

As demonstrated through the Business Strategy Review (above) the Board 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 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.

As the governance of the Federation has evolved following the major changes in 2009, members have now developed varying patterns of engagement for their regional activities. The Federation has therefore reviewed the workings of its Regional Committees and Regional Chair Groups, and is in the process of establishing more flexible forums reflecting members' requirements in different locations.

The Audit and Risk Management Committee continues to provide detailed scrutiny of the Federation's finances. It has placed more emphasis on the risks the Federation faces, and overseen further strengthening of the Federation's risk management procedures, as described below.

NATIONAL HOUSING FEDERATION LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2013

The Board's Commitment to Accountability (continued)

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.

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.

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 committees:

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

NATIONAL HOUSING FEDERATION LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2013

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.

Audit and Risk Management Committee

The Audit and Risk Management Committee oversees standards of internal control and risk management. It agrees the internal audit programme, reviews the corporate risk register and is the primary point of Board contact for the external auditors. 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 employs approximately 134 staff. All staff are responsible to and governed by the Board through the Chief Executive.

Internal Audit

The Federation has an internal audit function provided by Mazars who were appointed in June 2010. Based on their satisfactory performance, they were reappointed in 2012 through to 31st March 2016, subject to continuing annual performance reviews.

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

Planning and Reporting

The Federation works to a 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 and the Leadership Team. 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 further strengthened its risk management procedures, building on a project embedding risk management throughout the business.

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.

NATIONAL HOUSING FEDERATION LIMITED
REPORT OF THE DIRECTORS

For the year ended 31 March 2013

Risk Management Procedures (continued)

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 at all meetings and now reviewed by the Board itself at its meetings.

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

Auditor

Grant Thornton UK LLP was reappointed by the Board in March 2013, following an open tender process. Having expressed their willingness to continue in office, they 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

11TH July 2013

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 2013 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 page 9, 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 2013 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 LIMITED****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

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

11th July 2013

NATIONAL HOUSING FEDERATION LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 March 2013

Status

National Housing Federation Limited is a company limited by guarantee. The liability of members, of whom there are 999 (2012: 1,033) 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 2013. 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.

NATIONAL HOUSING FEDERATION LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 March 2013

Goodwill

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

Stock

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

Investments

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

Regional Councils

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

Pensions

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

Operating Leases

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

Reserves

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 LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Turnover			
Continuing operations: group and share of joint venture's turnover		16,010	16,142
Less: share of joint venture's turnover	2	<u>(2,393)</u>	<u>(2,390)</u>
Group turnover	1	<u>13,617</u>	<u>13,752</u>
Other operating income: rental income		<u>765</u>	<u>811</u>
Total turnover		14,382	14,563
Administrative expenses	1	<u>(13,428)</u>	<u>(13,546)</u>
Group operating profit before share of joint venture		954	1,017
Share of operating profit in joint venture	2	<u>10</u>	<u>2</u>
Group operating profit		964	1,019
Interest payable	3	<u>(457)</u>	<u>(512)</u>
Interest receivable and similar income	3	<u>22</u>	<u>17</u>
Profit on ordinary activities before taxation		529	524
Tax on profit on ordinary activities	5	-	-
Share of tax on profit on ordinary activities in joint venture	2	<u>(4)</u>	<u>(3)</u>
Profit on ordinary activities after taxation transferred to reserves	15	<u><u>525</u></u>	<u><u>521</u></u>

All transactions arise from continuing operations.

NATIONAL HOUSING FEDERATION LIMITED
COMPANY PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Turnover			
Continuing operations	1	13,617	13,752
Other operating income:			
Rental income		-	-
Total turnover		13,617	13,752
Administrative expenses	1	(12,519)	(12,838)
Operating profit		1,098	914
Interest payable		-	-
Interest receivable and similar income		19	14
Profit on ordinary activities before taxation		1,117	928
Tax on profit on ordinary activities	5	-	-
Profit on ordinary activities after taxation transferred to reserves	15	1,117	928

All transactions arise from continuing operations.

