Annual report and financial statements

2020 - 2021

Notting Hill Genesis

At a glance

- **G1/V2** Regulatory rating
- **A- (stable)** S&P rating
- **A (stable)** Fitch rating
- **£144.7m** Surplus before tax
- **1,631** FTE staff
- **£923.3m** Available liquidity
- **3,822** Homes let
- **779** Plots acquired
- **947** Starts on site
- **1,342** Homes completed
- **66,537** Properties owned or managed
- **17,402** Unencumbered properties
- **£21bn** Value of properties

Board, Executive Directors and Advisers

Board
Ian Ellis
(Chair)
Fred Angole
(appointed 20 August 2020)
Stephen Bitti
Jenny Buck
(resigned 15 September 2020)
Elaine Bucknor
Linde Carr
Kate Davies
(Chief Executive)
Jane Hollinshead
Bruce Mew
Arike Oke
(appointed 17 December 2020)
Alex Phillips
(Senior Independent Director)
Paul Phillips
(Chief Financial Officer)
Richard Powell

Executive Board
Kate Davies
Paul Phillips
Andy Belton
Katie Bond
Carl Byrne
Elly Hoult
(appointed 30 April 2020)
John Hughes
Vipul Thacker
Mark Vaughan
Jeremy Stibbe
(resigned 31 May 2020)

Company Secretary
Andrew Nankivell

Registered office and head office
Bruce Kenrick House
2 Killick Street
London N1 9FL

Registrations
Registered Society Number: 7746
Registered Provider Number: 4880
A charity exempt from registration.
Regulated by the Regulator of Social Housing.

Independent auditors
BDO LLP
Statutory Auditors
55 Baker Street
London, W1U 7EU

Principal solicitors
Devonshires Solicitors LLP
30 Finsbury Circus
London, EC2M 7DT

Principal bankers
Barclays Bank PLC
Business Banking
Floor 28
1 Churchill Place
London, E14 5HP

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Peckham Place
Southwark

Welcome from the Chair

It has been a positive, and at times humbling, experience to witness how the people who make up Notting Hill Genesis have responded to and largely overcome the multiple challenges of the past financial year.

I, and the rest of the board, have been impressed by how everyone has pulled together not only to address the pandemic, but also to respond to the legitimate and long-standing societal concerns that were brought so sharply into focus by the murder of George Floyd, and to the challenges faced across the sector as we seek to make our buildings compliant with new regulations and keep our residents safe.

I am especially pleased that we have been able to lead from the top on diversity and inclusion through the recruitment of two new board members from Black and minority ethnic communities. Fred Angole, who joined us in August 2020, has considerable executive and board level experience within the social housing sector including with the social housing regulator.

In December 2020 we welcomed Arike Oke, the managing director for Black Cultural Archives, the home of Black British history. Arike has worked in heritage for more than 15 years, from the seminal Connecting Histories project in Birmingham, to building the Wellcome Collection's archive, and co-convening Hull's first Black History Month.

Fred and Arike have been appointed to replace Bruce Mew and Linde Carr who will retire at the AGM. Bruce and Linde have made enormous contributions to NHG and predecessor organisations, including during the merger. They leave a great legacy.

We have also appointed several people from BAME backgrounds to various of our board committees. Each of these committees additionally now include a resident representative to ensure the voices of our most important customers are heard at leadership level.

Although it is not a situation in which any organisation would wish to find themselves, I was taken with the pragmatism and compassion displayed by the team responsible for moving several hundred residents out of our Paragon estate in west London following expert advice that this was the only way to ensure their safety. Throughout, they sought to put residents' needs first and support them to move on with their lives following this most distressing of experiences at an already difficult time.

Our financial results for the year are positive, with a total surplus of £144.7 million, an improvement of £46.6 million on 2020. Strong finances are a pre-requisite of an organisation like Notting Hill Genesis, enabling us to invest in improvements to existing properties and in much-needed new homes for London and its immediate surroundings.

Our financial strength is in large part thanks to the effective leadership of our Chief Financial Officer, Paul Phillips, who recently announced plans to step down. Paul has led the finance team at Notting Hill Genesis since its creation in April 2018 and from 2004 as Finance Director for one of our predecessor organisations, Notting Hill Housing. On behalf of the board and the whole organisation, I thank Paul for his long service and dedication and wish him well for the future. We intend to announce Paul's successor soon with the role attracting excellent candidates.

I am grateful for the support of the many people I meet as part of my work as Chair of Notting Hill Genesis, including investors, shareholders and resident representatives. But I want to end with particular thanks to the organisation's employees. Their compassion, resilience and willingness to adapt has been truly impressive, especially in the face of a good deal of uncertainty and personal difficulties for many, due to illness and sometimes death among family and friends, going on to furlough or juggling work with home-schooling. My heartfelt thanks to you all.

Ian Ellis
Chair


Ratcliffe Cross Street
Tower Hamlets

Chief Executive's introduction

Our strategic report reviews some of the work we've undertaken in 2020/21 against four of our five core objectives, which focus on residents, their homes, new homes and our people. The fifth objective – financial strength – is covered in the Chief Financial Officer's report.

Those five priorities come from our new corporate strategy, published in January 2021, and are supported by five further enabling themes which cut across them all. Environmental, social and governance (ESG) issues are covered by one enabling theme and you can read more about our work in those areas in our ESG report, produced as a companion piece to this strategic report and financial statements.

The pandemic dominated the last financial year as we worked to keep vital services running and while adapting to new ways of working. Initially, we focused on our amazing care and support colleagues and coming to terms with a very new way of working. Since then, colleagues across the business have done incredible work to adapt our services and keep them running.

At the same time, we improved diversity and inclusion across our organisation and became more representative of the communities we serve. Building safety has been another focus this year as we continue with our comprehensive programme to review properties, ensuring compliance with national regulations and carrying out remediation works where required.

Our resolve to keep our residents and their needs at the centre of everything we do has been strengthened by their and our experiences during the pandemic. For many, Covid-19 has caused immense difficulties, financially and emotionally, and doing whatever we can to help residents get back on their feet is crucial.

The last year has shown that we can adapt and embrace change and I am grateful to everyone who has supported us in doing that. That progressive attitude, along with our earlier focus on digital innovation, is something we are keen to build on as we reconnect in person with colleagues, residents and other partner organisations.

Kate Davies

Kate Davies
Chief Executive

Strategic context

We published a new five-year strategy in January 2021. Our core priorities build on previous strategic objectives – which are the focus of this report – but we have also identified five enabling themes. These concentrate on specific areas that cut across all the priorities and will be key to delivering specific targets.

Progress against priorities

Residents

New operating model

Our new operating model was fully in place from the start of the 2020/21 financial year. It puts residents at the centre of what we do, and ensures that we make the most of modern automated technologies, combined with personalised support from a named local officer.

The pandemic reinforced the advantages of our model. Residents were able to self-serve for the majority of their day-to-day needs from the safety of their own homes via our My Account online service, to which we've continued to add new functionality throughout the year. Because they have dedicated patches and can get to know their residents, our local officers were also able to identify and contact those most likely to need extra support.

Resident satisfaction

Improving resident satisfaction with our services is a key performance measure and outcome for our corporate strategy.

We carry out regular transactional surveys with our residents which gives us feedback on their experience of our services, this includes responsive repairs, calls with the Customer Service Centre and local officers. These surveys mean that we can track how we are doing each month, and make changes to our services from the feedback received. They also allow us to compare ourselves to others within the G15. In 2020/21 73.7% of our residents were satisfied with the services that they received from NHG.

We also use the customer service index (CSI) to understand how all our residents view us. This is a perception measure and includes the views of residents who have not had any recent contact with us. For our baseline survey in 2018 our CSI score was 65.2%. The score for 2021 was 67.5%.

Greater involvement

Residents are now represented on all board sub-committees following a change to governance structures. This puts residents and their experiences at the heart of our decisions, and is supported by a new resident voices group, which brings together resident board and committee members with chairs of groups in our resident involvement network.

Over the year a total of 407 residents took part in 63 different activities, ranging from open meetings to residents' associations and focus groups. The enforced shift to online regional meetings allowed for significantly more residents to join in than had previously been the case and is something we plan to build on as we emerge from the pandemic.

Resident support for universal credit claims

More than 1,000 residents moved onto universal credit in the six weeks following the first national lockdown in March 2020, more than five times the number we would normally expect. We adapted our services to ensure we could keep up with the verification process needed for all new claims and introduced universal credit champions. These colleagues reviewed all new universal credit cases in partnership with local officers to check that all options had been considered, such as applying for an alternative payment arrangement, third-party deduction or a referral to external support. They also kept an eye out for potential welfare benefits issues and ensured those were referred to our specialist in-house team before problems escalated.

28,826 residents registered for My Account

151,212 payments made through My Account

84.6% of customer self-serving

407 residents took part in...

63 different involvement activities

29,662 repairs raised by self-service

Homes

Building safety

We established a dedicated building safety directorate at the start of the 2020/21 financial year to complete a comprehensive programme of work to ensure all our buildings are safe. The programme includes ensuring all our buildings remain compliant with legislative and regulatory requirements, catching up with outstanding fire risk assessment actions and continuing with an intrusive survey programme to identify necessary fire remediation works. The survey programme is prioritised according to a range of factors including height, construction material type and the evacuation strategy.

We work hard to ensure that residents in affected buildings are updated on progress and given realistic timescales for any works both through direct contact and via a new building safety section on our website. In blocks where we have installed temporary safety measures such as 24-hour patrols, we are covering the costs. For longer-term costs, we are working with the original developer and contractors and applying to the government's building safety fund for eligible buildings. We are determined to exhaust all available avenues to avoid having to charge residents for remedial work, but are being honest with people that this could be an option. If it is, we will ensure that costs are kept as low as possible.

Streamlining our repairs offer

We streamlined our repairs offer to residents during the year by transferring colleagues in our direct labour organisation (DLO) to the employment of Wates Property Services. This means that all repairs are now undertaken by specialist organisations which should deliver a more consistently high level of service to residents. It also means that we can focus on performance and improvement, rather than on delivering repairs ourselves. For the DLO operatives, we expect working

3,822 homes let

Aluminium composite cladding (ACM) removed on **all seven** buildings higher than 18 metres for which we are responsible.

Carried out **132** intrusive surveys (88 over 18m).

Obtained external wall system certificates (EWS1 forms) for **174** buildings.

Progress at Paragon

In October 2020, we took the difficult decision to move all residents off our Paragon estate in west London following advice from our experts that this was the only way to guarantee everyone's safety. We successfully moved everyone off site within two weeks of telling them they needed to leave. For leaseholders and tenants, this meant a move into temporary hotel accommodation at our expense. For students, we found rooms in a range of other student blocks for the remainder of the academic year. We also offered financial support and free access to LifeWorks – our employee assistance programme – for those who needed mental health or wellbeing support.

Following the immediate moves, we offered tenants and leaseholders the option of interim accommodation in serviced flats, which we paid for, while they worked through longer-term solutions. Every leaseholder and tenant had a named caseworker to help them do that.

The vast majority of leasehold households have accepted our offer to buy back their homes, and of these, 73 had been repurchased by 31 March 2021. We felt this was the best way to provide them with certainty and enable them to move on with their lives. Of the 66 tenants who rented from us, 40 have been supported to find alternative suitable homes, in some cases better than those they had to leave.

We continue to work with Berkeley First, the original developer, to explore options for the future of the site.

for a specialist repairs organisation will provide them with greater support, career opportunities and job satisfaction than was possible in our relatively small in-house team.

New digital marketplace

In the summer of 2020, we partnered with Plentific and fellow G15 housing association Peabody to launch a new digital marketplace for repairs. The dynamic purchasing system offers a more flexible supply chain of operatives than traditional models, which means that routine repairs can be provided more quickly at the same time as making better use of local, smaller trade businesses.