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

NATIONAL HOUSING FEDERATION LIMITED
CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 March 2013

	Note	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Fixed assets					
Goodwill	8	296	-	328	-
Investments	7	10	541	10	541
Tangible fixed assets	6	14,824	297	15,372	487
		<u>15,130</u>	<u>838</u>	<u>15,710</u>	<u>1,028</u>
Current assets					
Stocks - publications	9	61	61	55	55
Debtors	10	945	6,944	1,664	6,946
Cash at bank and in hand		4,412	4,305	2,324	2,168
		<u>5,418</u>	<u>11,310</u>	<u>4,043</u>	<u>9,169</u>
Creditors: amounts falling due within one year	11	<u>(7,051)</u>	<u>(6,436)</u>	<u>(6,195)</u>	<u>(5,602)</u>
Net current (liabilities)/assets		<u>(1,633)</u>	<u>4,874</u>	<u>(2,152)</u>	<u>3,567</u>
Debtors: amounts falling due after more than one year	10	-	3,500	-	3,500
Total assets less current liabilities		<u>13,497</u>	<u>9,212</u>	<u>13,558</u>	<u>8,095</u>
Creditors: amounts falling due after more than one year	12	(7,576)	-	(8,154)	-
Share of gross assets in joint venture	25	1,208	-	1,177	-
Share of gross liabilities in joint venture	25	(701)	-	(678)	-
Share of net assets in joint venture		<u>507</u>	<u>-</u>	<u>499</u>	<u>-</u>
Deferred taxation	14	-	-	-	-
Net assets		<u>6,428</u>	<u>9,212</u>	<u>5,903</u>	<u>8,095</u>
Capital and reserves					
Profit and loss reserve	15	6,428	9,212	5,903	8,095
	16	<u>6,428</u>	<u>9,212</u>	<u>5,903</u>	<u>8,095</u>

The financial statements were approved by the Board of Directors on 11th July 2013 and signed on their behalf on 11th July 2013

Matthew Taylor - Chair



Company registration no: 302132

Mark Washer - Vice Chair



NATIONAL HOUSING FEDERATION LIMITED
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	17	3,266	858
Returns on investments and servicing of finance			
Interest receivable		22	17
Interest payable		<u>(457)</u>	<u>(512)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(435)</u>	<u>(495)</u>
Taxation			
Corporation tax paid		<u>-</u>	<u>-</u>
Capital expenditure and financial investment			
Payments to acquire fixed assets and investments	6	<u>(189)</u>	<u>(177)</u>
Net cash outflow from capital expenditure and financial investment		<u>(189)</u>	<u>(177)</u>
Net cash inflow before use of liquid resources		2,642	186
Increase in cash	18,19	<u><u>2,642</u></u>	<u><u>186</u></u>

NATIONAL HOUSING FEDERATION LIMITED
OTHER PRIMARY STATEMENTS

For the year ended 31 March 2013

Consolidated statement of total recognised gains and losses

	Note	2013 £'000	2012 £'000
Profit for the financial year	15	525	521
Total gains and losses recognised since last annual report		<u>525</u>	<u>521</u>

Consolidated note of historical cost profits and losses

		2013 £'000	2012 £'000
Reported profit on ordinary activities after taxation	15	525	521
Historical cost profit on ordinary activities after taxation		<u>525</u>	<u>521</u>

NATIONAL HOUSING FEDERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

1 Turnover and profit on ordinary activities before taxation

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

	2013 £'000	2012 £'000
Affiliation fees	8,579	8,607
Grants	457	266
Conferences, training and publications	4,040	3,993
Other income	541	886
Company and Group	13,617	13,752

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:

	2013 £'000	2012 £'000
Staff costs (note 4) excluding those in reorganisation costs (see note below)	6,427	6,822
Depreciation	194	260
Auditors' remuneration:		
- audit services	33	30
- non-audit services	2	113
Charges on operating leases	95	100
Other operating charges	5,768	5,513
Company	12,519	12,838
Depreciation	411	290
Other operating charges	498	418
Group	13,428	13,546

NATIONAL HOUSING FEDERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

2 Share of joint venture's results

Further information on the Federation's joint venture, HouseMark 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	4,786	2,393	4,781	2,390
HouseMark operating costs	(4,766)	(2,383)	(4,777)	(2,388)
Operating profit	20	10	4	2
Interest receivable	6	3	6	3
Profit on ordinary activities before tax	26	13	10	5
Tax on profit on ordinary activities	(9)	(4)	(6)	(3)
Net profit	17	9	4	2

3 Interest payable and similar charges

	2013 £'000	2012 £'000
Interest payable		
On bank loans and overdrafts	457	512
Interest receivable		
Bank	22	17

4 Directors and employees

Staff costs during the year were as follows:

	2013 £'000	2012 £'000
Wages and salaries (leadership team)	527	517
Wages and salaries (other staff)	4,787	4,963
Social security costs (leadership team)	62	61
Social security costs (other staff)	457	462
Other pension costs (leadership team)	70	65
Other pension costs (other staff)	430	494
Termination costs	94	260
	6,427	6,822

NATIONAL HOUSING FEDERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

Directors and employees (continued)

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

	2013	2012
	Number	Number
Senior management team	4	4
Other staff	130	132
	134	136

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:

	2013	2012
	£'000	£'000
Salary	161	158

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 £20,000 (2012:£17,500). No remuneration was paid to any other member of the Board other than the Chief Executive.

NATIONAL HOUSING FEDERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

5 Tax on profit on ordinary activities

(a) Analysis of the tax credit for the year

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

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Current tax:				
United Kingdom corporation tax at 24 % (2012: 26%)	-	-	-	-
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 24% (2012:26%). The differences are explained below:

Profit on ordinary activities before tax	<u>525</u>	<u>1,117</u>	<u>521</u>	<u>928</u>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax of 24% (2012:26%)	126	268	135	241
Effect of:				
Expenses not deductible for tax purposes	99	-	71	2
Capital allowances for the period in excess of depreciation	(53)	15	(7)	16
Group relief of current year losses	88	(23)	66	6
Increase/(utilisation) of trading losses	(260)	(260)	(265)	(265)
Profit on mutual trading activities	-	-	-	-
Current tax charge for period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NATIONAL HOUSING FEDERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

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						
At 1 April 2012	15,212	1,624	1,839	932	91	19,698
Additions	7	37	134	11	-	189
Disposals	-	-	(717)	(41)	(33)	(791)
At 31 March 2013	<u>15,219</u>	<u>1,661</u>	<u>1,256</u>	<u>902</u>	<u>58</u>	<u>19,096</u>
Depreciation						
At 1 April 2012	1,334	655	1,500	804	33	4,326
Provided in the year	306	75	164	49	11	605
Disposals	-	-	(631)	(17)	(11)	(659)
At 31 March 2013	<u>1,640</u>	<u>730</u>	<u>1,033</u>	<u>836</u>	<u>33</u>	<u>4,272</u>
Net book amount at 31 March 2013	<u>13,579</u>	<u>931</u>	<u>223</u>	<u>66</u>	<u>25</u>	<u>14,824</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>

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 National Housing Federation Limited on a 25 year lease.

NATIONAL HOUSING FEDERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

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 2012	1,806	566	90	2,462
Additions	134		-	134
Disposals	(718)	(40)	(32)	(790)
At 31 March 2013	<u>1,222</u>	<u>526</u>	<u>58</u>	<u>1,806</u>
Depreciation				
At 1 April 2012	1,475	468	32	1,975
Provided in the year	162	20	12	194
Disposals	(633)	(16)	(11)	(660)
At 31 March 2013	<u>1,004</u>	<u>472</u>	<u>33</u>	<u>1,509</u>
Net book amount at 31 March 2013	<u>218</u>	<u>54</u>	<u>25</u>	<u>297</u>
Net book amount at 31 March 2012	<u>331</u>	<u>98</u>	<u>58</u>	<u>487</u>

7 Investments

The Federation owns one £1 ordinary share in The Housing Finance Corporation Limited (an Industrial and Provident Society), representing one-seventh of the nominal value of the issued share capital. This Housing Finance Corporation Limited 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 is a member in the Co-operative and Mutual Business Services Limited with an investment of one share of £1. The company was set up to carry out the registration of Co-operatives and Mutuals within the Financial Services Authority but has not traded.

NATIONAL HOUSING FEDERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

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 a loss before tax of £684,000 for the year ended 31 March 2013. 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 provides finance to members of the public who are unable to obtain credit from mainstream banks.

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 mainstream banks.	10%

	2013 £'000	2012 £'000
NHF Property & Services Ltd	-	-
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. 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 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

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 2012 and at 31 March 2013	<u>639</u>
Accumulated amortisation:	
At 1 April 2012	311
Charge for the period	<u>32</u>
At 31 March 2013	<u>343</u>
Net book amount at 31 March 2013	<u>296</u>
Net book amount at 31 March 2012	<u>328</u>

9 Stocks

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Stock for resale	<u>61</u>	<u>61</u>	<u>55</u>	<u>55</u>

10 Debtors

Amounts due in less than one year:

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Trade debtors	436	344	954	788
Other debtors	54	54	38	38
Prepayments and accrued income	455	455	672	672
Amounts due from group undertakings	-	6,091	-	5,448
	<u>945</u>	<u>6,944</u>	<u>1,664</u>	<u>6,946</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 2013 the amount outstanding on the loan was £ 3,500,000 (2012: £3,500,000), to be repaid 20 years from date of issue.

NATIONAL HOUSING FEDERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

Debtors (continued)

The company has agreed not to recall the intercompany balance of £6,091k 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 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Bank loan (note 13)	578	-	554	-
Trade creditors	346	346	133	133
Other tax and social security	208	208	217	214
Other creditors	123	123	123	127
Accruals and deferred income	5,796	5,759	5,168	5,128
	<u>7,051</u>	<u>6,436</u>	<u>6,195</u>	<u>5,602</u>

12 Creditors: amounts falling due after more than one year

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Bank loan (note 13)	<u>7,576</u>	<u>-</u>	<u>8,154</u>	<u>-</u>

13 Creditors: Capital instruments

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

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Amounts repayable:				
In one year or less or on demand	578	-	554	-
In more than one year, but not more than two years	605	-	578	-
In more than two years, but not more than five years	1,994	-	1,901	-
In more than five years	4,977	-	5,675	-
	<u>8,154</u>	<u>-</u>	<u>8,708</u>	<u>-</u>

NATIONAL HOUSING FEDERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

14 Deferred taxation

Group

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

	2013 £'000	2012 £'000
Provision for deferred tax at 1 April 2012	-	-
Current year deferred tax	-	-
Provision for deferred tax at 31 March 2013	<u>-</u>	<u>-</u>

Group and Company

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Unprovided deferred taxation asset:				
Fixed asset timing differences	41	(86)	109	(76)
Losses and other deductions	(578)	(125)	(486)	(144)
	<u>(537)</u>	<u>(211)</u>	<u>(377)</u>	<u>(220)</u>

There was no provision for deferred taxation as at 31 March 2013 (2012: £nil) in the company.

15 Reserves

Group

	General reserve £'000
At 1 April 2012	5,903
Profit for the year	525
At 31 March 2013	<u>6,428</u>

Company

	General reserve £'000
At 1 April 2012	8,095
Profit for the year	1,117
At 31 March 2013	<u>9,212</u>

NATIONAL HOUSING FEDERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

16 Reconciliation of movements in shareholders' funds

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Profit attributable to members	525	1,117	521	928
Net additions to shareholders' funds	525	1,117	521	928
Opening shareholders' funds	5,903	8,095	5,382	7,167
Closing shareholders' funds	<u>6,428</u>	<u>9,212</u>	<u>5,903</u>	<u>8,095</u>

17 Net cash inflow from operating activities

	2013 £'000	2012 £'000
Operating surplus	954	1,017
Depreciation	605	550
Loss on disposal of tangible fixed assets	132	106
Amortisation charges	32	32
Share of profit in joint venture	(2)	(2)
(Increase)/Decrease in stock	(6)	29
Decrease/(Increase) in debtors	719	(688)
Increase/(decrease) in creditors	832	(186)
Net cash inflow from operating activities	<u>3,266</u>	<u>858</u>

18 Reconciliation of net cash flow to movement in net debt

	2013 £'000	2012 £'000
Increase /(Decrease) in cash in the year	2,088	(322)
Cash outflow from loan financing	554	508
Movement in net debt in the year	2,642	186
Net debt at 1 April 2012	<u>(6,384)</u>	<u>(6,570)</u>
Net debt at 31 March 2013	<u>(3,742)</u>	<u>(6,384)</u>

19 Analysis of changes in net debt

	At 1 April 2012 £'000	Cash flow £'000	At 31 March 2013 £'000
Cash in hand	2,324	2,088	4,412
Liquid resources	(8,708)	554	(8,154)
	<u>(6,384)</u>	<u>2,642</u>	<u>(3,742)</u>

NATIONAL HOUSING FEDERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

20 Capital commitments

The company had capital commitments at 31 March 2013 of £nil (2012 – nil)

	2013 £'000	2012 £'000
Contracts tendered for and awarded	-	-

21 Contingent assets/liabilities

There were no contingent liabilities at 31 March 2013 or 31 March 2012.