It was designed through an extensive OJEU procurement process which means other housing providers who join can save huge amounts of time and up-front procurement costs. Less than three months following its launch, a third G15 housing association, L&Q, signed up to the initiative.

New homes

Building new homes

Despite a difficult external climate and delays due to the pandemic, we generally performed well against targets for new homes, with results becoming steadily better towards the end of the financial year.

Regeneration

In 2014, Notting Hill Housing entered into an agreement with the London Borough of Southwark to redevelop its Aylesbury Estate. During 2020/21, the borough asked to transfer the first 581 homes back to them, of which 229 were under construction. We agreed to do this, and the transaction was completed in March 2021. The agreement will help accelerate the completion of social housing, increase the number of social rented homes across the first part of the programme and the wider regeneration area, speed up the rehousing of residents on the estate and support the council's commitment to build 11,000 new council homes by 2043.

At our Grahame Park regeneration programme in Barnet, the Greater London Authority agreed a masterplan for more than 2,000 homes in May 2020. The

779
acquisition of unit plots for development

947
starts on site

1,342
new homes delivered

New homes for Hackney Wick

In March 2021, the London Legacy Development Corporation chose us to build 190 new homes around Hackney Wick station, alongside retail and low-cost workspace units. Half of the housing will be affordable in line with the new London Plan.

The development also includes a new high-quality public realm at the station entrance, creating a new north-to-south route to improve links between Hackney and neighbouring Tower Hamlets.

For the commercial elements, we are working alongside charity Bow Arts, who will manage the workspace as they have done to great success at our Royal Albert Wharf development in the Docklands.

transformation of the estate will see 2,088 new homes over the next 15 years, more than 1,000 of them affordable, including 346 for social rent. Additional features include a community centre and a day nursery, as well as improvements to Heybourne Park, and a thriving new high street that will integrate the estate into the wider area.

London Living Rent

We introduced 82 homes at London Living Rent over the course of the year at schemes in Brent, Hammersmith and Fulham and Newham. London Living Rent is an initiative by the Greater London Authority that offers discounted rents to allow residents to save a deposit to buy a new home.

People

New terms and conditions

We introduced a new set of terms and conditions for most Notting Hill Genesis staff on 1 April 2020, following a thorough consultation process. The new conditions cover a range of topics, including pensions, redundancy, Christmas closures and long service awards. We also implemented a new benefits package for everyone, replacing the separate arrangements previously in place

296
new staff

765
virtual training courses delivered

4,978
training attendances

for our legacy organisations.

Support through change

We completed the integration process following merger for all but two teams during 2020/21. In all cases, we followed an integration and change management policy and provided associated training to support staff and ensure everyone was treated fairly and consistently, as well as having access to career opportunities arising from the merger process.

We worked hard to ensure our colleagues were well supported through the enforced changes to working practices made necessary by the pandemic. This included procuring appropriate personal protective equipment for staff in our care and support services and ensuring those whose jobs could be carried out from home had the kit to help them do that safely. Our earlier shift to a more agile working model meant most people were already equipped with the relevant IT equipment, but we additionally arranged for office chairs, monitors and keyboards to be sent to people's homes as required.

We used the government's job retention scheme (furlough) to ensure that colleagues whose work dried up in the early part of the pandemic were financially supported, and for a handful of staff whose caring responsibilities meant that they could not carry out their duties as usual. All managers were encouraged and supported to discuss a range of options with their people to ensure we recognised individual circumstances without adversely impacting on vital services.

Diversity and inclusion

We have made significant progress on our journey towards making our organisation more equal and inclusive since George Floyd's shocking murder in May 2020.

We initiated a series of conversations among teams and in cross-organisational groups which culminated in a successful online Stop the Clock conference in October. Together, these events provided us with a clear sense of where we needed to focus our efforts and resulted in the creation of our Race at Work action plan, which we published in December. We subsequently launched an allyship programme and a series of listening circle events to support the action plan's aims.

In March 2021, we became the first housing association to sign up to the Confederation of British Industry's Change the Race Ratio campaign and have improved the diversity of our group board with the appointment of two new non-executive directors. We also continued to provide opportunities through pre-existing initiatives such as the G15's Accelerate programme, Leadership Now and Leadership 2025, all of which aim to improve career progression for BAME colleagues in the housing sector.

Colleagues' mental health and wellbeing has been a focus too. We introduced a range of resources to support them deal with a variety of scenarios, including weekly 'time to talk' sessions. An existing suite of effective internal communications tools proved vital in helping everyone remain connected, and we also introduced a series of virtual town hall meetings with members of the executive board, who briefed colleagues on our response to the pandemic and took questions.

Learning and development opportunities

We launched a second phase of our development programme for directors during the year as well as a similar programme for heads of department and assistant directors as part of a drive to improve succession planning across our organisation. We also continue to participate in several programmes to support progression for colleagues from Black and minority ethnic backgrounds (see box).

Many courses were moved online to allow people to continue their learning while working remotely, including our in-house emerging leaders programme which saw 14 colleagues complete a series of practical learning sessions at the same time as working on projects sponsored by directors to support specific pieces of work.

Investment in new systems

Our programme to upgrade or replace systems used by colleagues in their day-to-day work continues, with a focus on linking digital and service improvement with building management capability and staff self-service alongside automating transactional tasks. For our people managers, we aim to provide the tools and data to help them manage their staff better, ultimately resulting in a better experience of working for everyone.

Recent improvements include an enhanced IT portal and a new app, new performance management and learning systems and automated processes for raising general queries with both our human resources and finance departments.

Future prospects

Recovering from the pandemic will remain a priority for the foreseeable future, with a specific focus on introducing a new hybrid working model based on what we've learnt during recent months of enforced remote working – for those jobs where that was possible – and ensuring that residents stay at the heart of everything we do.

Our new corporate strategy sets out a clear direction and purpose for the next five years, and includes five cross-cutting themes to address newer priorities for our sector. Those are: technology, digital innovation and data-driven decision making; diversity and inclusion; wellbeing and safety; environmental, social and governance issues; and value for money. The strategy also establishes a solid suite of values and expectations, providing a framework for the behaviours we want to see in everyone who works for us and helping us demonstrate clearly who we are and what we stand for.

Where we work

Number of homes currently under management in each London borough

- 1 - 500
- 501 - 1,000
- 1,001 - 2,000
- 2,001 - 3,000
- 3,001 - 4,000
- 4,000+

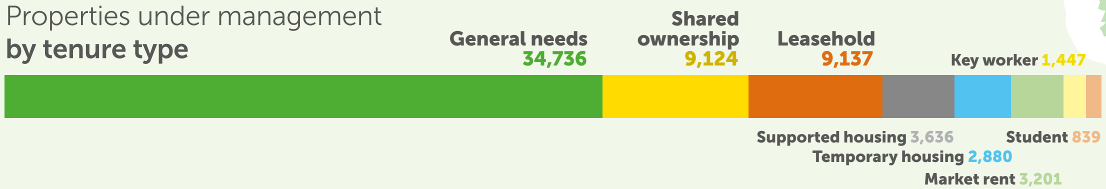
Total owned or managed
66,537

In London
60,068

Outside London
6,469

Properties under management
65,000

Properties under management
by tenure type



Key performance indicators

NHG has a well-developed set of performance indicators which are considered regularly by the Board and are used by the Board and the Executive Team to measure performance and drive improvements.

Key performance indicator	2020/21 Performance	2020/21 Target	2019/20 Performance	2019/20 Target	Commentary
Rent collection rate over 12 months	100.50%	100.30%	99.35%	98.84%	The overall rent collection rate finished the financial year above target, achieving 100.50%.
Current tenant rent arrears	5.50%	4.10%	4.70%	4.15%	Rent arrears have worsened due to challenging economic environment experienced during the Covid-19 pandemic.
Occupancy rate	98.00%	98.60%	98.93%	98.50%	Occupancy was lower than target mainly due to a higher proportion of market rent properties being vacant during the pandemic year.
Transactional customer satisfaction	73.7%	N/A	N/A	N/A	Regular transactional surveys are carried out with our residents to obtain feedback, which assists us in making changes to the service we provide.
Customer satisfaction index (CSI)	67.5%	70.0%	68.5%	68.00%	CSI is a perception measure and includes the views of residents who have not had any recent contact with us. For our baseline survey in 2018 our CSI score was 65.2%. The score for 2021 was 67.5%.
Number of ombudsman investigations	64	No target	55	No target	This has increased from the previous year for context in line with the new Ombudsman Code, as we have increased our signposting of this route.
Number of maladministration findings by ombudsman	6	No target	6	No target	Although numbers have remained static, they have reduced as a proportion of all cases investigated.
Percentage of homes with a valid gas certificate	99.93%	100.00%	99.87%	100.00%	The vast majority of our homes have valid gas certificates, with the remainder outstanding due to access issues.
Sales time to completion (weeks)	47	12	45	12	Sales times have slowed due to site closures during the year resulting in delayed completions, and restrictions on property viewings.
Plots acquired	779	783	518	1,400	Since the reduction of the development programme in 2018, fewer acquisitions have been made.
Homes started	947	1,116	665	1,245	Fewer homes were started due to the pandemic.
Homes completed	1,342	1,892	1,962	2,986	Completions were delayed due to site closures at the start of the financial year.

Chief Financial Officer's report

Table 1 - Analysis of consolidation NHG surplus	2020/21 £m	2019/20 £m	
Core operating surplus			
Turnover - excluding sales	576.2	550.2	Group turnover increased primarily due to growth in general needs housing.
Operating costs	(438.3)	(418.2)	Group operating costs increased due to higher general needs service charges and management costs.
	137.9	**132.0**	
Impairment and write down of inventory	(10.4)	(10.0)	Net charges arose after reassessing the net realisable value of work in progress and certain completed properties, and the reversal of historic onerous contract costs.
	127.5	**122.0**	
Sales and investment surplus			
Fair value gains - investment properties	16.2	12.6	Investment property values have risen by approximately 2% on average although individual assets have varied significantly.
Surplus from joint ventures	7.2	18.6	We completed and sold successful joint venture schemes with Telford Homes in 2020 and 2021.
Surplus from sales	37.7	31.6	The increase related mainly to the disposal of the Canada Water site.
Surplus on disposal of assets	73.6	27.8	First tranche and private sales have remained broadly consistent.
	262.2	**212.6**	
Results from financing activities			
Net financing costs	(122.5)	(122.1)	Lower interest rates meant that our overall interest bill was reduced, but a smaller development programme meant that less was capitalised, meaning that the amount charged to revenue was broadly level.
Other	5.0	7.6	
Surplus before tax	**144.7**	**98.1**	

Due to the Covid-19 pandemic this has been a year like no other. Nevertheless, I am pleased to report a surplus of £144.7m, an increase of £46.6m on the surplus achieved in 2020.

Much of the 2021 financial year was dominated by various lockdowns in the UK, due to the Covid-19 pandemic. We continued to monitor the key risks which could be adversely affected by the Covid-19 pandemic at Board level, including rent arrears, occupancy levels, valuations, unsold homes, and liquidity. Notting Hill Genesis (NHG) remains a financially strong organisation, with liquidity of £923.3m at 31 March 2021.

The largest event to occur in the NHG finances during 2020/21 was the sale of our site, developed jointly with Sellar Design and Build, at Canada Water to Art Invest Real Estate for £140m, with £80m received by 31 March 2021 and the balance of £60m due by January 2022. This positive news was followed by the difficult decision to evacuate more than 1,000 households from the

Paragon estate in October 2020. The exact cost of this to NHG remains uncertain as discussions with Berkeley First, who built the scheme, are ongoing. We have, however, made a full provision for the likely costs to NHG in these accounts.

Overall, Group turnover increased from £731.5m in the year to 31 March 2020, to £909.1m. The increase of £177.6m was largely explained by the £151.6m increase in sales revenues to £332.9m (2020: £181.3m). The overall surplus before tax and after interest was £144.7m, which exceeded both the approved budget of £101.2m, and the comparable surplus in 2020 of £98.1m. The analysis table details the breakdown of the surplus of £144.7m, together with the comparatives for the year ended 31 March 2020. The differences between the years principally arose for the following reasons.

Sales

We have continued to monitor and manage our stock of unsold homes during the year. Table 2 provides an analysis of unsold homes, which shows that we entered the financial year with a total of 610 unsold homes. We completed 794 homes, then took strategic decisions to transfer 271 homes to various rental tenure types, as well as transferring 34 homes between sales types. In addition to this, we sold 477 homes to individual purchasers, and disposed of 108 homes in a bulk sale, ending the year with 548 unsold homes.

We had hoped to see a larger reduction in the number of unsold homes. We were pursuing a second bulk sale of 160 homes which we were unable to execute in 2020/21. We did, however, exchange contracts for the sale on 25 June 2021 with proceeds of £61m expected in August 2021.

Table 2 – Analysis of unsold homes

Category	Shared ownership	Private sale	2020/21 Total	2019/20 Total
Unsold homes as at 1 April	376	234	610	605
Homes completed – as originally intended	495	299	794	973
Homes transferred to London Living Rent tenure	(43)	-	(43)	(165)
Homes transferred to market rent tenure	(105)	(123)	(228)	(132)
Homes transferred between sales tenures	34	(34)	-	-
Homes sold on a plot by plot basis	(336)	(141)	(477)	(596)
Bulk sale to private investor	(108)	-	(108)	(75)
Unsold homes as at 31 March (Units)	**313**	**235**	**548**	**610**

Impairment

In 2020, due to indications that sales values in London could decrease by up to 10%, and that additional holding costs of 5% of selling value could be incurred, we had reassessed the net realisable value of our work in progress for homes being constructed for sale, and reduced it by 15%. Where this was below the carrying cost, we had charged the difference to cost of sales.

The estimate of future changes in sales values has changed, with key commentators expecting London values to hold steady in 2021/22. We have, therefore, reduced the reassessment on our sales programme to 5% in 2021 to reflect holding costs, but not value reductions.

After taking account of the impairment of unsold homes and the potential costs at Paragon but offset by release of a provision against an onerous contract settled during the year and the release of the 2020 impairment, the net cost of impairment in 2020/21 was £10.4m with £3.6m shown as an operating cost and £6.8m as a cost of sales.

Sales margins

Before taking account of the impairments and releases mentioned in the previous section, the margin on our private sales were 18% (2020: 13%) and on our shared ownership first tranche sales 25% (2020: 24%).

Going concern

We regularly stress test our financial plans to ensure we are resilient to changes in economic assumptions relating to internal and external factors. Since the Covid-19 pandemic started, we have applied an increased number of different scenarios to our base strategic plan, which supports our funding requirements into the coming years. Additionally, we have substantial liquidity available to us. After the year end our liquidity level has increased further, as we issued a £250 million green bond to be repaid in 2036 at a fixed interest rate of 2.08%, with the proceeds used mainly to fund two kinds of new home – those built for social housing, including general needs and shared ownership properties, or those built to a good standard of sustainability. We are thus satisfied that NHG has access to the funds required to continue its operations for the foreseeable future.

Ratings

NHG is rated by Standard and Poor's (S&P) and Fitch.

On 10 February 2021, Standard and Poor's reaffirmed the rating of A- (stable outlook) assigned to NHG. This reflects their expectation that social housing lettings form the bulk of turnover, and the sale of unsold and new homes will be managed in a risk appropriate manner. This rating has remained unchanged since 5 June 2019.

On 29 July 2020, Fitch reaffirmed the rating of A (stable outlook), which it had assigned to NHG on 1 August 2018.

Although NHG does not solicit a rating from Moody's, Moody's does maintain an unsolicited rating on a number of bonds issued by the legacy organisations. On 2 February 2021, Moody's upgraded its opinion on these instruments from Baa1 to A3 (stable outlook).

Capital structure and treasury policy

The Board approves an annual treasury plan each year, which sets the strategy on how we mitigate and manage treasury-related risks.

For Notting Hill Genesis, the UK sterling market remains the most attractive form of long-term funding available with favourable covenant packages. The capital markets have remained open for business during the pandemic, and investors appear willing to make funds available for the right credit.

We secured a new loan in our market rent business in the amount of £250m in the financial year. As at 31 March 2021 the group had six public bonds in issue with an outstanding nominal value of £1.79bn and remained open to participating in the bond market again in future. Indeed, we issued a £250m ESG linked bond in June 2021.

Borrowings at 31 March 2021 were £3,379.3m (2020: £3,486.2m) and secured and immediately available undrawn facilities were an additional £879.3m (2020: £474.5m). This debt is borrowed from banks and building societies in the UK, as well as from the capital markets. Unrestricted cash and deposits immediately available to the Group totalled £44.0m, meaning we had available liquidity of £923.3m (2020: £569.0m). This is comfortably in excess of the Group's internally set liquidity requirement limits. The current interest rate strategy, along with the position as at 31 March 2021 is set out in table 3.

Table 3 – Interest rate strategy

	Target			
Category	Lower	Central	Upper	Actual
Fixed	50%	75%	95%	93%
Floating	5%	20%	40%	5%
Inflation linked	0%	5%	15%	2%

The interest rate targets disclosed in table 3 are set by the Board on an annual basis. The figure shown as 'lower' is the minimum approved by the Board and the figure shown as 'upper' is the maximum. Table 4 provides an analysis of when the debt outstanding at 31 March 2021 falls due for repayment:

Table 4 – Debt maturity

	Group £m	NHG £m
0-1 years	331.2	323.2
1-2 years	48.2	45.9
2-5 years	129.1	115.2
5-10 years	818.9	499.4
10-20 years	952.3	898.4
20-30 years	769.7	769.7
30-40 years	329.9	329.9
TOTAL	**3,379.3**	**2,981.7**

The Group's policy in relation to cash surpluses is to preserve capital. Cash surpluses are thus invested in money market funds rated AAAmf and approved UK institutions rated ukA1 by S&P. Notting Hill Genesis had entered into various interest rate swaps at the year-end to manage the interest rate charged on variable, fixed and currency debt. Under the terms of its interest rate swap agreements, Notting Hill Genesis can be required to provide cash or property as security for future payments. The amount of security is assessed by the counterparty banks on a regular basis (weekly or monthly, dependent on the lender).

The maximum amount of cash and properties pledged as security for interest rate swap transactions during the financial year was £nil (2020: £nil) and the amount at 31 March 2021 was £nil (2020: £nil). Notting Hill Genesis generally borrows and lends only in sterling, which minimises associated currency risk. Where it does borrow in a foreign currency, all associated cash flows are hedged to mitigate currency risk.

As at 31 March 2021, £683.6m (2020: £791.0m) of the Group's variable debt had its interest rate hedged by stand-alone interest rate swaps. As at 31 March 2021, £42.0m (2020: £42.0m) of the Group's fixed debt had its interest rate hedged by stand-alone swaps. As at 31 March 2021, ¥5bn (2020: ¥5bn) of the Group's debt had been hedged into £28m (2020: £28.0m) by a currency swap. Notting Hill Genesis and NHHO have a policy of not granting floating charges, although this policy does not extend to subsidiaries.

Housing properties

Notting Hill Genesis now owns and/or manages more than 66,000 homes of various tenure types. The property valuation table below details the cost of the properties together with their net book value, as well as the estimated open market value.

Housing properties are held at either cost or deemed cost in the balance sheet. At 31 March 2021, the board was of the opinion that the value of the completed housing properties owned by the group compared with their cost is as detailed in table 5.

Table 5 – Property valuation table

	General needs £m	Shared ownership £m	Market rent £m	**Total £m**
Cost (excluding depreciation and social housing grant)	5,626.9	1,186.1	830.2	7,643.2
Net book value	5,178.3	1,175.5	963.1	7,316.9
Value				
On a vacant possession basis	17,857.7	2,344.8	1,095.5	21,298.0
On a market value subject to tenancy basis	10,095.1	1,253.7	963.1	12,311.9
On an existing use for social housing basis	4,611.6	1,253.7	N/A	5,865.3

Valuation of the shared ownership properties is based on the open market value for the equity share retained by the Group. The equity share retained by the Group, typically represents 57% of the whole property, with the balance owned by the leaseholder.

Value for money (VFM)

Introduction

NHG has developed its strategic plan for the next five years to 2025 and financial strength remains a key strategic priority over that period. Our value for money strategy approved by the Board in 2019, is the framework to ensure we deliver value for money and this annual report provides information on how NHG is performing against our peers and also measures changes over time. The key metrics presented are those expected by the Regulator of Social Housing (RSH), although other metrics are reported on a regular basis to the Board.

External environment

The impact of Covid-19 on both NHG operational activities and on its residents has been reflected in the operating costs for 2020/21 where certain operational costs such as bad debt have been increased, to reflect rising arrears. There has also been an impact on rental streams in some of our commercial business areas. The budget for 2021/22 reflects the continued impact of arrears in some business areas. This is expected to be for 2021/22 only, with levels returning to normal in the future.

The necessary decant of our Paragon site also impacted our rental income, with student accommodation income reduced in 2020/21. In addition, NHG has incurred an impairment charge in relation to this building.

As a result of enhanced building safety regulations related to cladding and tall buildings, NHG has an approved programme of cladding remediation for 2021/22 on 17 schemes, which has increased our major works budget for 2021/22 by £15.5m. This is part of a three to four-year programme of £80.8m. Overall, we estimate we will spend about £230.0m. Our expectation is that this will be partly funded by the government building safety funds and other sources, leading to a net cost of about £173m.

The above items will impact some of our VFM metrics as noted in table 6.

NHG post merger initiatives

Over its first two years in operation, Notting Hill Genesis (NHG) focused on three key initiatives, as approved by the Board, to improve cost effectiveness and reduce operating costs. We have achieved these and in the case of our operating cost reduction, exceeded the target.

These were:

1. Through integration we expected to reduce running costs by £20m from the third year of operation (2020/21).
2. Strategic reviews of both temporary housing (2018) and supported housing and care business areas were undertaken with the aim of improving operating margins.
3. To focus our geographic footprint on London and adjacent areas only and follow a programme of disposing of some homes to local registered providers who are able to offer a high-quality service to residents in areas outside of London.

Progress to date on these areas is as follows:

1. Merger-related savings totalling £27.2m have been achieved from 2018/19 through to 2020/21, of which £16m has been achieved through reduced back-office costs. This exceeded the targeted savings of £20m.

   We plan to embed a target of real unit cost savings of 2.5% per annum for the period 2022/23 through to 2024/25 across individual business areas, recognising that cost pressures on building safety and assets may impact NHG's position overall.
2. Progress on the strategic review targets is as follows:
   - Temporary housing has improved its operating margins from 2.6% in 2017/18 (the year before merger) to 3.2% in 2018/19 and to 8.3% in 2019/20. The operation delivered an operating margin of 9.8% in 2020/21.
   - Care and support has improved its operating margin from 1.6% in 2017/18 (the year before merger) to 7% in 2018/19 and to 9.3% in 2019/20. The operation delivered an operating margin of 12.1% in 2020/21.
3. We sold 474 homes in eight local authority areas in 2018/19 and in 2019/20 sold a further 943 homes in Buckinghamshire, Surrey, West Sussex, Berkshire, Norfolk, Suffolk, Essex and Hertfordshire. Overall, we have exited 41 local authorities since the merger. A further disposal of 203 units across Milton Keynes and Bedford is planned for 2021/22.

RSH value for money metrics

The Regulator for Social Housing (RSH) has outlined what it expects registered providers to deliver in relation to value for money (VFM) in its VFM Standard 2018, which was presented to the Board in March 2019, as part of the VFM strategy.

The VFM Standard requires that an organisation understands its costs and the outcomes of delivering specific services, and the underlying factors which impact these costs. The Regulator has defined seven VFM metrics, and these are the main element of our VFM reporting.