22 Retirement benefit schemes

National Housing Federation Limited 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 (CARE) 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 (CARE) 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.

National Housing Federation Limited 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.

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 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

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 National Housing Federation Limited paid contributions at rates from 3% to 14.5%. Member contributions varied between 3% and 10.8% depending on scheme.

As at the balance sheet date there were 87 (2012-91) active members of the Scheme employed by National Housing Federation Limited. The annual pensionable payroll in respect of these members was £4,002,599 (2012-£4,076,542). National Housing Federation Limited 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. The scheme is a multi-employer scheme where the 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 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,327 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241 million, equivalent to a past service funding level of 65%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% pa
Valuation Discount Rates	
Pre-retirement	7.0
Non Pensioner Post retirement	4.2
Pensioner Post retirement	4.2
Pensionable earnings growth	2.5 pa for 3 years, then
4.4	
Price inflation	2.9
Pension Increases	
Pre 88 GMP	0.0
Post 88 GMP	2.0
Excess over GMP	2.4

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

NATIONAL HOUSING FEDERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

Retirement benefit schemes (continued)

The valuation was carried out using the following demographic assumptions:

Mortality pre-retirement – 41% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

Mortality post retirement – 97% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

The long-term joint contribution rates that will apply from April 2013 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	19.4
Final salary with a 1/70 th accrual rate	16.9
Career average revalued earnings (CARE) with a 1/60 th accrual rate	18.1
Final salary with a 1/80 th accrual rate	14.8
Career average revalued earnings (CARE) 1/80 th accrual rate	14.0
Career average revalued earnings (CARE) 1/120 th accrual rate	9.7

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 £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 October 2020 to 30 September 2023	A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

NATIONAL HOUSING FEDERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

Retirement benefit schemes (continued)

These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

The Scheme Actuary will provide an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The results of this approximate update will be available in spring 2014 and 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 2.5% 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.

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). A response regarding the 30 September 2011 valuation is awaited.

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 buy-out 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 £537,699 (2012: £547,284).

NATIONAL HOUSING FEDERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

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 2013 the amount outstanding was £8,154,430 (2012: £8,708,006).

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.

National Housing Federation Limited had a temporary overdraft facility with its bankers Lloyds TSB Bank Plc amounting to £2,500,000, which expired at the end of June 2013. The overdraft was not used during the year and was £nil at 31st March 2013 (2012: £nil).

At 31 March 2013 there were commitments to make the following payments during the next year in respect of operating leases on premises:

	Group and Company 2013 £'000	Group and Company 2012 £'000
Land and buildings		
Leases which expire within one year	-	-
Leases which expire over five years	45	45
Other		
Leases which expire within one year	-	3
Leases which expire within two to five years	46	48
Leases which expire over five years	-	-

24 Transactions with directors and other related parties

During the year National Housing Federation Limited paid £nil (2012: £nil) to HouseMark for services and received licence income from HouseMark amounting to £322,092 (2012: £316,062).

National Housing Federation Limited paid rent of £1,037,237 (2012: £1,037,237) to NHF Property & Services Limited. It also paid £73,879 (2012: £85,597) for catering services. NHF Property & Services Limited paid fees in respect of rents, rates and service charges to National Housing Federation Limited for the 1st and 2nd floors of Lion Court amounting to £1,180,511 (2012: £1,129,790).

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 National Housing Federation Limited. All of these transactions are at arm's length. Affiliation fees received from members during the year ended 31 March 2013 were £8,579,223 (2012: £8,606,997).

There are no other related party transactions.

NATIONAL HOUSING FEDERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

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. 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.
- (b) HouseMark Limited's accounting reference date is 31 December. The most recent audited accounts available are for the period ending 31 December 2012. These have been used in compiling the Federation's group financial statements. They contained the following information:

	2012	2011
	£	£
Profit and loss account		
Turnover	4,786,257	4,780,907
Profit after tax	17,493	3,375
Balance sheet		
Fixed assets	193,998	227,533
Current Assets	2,222,911	2,125,893
Creditors: amounts falling due within one year	(1,401,014)	(1,350,824)
Provisions for liabilities	-	(4,200)
Net liabilities	<u>1,015,895</u>	<u>998,402</u>
Called-up share capital	100	100
Profit and loss account	1,015,795	998,302
	<u>1,015,895</u>	<u>998,402</u>

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