These allow us to compare across our peer Group (G15), and against ourselves to show performance over time.

Table 6 below shows these metrics for Notting Hill Genesis, including actual data from 2019/20 to 2020/21 and the budget for 2021/22. It also includes median data for the G15, our peer group, for 2019/20.

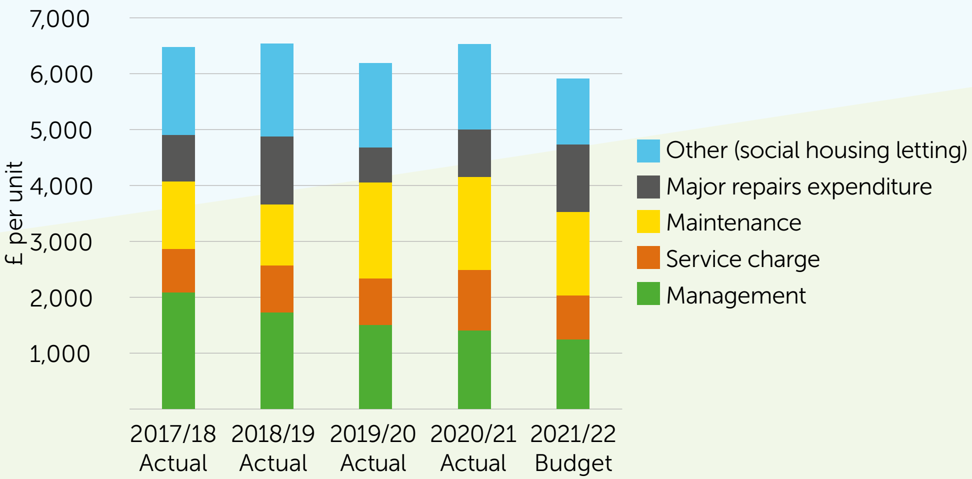
Table 6 – RSH VFM metrics for NHG – 2019 to 2022	2019/20 Peer group	2019/20 Actual Restated	2020/21 Budget	2020/21 Actual	2021/22 Budget
1 – Reinvestment % (development)	6.1%	3.5%	4.4%	3.1%	3.9%
2a – New supply delivered – social housing homes	1.4%	1.9%	1.4%	0.8%	1.9%
2b – New supply delivered – non-social housing homes	0.8%	1.4%	1.3%	0.6%	1.0%
3 – Gearing %	46.1%	50.8%	49.1%	49.6%	49.4%
4 – EBITDA MRI interest cover	104.1%	152.4%	164.3%	165.4%	158.9%
5 – Headline social housing cost per unit	4,995	6,203	5,787	6,537	5,936
6a – Operating margin % – social housing lettings only	27.0%	26.0%	26.8%	25.2%	24.0%
6b – Operating margin % – overall	22.4%	21.0%	24.0%	22.1%	23.5%
7 – Return on capital employed (ROCE)	2.6%	2.6%	2.4%	3.1%	2.7%

Table 7 - Breakdown of social housing cost per unit

Benefits paid	2019/20 Peer group (median[1])	2019/20 Actual Restated	2020/21 Actual	2021/22 Budget
Management	1,322	1,518	1,421	1,253
Service charges	853	833	1,100	800
Routine and planned maintenance	1,125	1,737	1,662	1,497
Major repairs	965	612	849	1,192
Other (mainly landlord rents)	549	1,503	1,505	1,194
Total	**4,995**	**6,203**	**6,537**	**5,936**
Total excl temporary housing and care	4,987	5,205	5,612	5,118
Total excl temporary housing, care and fire costs	N/A	5,010	5,427	4,960

[1] The individual costs are median values; therefore do not sum to median £4,995

Chart 1 - Unit operating costs – rented social housing **year ending 31 March**



As in previous years the peer group used is the G15 group of large London RPs, which for 2019/20 comprised 12 members. Our peer group comparison data is for 2019/20, with actual for NHG being the results for 2019/20 and 2020/21, and the approved budget for 2020/21 and 2021/22. The Board will be provided with an updated comparison with our peers, when 2020/21 data is available during 2021/22.

Reinvestment has fallen from 2019/20 due to the impact of Covid-19, but will improve for 2021/22.

New supply has also seen a reduction for 2020/21, due to the impact of Covid-19 but both these metrics should increase for 2021/22 to a level above the peer group median.

EBITDA MRI interest cover has also reduced year on year, reflecting the increased planned asset maintenance and fire remediation spend for 2021/22.

The headline cost per unit for 2020/21 has seen a increase of £334, year on year, driven in the main by increased service costs and planned works. The budget for 2021/22 for Notting Hill Genesis shows an increase in social housing unit cost from the 2020/21 budget to the 2021/22 budget of £149 per unit. This increase reflects the planned cladding remediation work of £15m, part of a continued programme of work over the next 10 years and increased compliance activities. Excluding these costs, there is a year on year increase of £88 per unit.

Going forward to 2025/26, the NHG business five-year plans aim to continue to drive VFM and cost efficiencies through year on year reductions in business metrics of 2.5% per annum through to 2025/26, whilst recognising the continued challenge of funding the programme of activities to meet long-term building safety requirements.

Notting Hill Genesis ranking is at 11 in 2019/20, an improvement of our ranking of 12 in 2018/19. It should be noted that Notting Hill Genesis has a portfolio of temporary housing stock with landlord rent costs of £49.5m in 2020/21, and this activity has an overall impact on cost per unit in the 2021/22 budget of £756 per unit. Our supported housing activities increase the 2020/21 unit cost by £189 per unit. Our geographical footprint is mostly in London which further increases costs and therefore this measure. Without operating temporary housing and care services our ranking would improve to 8.

Further VFM metrics

Each business within NHG has an individual metric which is set as part of the annual budget cycle and reported to the Board quarterly.

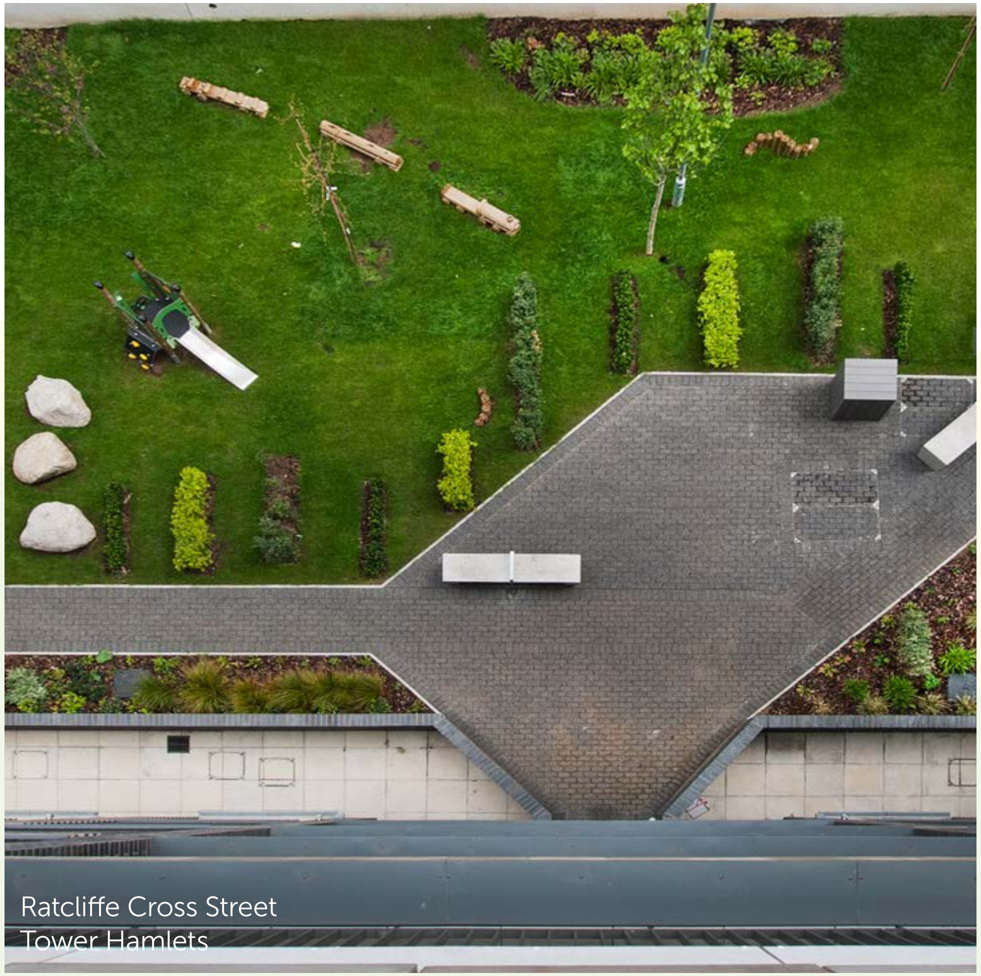
These provide information to the Board of any adverse variance from target and enable businesses to take action, where possible, to improve performance. These are also set as part of business five-year plans that are prepared as part of the long-term planning cycle.

During 2019/20, the Board approved an additional suite of metrics, as part of the business planning policy. These form part of the long-term financial plan and provides the Board with assurance that NHG will meet banking, regulatory or rating agency requirements to ensure long term financial stability. These are also reported to Board each quarter as part of the results.

In additional, a suite of financial and operational KPIs are reported to the Board each quarter, with each metric linked to a theme within the corporate strategy.

Further information

Stakeholders can find more information on VFM at Notting Hill Genesis on our website. This includes the financial statements, the corporate strategy and the annual standards report.



Ratcliffe Cross Street
Tower Hamlets

Key risks and uncertainties

The Board has identified the following risks to the delivery of NHG's plans, which are monitored closely:

Risk	Comments	Mitigation
Declining sales	NHG maintains a large development programme, a proportion of which includes work in progress and unsold homes. Our ability to dispose of these will be adversely affected if there is a lack of demand for homes at the right price.	Appraisal assumptions allow a comfortable margin for reductions in value and delays in sales. In addition, we keep the level of work in progress and completed unsold homes under review, with proactive strategic decisions being taken promptly to manage sales exposure.
Changes to government policy, legislation and regulation	The external political situation is volatile, particularly through the Covid-19 pandemic, and NHG works with a wide range of public bodies.	NHG continues to monitor the evolving political landscape closely. Furthermore, NHG continues to stress test business plans with changing scenarios and review uncommitted development sites.
Failure to comply with health and safety standards	Risks in relation to building safety, particularly fire safety and carbon monoxide are of key concern for us, and decisive action is taken as necessary.	Following the tragedy at Grenfell tower, NHG has reviewed its fire prevention measures with a view to complying with any recommendations made by both the fire authorities and the government. NHG continues to monitor this area closely. All new schemes are fitted with carbon monoxide detectors and all new towers over six floors will be fitted with appropriate sprinkler systems.
Liquidity risk	We maintain sufficient liquidity at an affordable price in order to meet our commitments as they fall due.	NHG has in place a treasury policy which includes a liquidity policy that the Board monitors closely. The policy is approved annually by the Board and is prepared jointly with our treasury advisors.
Governance	We aspire to be led by a skilled Board, which reflects the diversity of the residents we serve.	NHG has an experienced skilled Board consisting of non-executive and executive members. There are regular skill reviews and appraisals as well as reflection on governance good practice.
Failure in customer service delivery	The service we deliver to residents is of key importance, and having merged our frontline operational delivery, we aim to provide a consistently high level to all our customers.	The new operating model, which supports our aim of improving customer satisfaction across all tenures, has been in operation throughout the year, although some aspects of delivery have been affected by the pandemic.

Conclusion

Overall, 2020/21 has been a year of reducing risk at Notting Hill Genesis. In 2018, we decided to reduce the amount of money spent on housing because we found that the housing market in London wasn't buoyant enough to absorb the number of private and shared ownership homes being completed by NHG. The amount spent on housing thus reduced from £654m in 2018/19 to £468m in 2019/20 and £335m in 2020/21. We expect to stay at a level of £300m to £400m over the next few years.

The scale of committed development meant that unsold homes continued to rise, but we have now turned the corner with the number falling from 610 at 31 March 2020 to 548 at 31 March 2021, and continuing to fall after year end. This has been achieved by a combination of individual home sales, bulk sales and transfers to rental tenancies, showing the flexibility of the NHG model. We have also sold one of our major assets at Canada Water for £140m with £80m already received and £60m due by January 2022. Overall, this has meant that the net debt of the organisation began to fall in 2020/21. In May 2021 we continued the process of refinancing shorter-term loans with longer-term capital markets issuance by issuing a £250m "green" bond showing the increasing emphasis in NHG on environmental issues.

The changes implemented since that time also mean that we can finance the estimated costs of cladding replacement amounting to a net £173m from our own resources, as well as the costs of rectification at the Paragon estate. This will, however, inevitably mean that our ability to increase provision for those who have no home or poor housing may be curtailed as we work through these issues. At the time of the merger, we intended to complete 2,700 homes per annum but this has been scaled back to 1,400 homes a year, although we have been able to increase the proportion of affordable and social rental homes included in that number.

On a more personal note, I announced my retirement from Notting Hill Genesis in November and expect to leave shortly. I am sure that my successor will face many challenges in the years to come but I leave an organisation in a very healthy financial position, well able to meet the challenges ahead. I wish my successor and all at Notting Hill Genesis the very best for the future.

Paul Phillips
Chief Financial Officer

Streamlined energy and carbon report

The total greenhouse gas emissions for Notting Hill Genesis are 14,734 tCO2e for the financial year 1 April 2020 to 31 March 2021. These include the emissions associated with UK electricity and natural gas consumption, and business travel in the group and private vehicles as required to be disclosed by legislation. An intensity ratio of 16.2 tonnes CO2e per £m of revenue has been calculated.

Greenhouse gas emissions

Table 1: Greenhouse gas emissions by fuel (tonnes CO2e)

Group - Emissions source	2019/20	2020/21	% Share	% Change 2019/20-20/21
Fuel combustion: Natural gas	5,872	6,008	41%	2%
Fuel combustion: Transport	3	475	3%	N/A*
Consumed electricity	4,580	8,251	56%	80%
Total emissions (tCO2e)	**10,455**	**14,734**	**100%**	**N/A***
Annual turnover	£731m	£909m		24%
Intensity: (tCO2e per £m)	**14.3**	**16.2**		**N/A***

* Transport emissions are not comparable year-on-year since the reporting scope for 2020/21 includes grey-fleet vehicles for voluntarily disclosed companies not included in 2019/20.

Table 2: Greenhouse gas emissions by scope (tonnes CO2e)

Group - Emissions source	2019/20	2020/21	% Share	% Change 2019/20-20/21
Scope 1: Natural gas and company-operated transport	5,875	6,457	44%	10%
Scope 2: Electricity	4,185	7,598	52%	82%
Scope 3: Losses from electricity distribution and transmission and grey fleet	395	679	4%	N/A*
Total emissions (tCO2e)	**10,455**	**14,734**	**100%**	**N/A***

Scope 1: Natural gas and company-operated transport. Scope 2: Electricity. Scope 3: Losses from electricity distribution and transmission and grey fleet. This only includes emissions reportable under SECR and may not reflect the entire carbon footprint of the organisation.
*Scope 3 emissions are not comparable year-on-year since the reporting scope for 2020/21 includes grey-fleet vehicles for voluntarily disclosed companies not included in 2019/20.

Energy consumption

The energy consumption for reporting period for Notting Hill Genesis is 67,302,840 kWh for the financial year 1 April 2020 to 31 March 2021.

Table 3: Energy consumption by fuel (kWh)

Group - Category	2019/20	2020/21	% Share	% Change 2019/20-20/21
Fuel combustion: Natural gas	31,941,198	32,675,528	49%	2%
Fuel combustion: Transport	12,168	2,037,993	3%	N/A*
Consumed electricity	16,373,782	32,589,319	48%	99%
Total	**48,327,148**	**67,302,840**	**100%**	**N/A***

* Transport energy consumption is not comparable year-on-year since the reporting scope for 2020/21 includes grey-fleet vehicles for voluntarily disclosed companies not included in 2019/20.

Boundary, methodology and exclusions

An 'operational control' approach has been used to define the greenhouse gas emissions boundary[1].

This approach captures emissions associated with the operation of all buildings such as offices and houses, company-owned transport and business travel in privately-owned vehicles. This report covers UK operations including Notting Hill Genesis and subsidiaries as listed in the appendix. Included is the mandatory disclosure of emissions of those subsidiary companies which would otherwise be required to account on their own account, plus the voluntary disclosure of emissions of those subsidiaries which are not liable under SECR and which Notting Hill Genesis are not therefore obliged to, but choose to, report.

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2020.

Emissions have been calculated using the latest conversion factors provided by the UK Government. There are no material omissions from the mandatory reporting scope.

The reporting period is April 2020 to March 2021, as per the financial accounts.

1 An operational control approach to GHG emissions boundary is defined as: "Your organisation has operational control over an operation if it, or one of its subsidiaries, has the full authority to introduce and implement its operating policies at the operation".

Energy efficiency initiatives

In the year, NHG took the decision to change its vehicle fleet to all electric. By 31 March 2021, NHG had procured 20 electric vehicles (80% of the total) with a view to going all electric by 31 August 2021.

In addition, NHG approved a strategy that will mean that all its homes for letting will carry an EPC "C" rating or better by 2030.

Further information on environmental, social and governance issues can be obtained from the NHG 20/21 ESG Report.

Newly installed EV charging station at Bruce Kenrick House

Governance

Royal Albert Wharf
Newham

The Board and Committees

Notting Hill Genesis (NHG) is governed by a board ('the Board'). The NHG Board has nine Non-Executive members plus two Executives. Details of all Board members, who are drawn from a range of backgrounds, are set out on the next page.

The Board delegates some of its responsibilities to committees, each of which has a group-wide remit. Each of these committees has clear terms of reference and delegated authority. They report back to the Board after each meeting.

During the year ended 31 March 2021, there were six main functional committees in operation within NHG: the Operations Committee, the Audit and Risk Committee, the Treasury Committee, the Development and Sales Committee, the Remuneration Committee and the Nominations Committee.

Operations Committee

The Operations Committee oversees the performance of NHG's core residential businesses, working across seven cross-cutting themes: resident experience and satisfaction, overall performance, repairs and maintenance, financial effectiveness, health and safety, IT and data and sustainability.

Audit and Risk Committee

The Audit and Risk Committee oversees the work of the internal and external audit functions as well as the risk management framework and internal control framework for NHG. The Committee reviews the audited financial statements for NHG and recommends them to the relevant boards for approval. Through the reports it receives, the Audit and Risk Committee gains assurance that NHG has appropriate systems of internal control and complies with the regulator's expectations in this area.

Treasury Committee

The Treasury Committee undertakes an annual review of NHG's treasury policy and hedging strategy. It also oversees NHG's treasury activities including, in particular, the strategy for sourcing of new finance and the approval of associated transactions.

Development and Sales Committee

The Development and Sales Committee is responsible for overseeing the effective risk management, control and delivery of the Group's development programmes and projects across NHG.

Remuneration Committee

The Remuneration Committee determines the remuneration of the Chief Executive and members of the Executive Board and makes recommendations on allowances for Board Members.

Nominations Committee

The Nominations Committee oversees the process for Board member appraisal, reviews the process for Board member appointment and reviews the structure, size and composition of the Board including skills, knowledge and experience required.

Notting Hill Genesis Board Members

Ian Ellis
Chair

Fred Angole

Stephen Bitti

Elaine Bucknor

Linde Carr

Kate Davies

Jane Hollinshead

Bruce Mew

Arike Oke

Alex Phillips

Paul Phillips

Richard Powell

Board Member Committee membership

	Operations Committee	Audit and Risk Committee	Treasury Committee	Development and Sales Committee	Remuneration Committee	Nominations Committee	Additional comments
Ian Ellis (Chair)						Chair	
Fred Angole		Chair			✓		
Stephen Bitti	✓						Resident
Elaine Bucknor						✓	
Linde Carr		✓			Chair	✓	Resident
Kate Davies (Chief Executive)							Co-opted Board member
Jane Hollinshead	Chair				✓	✓	
Bruce Mew		✓	✓				
Arike Oke				✓			Resident
Alex Phillips (Senior Independent Director)			Chair	✓			
Paul Phillips (Chief Financial Officer)			✓				Co-opted Board member
Richard Powell				Chair			

The Executive Board

Notting Hill Genesis is managed by the Executive Board (EB), headed by the Chief Executive and supported by a team of eight Group Directors.

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

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

Kate Davies
Chief Executive

Paul Phillips
Chief Financial Officer

Andy Belton
Chief Operating Officer and Deputy Chief Executive

Katie Bond
Group Director of Sales and Building Safety

Carl Byrne
Group Director of Commercial Services

Elly Hoult
Group Director of Assets

John Hughes
Group Director of Development

Vipul Thacker
Group Director of Central Services

Mark Vaughan
Group Director of Housing

Key legal entities in the Notting Hill Genesis Group

Notting Hill Genesis
Asset owning RP

- **Folio London Ltd**
  Market rent company
  - Treasury and bond vehicles
- **Notting Hill Commercial Properties Ltd**
  Develops and lets commercial properties
  - Development SPVs:
    - **Notting Hill Developments Ltd**
    - **Walworth Homes Ltd**
    - **Project Light Development 1 Ltd**
    - **Project Light Development 2 Ltd**
- **Notting Hill Home Ownership**
  Asset owning RP
  - Development SPVs:
    - **Canonbury Developments Limited**
- **Notting Hill Community Housing Ltd**
  Rent properties at sub-market prices
- **Choices for Grahame Park Ltd**
  Develops and sells properties
- **GenFinance II Plc**
  Treasury vehicle
- **Springboard Two Housing Association**
  RP develops and owns homes

Activities at Notting Hill Genesis are carried out through a range of legal structures. The Group is led by the parent, which is a charity, as well as being a registered provider of social housing. A number of limited companies and limited liability partnerships carry out the Group's activities, which helps to mitigate risk. The key legal entities are listed above. The full list of subsidiaries and joint venture entities are disclosed in note 33.

Resident involvement

Residents are actively encouraged to become involved in decision-making by Notting Hill Genesis, which promotes mechanisms through which they can influence operations. At 31 March 2021, we had three resident Board members. We also maintain clear reporting arrangements between resident groups and the Board.

Code of Governance

Notting Hill Genesis has subscribed to the National Housing Federation's Code of Governance 2020 (Code) as its code of governance.

NHG meets all provisions within the updated Code, other than Provision 3.1: *Executives may not serve at all on committees responsible for remuneration or nomination or audit (Provision 3.1).*

Employees

The strength of Notting Hill Genesis (NHG) lies in the quality of all its employees. Our ability to meet our objectives and commitments to residents in an efficient and effective manner depends on their contribution. NHG is committed to equal opportunities and in particular we support the recruitment of disabled people and the retention of employees who become disabled whilst in the employment of NHG. NHG has received recognition from the Department for Education for establishing policies of positive promotion of employment opportunities for candidates and employees with disabilities. NHG was assessed by Investors in People in 2020, and received the standard accreditation.

NHG has pledged to close the BAME gap, particularly at senior managerial, leadership and Board roles and aims to achieve 40% BAME representation at Board and Committee level by 2025.

Our 2019 mean gender pay gap 2.4 and median gender pay gap was 2.0 which compares to 14.6 and 15.5 respectively in the UK.

Statement of Board's responsibilities

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

The financial statements have been prepared in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice (UK GAAP), including the Financial Reporting standard applicable in the UK and Republic of Ireland (FRS102), the Statement of Recommended Practice Accounting for Registered Social Housing Providers 2018 (SORP 2018) and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the registered provider of social housing (RPSH) and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

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

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the transactions and which disclose with reasonable accuracy at any time the financial position of the RPSH and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing in England 2019 and the Registered Social Landlords Determination of Accounting Requirements 2012. It has general responsibility for taking reasonable steps to safeguard the assets of the RPSH and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the strategic report includes a fair review of the development and performance of the business and the position of Notting Hill Genesis (NHG) and its subsidiaries included in the consolidation, together with the disclosure of the principal risks and uncertainties they face.

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

Internal controls

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

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

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

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

Identification and evaluation of key risks

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

Monitoring and corrective action

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

Control environment and control procedures

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

Information and financial reporting systems

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

Fraud

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

Anti-bribery policy statement

We seek to maintain the highest standards of ethics and integrity in the way we conduct our business. We recognise that bribery and corruption, in all its forms, is illegal and unacceptable. Our bribery policy statement has been integrated into our code of conduct and our gifts and hospitality policy, adopted by the Board, signed by the Chair and Chief Executive are made available on our corporate website. We expect our business partners to adopt a similar approach to bribery or corruption and make this a condition for new contracts awarded.

Audit assurance

Internal audit

KPMG LLP acted as the internal auditors for the Group during the year ended 31 March 2021. The internal control framework and the risk management process are subject to regular review by the internal auditors who advise the Executive Directors and report to the Audit and Risk Committee.

An audit plan was agreed by the Audit and Risk Committee for 2020/21 and was completed. The internal auditors have direct access to the Audit and Risk Committee independent of paid staff. The Audit and Risk Committee met four times during the financial year and considered internal control and risk at each of its meetings.

During the year, a tendering exercise was undertaken in accordance with the OJEU procurement rules, and Beevers & Struthers were appointed as internal auditors from 1 April 2021.

External audit

Notting Hill Genesis and its subsidiaries appointed BDO LLP as external auditors following a tender exercise in 2018. Notting Hill Genesis receives a report from the external auditors each year as part of the audit process. In this they convey details of any internal control weaknesses that may have come to their attention in the course of their duties. This letter is considered by the Audit and Risk Committee and the Board.

The Audit and Risk Committee met with the internal and external auditors during the year without the presence of paid staff or Executive Directors.

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

Independent auditors and AGM

The auditors, BDO LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

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

- So far as each Board member is aware, there is no relevant information needed by Notting Hill Genesis's auditors in connection with preparing their report of which Notting Hill Genesis's auditors are unaware.
- Each Board member has taken all the steps that they ought to have taken as a Board member in order to make themselves aware of any relevant information needed by the auditors in connection with preparing their report and to establish that the auditors are aware of that information.

Statement of compliance

Notting Hill Genesis has undertaken an assessment of compliance with the governance and financial viability standard as required by the Accounting Direction 2019. Notting Hill Genesis can confirm that no evidence of non-compliance has been identified since the last report.

In preparing the strategic report, the Board has followed the principles set out in the Statement of Recommended Practice for Registered Social Housing Providers (SORP: 2018).

Kate Davies
Chief Executive

Paul Phillips
Chief Financial Officer

Group Highlights

For the year ended 31 March	2021 £m	2020 £m	2019 restated £m	2018 £m
Consolidated statement of comprehensive income				
Total turnover	909.1	731.5	670.6	695.6
Income from lettings	475.9	467.8	476.3	469.4
Depreciation and amortisation of housing properties	53.2	53.2	49.0	53.4
Operating surplus	262.2	212.6	204.7	233.2
Surplus from sales (first tranche, shared ownership, sales of properties built for sale and joint ventures)	111.7	71.3	57.3	108.6
Surplus from other activities	33.0	26.8	48.7	28.1
Surplus after interest and tax	144.7	98.1	106.0	136.7
Consolidated statement of financial position				
Tangible fixed assets, at cost	7,755.5	7,716.5	7,547.3	7,269.6
Housing assets, at cost	6,594.1	6,593.0	6,595.3	6,426.9
Net current assets	185.0	454.2	542.7	415.7
Indebtedness	3,379.3	3,486.2	3,471.0	3,267.7
Total reserves	3,481.1	3,345.5	3,240.5	3,174.6
Total funding	8,007.2	8,244.5	8,171.1	7,748.1
Accommodation managed at year end	**Homes**	**Homes**	**Homes**	**Homes**
General rented housing	34,736	35,624	34,201	34,883
Supported housing	3,636	4,225	4,026	4,229
Temporary housing	2,880	3,325	3,718	3,609
Student accommodation	839	839	839	839
Market rent accommodation	3,201	3,094	2,747	1,963
Key worker accommodation	1,447	1,348	1,183	1,342
Total rented housing	**46,739**	**48,455**	**46,714**	**46,865**
Shared ownership housing	9,124	8,299	8,846	9,270
Leasehold in management	9,137	8,093	7,915	5,774
Total accommodation under management	**65,000**	**64,847**	**63,475**	**61,909**

	2021	2020	2019	2018
Statistics				
Surplus for the year as % of turnover	15.9%	13.4%	15.8%	19.7%
Surplus for the year as % of income from lettings	30.4%	21.0%	20.5%	22.3%
Operating margin	28.8%	29.1%	30.5%	33.5%
Operating margin before sales, joint ventures and fair value movements	22.1%	21.0%	20.2%	23.0%
Operating margin - social housing lettings	25.2%	26.0%	23.8%	27.1%
Rent losses (voids and bad debts as % of rent and service charges receivable)	2.8%	2.0%	2.2%	1.7%
Rent arrears (gross arrears as % of rent and service charges receivable)	8.7%	8.4%	8.0%	7.4%
Gearing (total loans as % of housing properties at cost)	40.0%	40.7%	40.9%	40.4%
Interest cover (surplus before interest payable, depreciation and amortisation of housing properties as % of interest payable)	222.1%	188.6%	176.0%	201.4%
Net debt as a % of all assets at vacant possession value	15.9%	17.3%	17.6%	16.6%

The 2018 figures were derived from the unaudited consolidated summary financial report.

Financial statements

Reynard Mills
Hounslow

Independent auditor's report to the members of Notting Hill Genesis

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2021 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements of Notting Hill Genesis ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2021 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Group Audit Committee.

Independence

Following the recommendation of the Group Audit Committee, we were appointed by the Board of Genesis Housing Association Limited in April 2017 to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods. Subsequent to the merger of Genesis Housing Association Limited and Notting Hill Housing Trust on 3 April 2018, we were appointed to audit the financial statements for the year ended 31 March 2019 and subsequent financial periods.

The period of total uninterrupted engagement including retenders and reappointments is 5 years, covering the years ending 31 March 2017 to 31 March 2021.

We remain independent of the Group and the Parent Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Association.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board's assessment of the Group and the Parent Association's ability to continue to adopt the going concern basis of accounting included:

- Assessment of the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast but also to have a high level understanding of the entity's market, strategy and profile in the customer base, and the ongoing impact that COVID-19 might have on these projections.

- Consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business.
- Obtaining and assessing the availability of financing facilities, the nature of facilities and repayment terms through to March 2023.
- We considered management's financial covenant compliance calculations through to March 2023 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements.
- As referred to in note 1, management has modelled reasonably possible downside scenarios to incorporate the ongoing impact of the COVID-19 pandemic. We have considered the appropriateness of the downside scenarios in respect of the impact of COVID-19 and challenged management to confirm that they have suitably addressed the inputs, which are most susceptible to change, including those in respect of revenue, margins and cost savings.
- Challenging management on the suitability of the mitigating actions identified in their assessment and the quantum and period ascribed to these mitigating actions.
- We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenario.
- Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	We audit the following within the group: 100% of Group profit before tax 100% of Group revenue 100% of Group total assets		
Key audit matters		2021	2020
	The recoverable amount of property developed for sale	Yes	Yes
	Impairment of housing properties and investment properties, notably Paragon	Yes	Yes
	Income recognition	Yes	No
	Going concern basis of preparation	Yes	Yes
Materiality	Group financial statements as a whole £14.4m based on 5% of adjusted operating surplus.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.

Audit work on all significant components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes.

We identified two components which, in our view required an audit of their complete financial information for group purposes due to their size and were therefore considered to be significant components. Notting Hill Genesis and Notting Hill Home Ownership Limited have been identified as significant components due to their size.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
The recoverable amount of property developed for sale	As explained in the accounting policies as per Note 1, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £548.8m. For properties in development at the balance sheet date, see Note 15 an assessment is needed of an anticipated selling price and a determination of the expected costs to complete. Due to the volume of properties developed for sale and the level of judgement there is inherent estimation uncertainty for both sales proceeds and costs to complete we consider there is a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.	Having obtained management's assessment of the net realisable value of properties developed for sale, we tested this on a sample basis. Our samples were chosen from the populations of items that represented developments under construction, landbank sites and completed developments at year-end. For developments under construction, including landbank sites, our sample was determined by the value of costs incurred to date for each scheme and their anticipated gross profit margin. For a sample of completed properties, we agreed the amounts involved to supporting documentation where the property was sold post year-end. Where the property was not yet sold we obtained third-party housing market information to confirm that properties were held at the lower of cost and net realisable value. For a sample of properties under development, we obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. We examined supporting documentation for anticipated sales proceeds and we compared the incurred expenditure to the balance sheet date to the estimated amount at that date. We also assessed the accuracy of cost forecasting by performing test of controls relating to the creation, approval, monitoring and amendment to development budgets, validation of key assumptions and by looking at outturn costs compared to budget on a sample of schemes that completed in the year. Sensitivity analysis was performed to determine the point at which a rise in costs to complete would result in a material misstatement. When determining sensitivities consideration was given to a range of uncertainties and the possibility of these outcomes occurring. We also considered other current factors including the status of its construction, contractual arrangements and testing undertaken to validate the accuracy of costs to complete. Our work identified no factual misstatements or inappropriate application of judgement or estimation and we have concluded that relevant information has been appropriately reported taking account of reasonable assumptions.

Key audit matter		How the scope of our audit addressed the key audit matter
Impairment of housing properties and investment properties, notably Paragon	As summarised in note 1 the housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified, which includes the scheme known as 'Paragon', then a detailed assessment is undertaken to compare the carrying amounts of assets or cash-generating units for which impairment is indicated to their recoverable amount. Due to the level of judgement involved in identifying indicators of impairment and the subsequent estimation of recoverable amounts, whether through sale or use, we consider the impairment of housing properties to be a significant risk of material misstatement and therefore a key audit matter.	We obtained management's assessment of impairment, as presented to the Board of Notting Hill Genesis. This assessment set out their determination of indicators of impairment as guided by paragraph 14.6 of the Social Housing SORP. For completed housing properties held for letting we obtained a summary of voids in the year and determined the basis of each void. Other indicators of potential impairment were also assessed, including replacement cladding obligations and other remediation's. During the year, significant structural defects were identified at one scheme, Paragon, with the site now fully decanted. The scheme contains a mixture of intermediate rent, shared ownership and student accommodation properties. The Board's impairment assessment has considered the nature of each tenure and options realistically available to the Group. We considered the Board's calculation of realisable value, notably: • The cost of remediation's, estimated based on the advice of professional cost consultants • The direct cost of repurchasing shared ownership properties, including where appropriate a market premium and other compensation measures • Compensation or other forms of contributions from the scheme's original contractor • Anticipated sales prices for the scheme's properties once remediated. Values have been estimated based on advice from professional property valuers In relation to housing properties under construction each scheme was assessed to determine if their carrying value exceeded their Realisable Value. Both Net Present Value (NPV) and Value in Use – Service Potential, via the calculation of Depreciated Replacement Cost (DRC), were assessed as suitable measures for Realisable Value. We considered the appropriateness of key assumptions adopted by Management when calculating NPV and DRC as well as the reliability of development budgets produced by Management. Our work identified no factual misstatements or inappropriate application of judgement or estimation and we have concluded that relevant information has been appropriately reported taking account of reasonable assumptions.
Income recognition	As explained in the accounting policies as per Note 1, income from contracts should be recognised in line with the terms of the contract and is therefore subject to management judgement. For proceeds on sale of properties a key judgement exists in relation to the potential for sales to be recorded in the incorrect period. Due to the level of judgement involved, notably in relation to the sale of land at Canada Water, we consider income recognition to be a significant risk of material misstatement and a key audit matter.	A sample of outright sale, first tranche and staircasing sales in the year were agreed to completion statements and bank receipts. We selected a sample of outright sale, first tranche and staircasing sales recognised shortly before and after the year-end to confirm that each transaction was recognised in the correct accounting period. During the year, the group entered into a substantial land sale agreement, with a substantial element of proceeds deferred. We reviewed the terms of the sale to verify that all related performance or other conditions had been met prior to the end of the financial year. We also assessed management's consideration of the recoverability of deferred income, not expected to be received prior to January 2022. This included the following: • The existence of a legal charge over the site and its potential value to the Group should that charge be exercised • The strength of the parent company guarantee issued to the Group • Evidence that the purchaser remains committed to the development of the site, with enhancement strengthening the Group's legal charge. Our work identified no factual misstatements or inappropriate application of judgement or estimation and we have concluded that relevant information has been appropriately reported taking account of reasonable assumptions.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Association financial statements	
Year	2021	2020	2021	2020
Materiality	£14.4m	£108m (£13.6m in respect of specific materiality)	£9.7m	£94m (£7.9m in respect of specific materiality)
Basis for determining materiality	5% of adjusted operating surplus	1.25% of total assets (5% of adjusted operating surplus in respect of specific materiality)	5% of adjusted operating surplus	1.25% of total assets (5% of adjusted operating surplus in respect of specific materiality)
Performance materiality	£9.4m	£65m (£8.1m in respect of specific materiality)	£6.3m	£58m (£4.9m in respect of specific materiality)
Basis for determining performance materiality	65% of materiality	60% of materiality	65% of materiality	60% of materiality

Rationale for the materiality benchmark applied

The benchmark used for the current year materiality is adjusted operating surplus. Adjusted operating surplus is of particular interest to the users of the financial statements as it is a term defined for the purposes of the entity's lending covenants. This involves adjusting operating profit for depreciation, amortisation, capitalised major works and the net profit/loss on non-outright sale properties.

Component materiality

A full scope statutory audit was carried out for each subsidiary. We set materiality for each component dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £142,000 to £9,700,000. In the audit of each component, we further applied performance materiality levels of between 65% and 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £288,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Board are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information in the Strategic Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the statement of Board's responsibilities, set out on page 28, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- We assessed the susceptibility of the Group and Association's financial statements to material misstatement, including how fraud might occur by discussing with management where it is considered there was a susceptibility of fraud relating to management override of controls and improper income recognition. In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain manual journals and tested the application of cut-off and revenue recognition;
- Reviewed and challenged the application of significant accounting estimates and judgements made in the preparation of the financial statements, notably investment property valuations, impairment of housing properties, deemed cost valuation, housing property and inventory allocations and the recoverable amount of properties developed for sale. Our consideration of these significant accounting estimates and judgements reflected the impact these have on reported financial performance;
- Discussed with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud; and
- Read minutes of meetings of those charged with governance, reviewed internal audit reports and reviewed correspondence with HMRC and the Regulator of Social Housing.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association'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 Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

Philip Cliftlands

Philip Cliftlands, Senior Statutory Auditor
For and on behalf of BDO LLP
London
United Kingdom

Date: 20 August 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Ratcliffe Cross Street
Tower Hamlets

Statement of comprehensive income

	Notes	Group 2021 £m	Group 2020 £m	NHG 2021 £m	NHG 2020 £m
Turnover	2	909.1	731.5	527.2	489.3
Cost of sales	2	(266.1)	(156.4)	(33.6)	(31.0)
Operating costs	2	(441.9)	(421.5)	(359.9)	(365.9)
Subtotal	2	201.1	153.6	133.7	92.4
Surplus on sale of assets	4	37.7	27.8	17.9	9.7
Joint venture surplus/(deficit)	33	7.2	18.6	-	-
Fair value movement on investment properties	10	16.2	12.6	(0.9)	(1.9)
Operating surplus		**262.2**	**212.6**	**150.7**	**100.2**
Gift aid receivable		-	-	89.7	36.0
Surplus before interest		**262.2**	**212.6**	**240.4**	**136.2**
Interest receivable and similar income	5	1.4	2.0	31.1	37.6
Interest payable and similar charges	6	(123.9)	(124.1)	(134.1)	(130.2)
Gains in respect of financial derivatives	35	5.0	7.6	6.5	9.8
Surplus on ordinary activities before taxation	7	**144.7**	**98.1**	**143.9**	**53.4**
Taxation	8	-	-	-	-
Surplus for the financial year after taxation		**144.7**	**98.1**	**143.9**	**53.4**
Other comprehensive income					
Gains/(losses) in respect of financial derivatives	35	19.4	(22.9)	19.2	(22.3)
Actuarial pension movement	28	(29.0)	30.5	(29.0)	30.5
Other comprehensive income total		**(9.6)**	**7.6**	**(9.8)**	**8.2**
Total comprehensive income for the year		**135.1**	**105.7**	**134.1**	**61.6**

The notes on pages 46 to 91 form part of these financial statements.

All amounts relate to continuing activities.

Statement of changes in reserves

Group	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total £m
Balance at 1 April 2019	2,165.0	1,127.6	(52.1)	3,240.5
Surplus for year	98.1	-	-	98.1
Transfers to general reserves upon asset sale	12.6	(12.6)	-	-
Fair value measurement of derivatives	-	-	(22.9)	(22.9)
Actuarial pension movements	30.5	-	-	30.5
Deferred tax		(0.8)	0.1	(0.7)
Revised balance at 1 April 2020	**2,306.2**	**1,114.2**	**(74.9)**	**3,345.5**
Surplus for the year	144.7	-	-	144.7
Transfers to general reserves upon asset sale	2.6	(2.6)	-	-
Fair value measurement of derivatives	-	-	19.4	19.4
Actuarial pension movements	(29.0)	-	-	(29.0)
Deferred tax	-	0.5	-	0.5
Balance at 31 March 2021	**2,424.5**	**1,112.1**	**(55.5)**	**3,481.1**

Statement of changes in reserves (continued)

NHG	General reserves £m	Revaluation reserve £m	Cash flow hedge reserve £m	Total £m
Balance at 1 April 2019	1,680.2	1,048.9	(49.1)	2,680.0
Surplus for the year	53.4	-	-	53.4
Transfers to general reserves upon asset sale	9.6	(9.6)	-	-
Fair value measurement of derivatives	-	-	(22.3)	(22.3)
Actuarial pension movements	30.5	-	-	30.5
Pension creditor	-			-
Revised balance at 1 April 2020	**1,773.7**	**1,039.3**	**(71.4)**	**2,741.6**
Surplus for the year	143.9	-	-	143.9
Transfers to general reserves upon asset sale	-	-	-	-
Fair value measurement of derivatives	-	-	19.2	19.2
Actuarial pension movements	(29.0)	-	-	(29.0)
Reserves from collapsed subsidiaries	0.5	-	-	0.5
Balance at 31 March 2021	**1,889.1**	**1,039.3**	**(52.2)**	**2,876.2**

Statement of financial position

	Notes	Group 2021 £m	Group 2020 £m	NHG 2021 £m	NHG 2020 £m
Tangible fixed assets					
Housing properties	9	6,594.1	6,593.0	5,510.2	5,427.4
Investment in properties	10	1,109.5	1,064.2	268.4	300.4
Other fixed assets	11	51.9	59.3	50.1	56.2
Total tangible fixed assets		**7,755.5**	**7,716.5**	**5,828.7**	**5,784.0**
Investments					
Homebuy	12	26.1	27.1	-	-
Investments in subsidiaries	14	-	-	455.0	295.1
Investment in joint ventures	33	35.3	41.4	-	-
Other investments		5.3	5.3	5.3	5.3
		7,822.2	**7,790.3**	**6,289.0**	**6,084.4**
Current assets					
Properties in the course of sale	15	548.8	623.9	138.9	163.5
Debtors falling due within one year	16	141.3	73.1	460.8	603.9
Debtors falling due after one year	17	19.9	34.4	447.5	528.8
Current asset investment	18	30.6	18.1	15.6	18.1
Cash at bank and in hand		79.5	118.3	31.0	77.1
		820.1	**867.8**	**1,093.8**	**1,391.4**
Current liabilities					
Creditors: Amounts falling due within one year	19	(635.1)	(413.6)	(614.9)	(321.1)
Net current assets		**185.0**	**454.2**	**478.9**	**1,070.3**
Total assets less current liabilities		**8,007.2**	**8,244.5**	**6,767.9**	**7,154.7**

	Notes	Group 2021 £m	Group 2020 £m	NHG 2021 £m	NHG 2020 £m
Creditors					
Creditors: Amounts falling due after more than one year		(4,280.6)	(4,634.7)	(3,702.5)	(4,187.9)
Pension deficit liability		(44.7)	(22.5)	(44.7)	(22.5)
Derivative financial instrument		(140.1)	(178.6)	(142.4)	(176.7)
Deferred tax		(52.0)	(52.5)	-	-
		(4,517.4)	**(4,888.3)**	**(3,889.6)**	**(4,387.1)**
Provisions for liabilities and charges		(8.7)	(10.7)	(2.1)	(26.0)
		(4,526.1)	**(4,899.0)**	**(3,891.7)**	**(4,413.1)**
Net assets		**3,481.1**	**3,345.5**	**2,876.2**	**2,741.6**
Capital and reserves					
Share capital		-	-	-	-
General reserves		2,424.5	2,306.2	1,889.1	1,773.7
Revaluation reserve		1,112.1	1,114.2	1,039.3	1,039.3
Cash flow hedge reserve		(55.5)	(74.9)	(52.2)	(71.4)
		3,481.1	**3,345.5**	**2,876.2**	**2,741.6**
Total funding		**3,481.1**	**3,345.5**	**2,876.2**	**2,741.6**

The notes on pages 46 to 91 form part of these financial statements. The financial statements on pages 41 to 91 were authorised and approved by the Board on 21 July 2021 and signed on its behalf by

Ian Ellis
Chair

Paul Phillips
Chief Financial Officer

Andrew Nankivell
Company Secretary

Statement of cash flow

Group	Notes	2021 £m	2020 £m
Net cash inflow from operating activities	25	321.4	233.7
Cash flows from investing activities			
Purchase and construction of housing properties		(253.4)	(296.8)
Sale of housing properties		140.9	154.8
Social housing grant received		-	10.8
Purchase of other fixed assets		(5.6)	(12.9)
Fixed asset investment		13.3	22.4
Interest received		1.4	2.0
Interest paid		(139.6)	(143.8)
Corporation tax received		-	1.4
Disposal of investment		-	2.3
(Decrease) in cash on deposit		(12.5)	(0.5)
Net cash flow from investing activities		**(255.5)**	**(260.3)**
Cash flows from financing activities			
Loans received		550.0	114.0
Loans repaid		(654.7)	(102.1)
Net cash (outflow used in)/inflow from financing		**(104.7)**	**11.9**
Decrease in cash and cash equivalents		**(38.8)**	**(14.7)**
Cash and cash equivalents at 1 April		**118.3**	**133.0**
Cash and cash equivalents at 31 March		**79.5**	**118.3**

The notes on pages 46 to 91 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2021

Note 1 - Accounting policies

Statement of compliance

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements of Notting Hill Genesis (NHG) and Notting Hill Genesis Group (the Group).

The financial statements have been prepared in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice (UK GAAP), including the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102), the Statement of Recommended Practice Accounting for Registered Social Housing Providers 2018 (SORP 2018) and the Accounting Direction for Private Registered Providers of Social Housing 2019.

General information

Notting Hill Genesis is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered provider of social housing. It is a public benefit entity.

Basis of preparation

The financial statements have been prepared under the historic cost convention as modified by the application of fair value as deemed cost and by the revaluation of certain properties, investments and financial instruments. They have been prepared on a going concern basis and in accordance with the applicable accounting standards in the United Kingdom. The accounting policies have been consistently applied.

The preparation of the financial information requires management to exercise its judgement in applying the Group's accounting policies. Areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are explained in the accounting policies below.

Going concern

The Board has considered the potential impacts from numerous multi-variant adverse scenarios, which include a decline in sales, increase in rental arrears, increase in voids, and tightening of liquidity among other factors. Options for mitigation to ensure the business can continue in the short and longer term have also been reviewed. Mitigations exist for all scenarios as a precaution, to ensure compliance with all covenant and regulatory requirements. In addition to the scenarios outlined, the Board has stress tested a number of different scenarios which could affect Notting Hill Genesis's future plans. The main areas the stress testing considered were building contract cost increases, sales, operating income and costs. The outcome of stress tests performed focused on liquidity and covenant compliance as a result of adjusting the key inputs. The resulting worst case scenario of the stress testing exercise, in which all adverse impacts described above would crystallise, indicates the probability of a covenant breach occurring in 2021 and 2022 is remote, and exhibited that Notting Hill Genesis is able to withstand these external pressures. Periodic updates to the financial business plan, management accounts forecasts and key performance indicator reporting enables continuous monitoring of the business.

After making these enquiries, the Board has a reasonable expectation that Notting Hill Genesis has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. For this reason, Notting Hill Genesis continues to adopt the going concern basis in the financial statements.

Basis of consolidation

Group financial statements are the result of the consolidation of the financial statements of NHG and its subsidiaries. Uniform accounting policies have been used throughout the Group. All intra-Group transactions, balances and surpluses or deficits are eliminated in full on consolidation.

Jointly controlled entities are accounted for using the equity method in the Group financial statements, which reflects the

Note 1 - Accounting policies (continued)

Group's share of the profit or loss, other comprehensive income and the equity of the jointly controlled entities.

Investments in subsidiaries are accounted for using the equity method in the Group financial statement.

Segmental reporting

Segmental reporting is presented in the consolidated financial statements in respect of the Group's business segments, which are the primary basis of segmental reporting. The business segmental reporting reflects the Group's management and internal reporting structure. Segmental results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. As the Group has no material activities outside the UK, segment reporting is not required by geographical region. The chief operating decision-makers (CODM) have been identified as the Group's Executive Board. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments as rented social housing, shared ownership lettings, temporary housing, keyworker lettings, supported housing, home ownership sales, development, commercial properties, student accommodation and market rent lettings. The CODM assess the performance of the operating surplus margins. These vary by segment and unit costs prevail in most areas. Segmental disclosure of key balance sheet items is not produced for CODM and hence not disclosed. Other information provided to them is measured in a manner consistent with that in the financial statements. See note 2 for further details.

Turnover and revenue recognition

Rent	Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for the services rendered net of empty properties.
Service charge income	Fixed service charge income is recognised in the year to which it relates. Variable service charge income is recognised in the year the related cost is recognised.
First-tranche shared ownership property sales and properties developed for outright sale	Property sales income is recognised when the risks and rewards of ownership have passed to the buyer upon legal completion of the sales, except in circumstances where specific legal contractual terms dictate that risks and rewards of ownership pass at different times.
Revenue grants	Revenue grants are recognised when the performance-related conditions are met or when the grant proceeds are received or become receivable if no conditions are imposed.
Amortisation of government grant	Grants provided to construct social housing assets are recognised on a systematic basis over the useful economic life of the asset for which the grant is intended to compensate.
Interest receivable	Interest income is recognised on a receivable basis.
Gift aid	Gift aid is recognised on a received or receivable basis.
Supported housing services	Where NHG and the Group hold the support contract with the Supporting People Administering Authority and carry the financial risk, all the project's income and expenditure are included in NHG's and the Group's statement of comprehensive income.
Other income	Other income relates to management fees for services provided to leaseholders and administration fees in relation to extension of leases. These are recognised on receivable basis.

Taxation

NHG has charitable status and is not subject to corporation tax on surpluses in furtherance of charitable objectives. The profits of trading subsidiaries are subject to corporation tax, but the subsidiaries elect to distribute profits to the parent or other charitable group entities via gift aid.

Deferred taxation

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Current or deferred tax assets and liabilities are not discounted.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Deferred tax has been recognised in relation to investment property that is measured at fair value using tax rates and allowances that apply to the sale of an asset.

Note 1 - Accounting policies (continued)

Value added tax

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT on costs to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest payable

Interest is capitalised on a fair proportion of total borrowings on development costs during the period of development.

Other interest payable is charged to the comprehensive income statement in the year by the effective interest rate method.

Employee benefits

Short-term employee benefits are recognised as an expense in the period in which they are incurred. Unused annual leave is accrued at the year end.

Pensions

The Group's employees and past employees are active members, deferred members or pensioners of five defined benefit pension schemes operated by the Group. These are the Social Housing Pension Scheme (SHPS DB), the Genesis scheme (Genesis), the PCHA 2001 scheme (PCHA 2001), the London Pension Fund Authority Pension Fund scheme (LPFA) and the Wandsworth Council Pension Fund (WCPF) (collectively the "plans"). All the plans are closed to new entrants. Further information on each of the plans is provided below.

SHPS (DB)

For SHPS DB, the Group is able to identify its share of the assets and scheme liabilities and therefore has applied defined benefit accounting.

The scheme assets are measured at fair value. The scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. This has been recognised within the defined benefit pension liability on the face of the statement of financial position.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on net defined benefit liability and remeasurements are reported in other comprehensive income. Refer to note 28 for more details.

Genesis and PCHA 2001

The assets of these schemes are held separately from those of the Group. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme assets and liabilities are recorded in the statement of financial position. Contributions payable, net interest and actuarial gains/ losses are recognised in the statement of comprehensive income.

LPFA and WCPF

The LPFA and WCPF are accounted for as defined benefit schemes using the unit credit method. Actuaries are used in order to calculate the assets and liabilities of the scheme. The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits were earned. The related finance costs, expected return on assets and any other changes in fair value of assets and liabilities, are recognised in the accounting period in the period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the statement of comprehensive income along with changes in fair value of assets and liabilities.

Defined contribution pension schemes

The Group currently contributes to a number of defined contribution schemes for certain employees, the most significant of which are operated by the Social Housing Pension Scheme(the SHPS DC) and Aviva. Employer contributions payable to scheme in respect of the accounting period are charged to the statement of comprehensive income.

Government grant

Grants received in relation to assets that have been treated as deemed

Note 1 - Accounting policies (continued)

cost at the date of transition to FRS102 have been accounted for using the performance model. In applying this model such grant has been presented as if it were originally recognised as income within the statement of comprehensive income in the year it was receivable and is therefore included within brought forward general reserves.

Grants received since transition in relation to newly acquired or existing housing properties are accounted for using the accrual model. Grant is carried as deferred income in the balance sheet and is amortised on a systematic basis over the useful life of the housing property structure, even if the fair value of the grant exceeds the carrying value of the structure in line with SORP 2014. No grant is recognised against other components.

When a housing property is sold which was partly funded by social housing grant (SHG) the grant becomes repayable and is transferred to a Recycled Capital Grant fund (RCGF) until it is either reinvested in a replacement property or repaid. Amortised grant liability is created by increasing the cost of sale of the asset, unamortised grant is transferred between deferred government grant, and RCGF amortised grant is disclosed as a contingent liability in note 36.

Donated land

Land donated by local authorities and other government sources for development purpose is added to the cost of the asset at the fair value of the land at the time of the donation. The difference between the fair value of the land and the consideration paid is treated as a non-monetary grant and recognised as a gain in the statement of comprehensive income.

Properties for sale

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

At the end of each reporting period, work in progress is assessed for indicators of impairment. If a property is impaired, the identified property is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is required, the impairment charge is reversed, up to the original impairment loss and is recognised as a credit in the statement of comprehensive income.

Current asset first-tranche shared ownership work in progress and completed properties in relation to shared ownership are calculated based on average first-tranche equity percentage purchased in the year.

Housing properties

Housing properties not converted to deemed cost or constructed or acquired since the transition to FRS102 are measured using the cost model (cost less accumulated depreciation and impairment (where applicable)).

Housing properties in the course of development are stated at cost.

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

Refurbishment or replacement of such components is capitalised.

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

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

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

Reinvestment expenditure is capitalised where the works increase the net rental stream over that expected at the outset. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future

Note 1 - Accounting policies (continued)

maintenance cost, or a significant extension in the life of the property. Where the works are either repair or replacement with no additional utility, the costs are charged to the statement of comprehensive income.

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

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

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

Shared ownership properties have been split between land and structure only.

Deemed cost on transition to FRS102

The Group took the option to carry out a one-off valuation of the majority of social housing and shared ownership properties at the date of transition and to use that amount as deemed cost. To determine the deemed cost, the Group engaged independent valuation specialist Jones Lang LaSalle Ltd (JLL) to value the housing properties on an existing use value-social housing (EUV-SH) basis. Housing properties are subsequently measured at cost.

Investment properties

Investment properties are defined as properties held to earn rentals and for capital appreciation on a commercial basis. The Group holds properties rented on the open market and commercial properties.

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

Properties held as investments are revalued annually and the surplus or deficit is recognised in operating surplus. No depreciation is provided in respect of investment properties.

Housing properties for market rent are stated at market value subject to tenancies (MV-STT). Full revaluations of the properties are undertaken on an annual basis.

Other fixed assets

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

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

Property impairment

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash-generating units for which impairment is indicated to their recoverable amounts. The Group defines a cash-generating unit as a scheme. The assessment of value in use may involve considerations of the service potential of the assets or cash-generating units. Details of properties where consideration has been given to service potential are detailed in note 9.

Revaluation reserve

The revaluation reserve is used to reflect the surplus on asset revaluation upon transition to deemed cost. When an asset is disposed the surplus on asset revaluation is transferred from the revaluation reserve to general reserves.

Homebuy

Homebuy transactions are grants received from the Regulator of Social Housing and passed on to an eligible beneficiary. The Group has the benefit of a fixed charge on the property entitling the Group to a share of the proceeds on the sale of the property by the beneficiary. Homebuy loans have been classified as a financial asset and treated as a concessionary loan. Concessionary loans are carried in the statement of financial position at amortised cost less any impairment. The Government grants that fund these concessionary loans are recognised as liabilities under the performance method.

Note 1 - Accounting policies (continued)

Provisions

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

Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on an accruals basis.

Gift aid

Charitable donations made between Group entities are shown in the financial statements at the value of the donation. Within the Group such transactions are eliminated. Gift aid payments are treated as distributions of reserves in the Group's subsidiaries.

Financial instruments

The Group has elected to recognise and measure its financial assets and liabilities in accordance with the Measurement and Disclosure requirements of sections 11 and 12 of FRS102 " Financial Instruments".

Interest rate swap financial instruments and hedging activities

The Group uses interest rate swaps to adjust interest rate exposure. The Group also uses, if appropriate, foreign exchange contracts to reduce exposures to movements in foreign exchange rates on foreign currency nominated financial instruments. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

The Group designates interest rate swaps as a hedge of the income/ cost of a highly probable forecasted transaction or commitment ('cash flow hedge').

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

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

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

Note 1 - Accounting policies (continued)

transaction is ultimately recognised in the statement of comprehensive income.

Financial assets

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

Cash and cash equivalents

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

Loans and receivables

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

Rental debtors

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

Financial liabilities

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

Fair value through the statement of comprehensive income

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

Other financial liabilities

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

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

Where swaps are considered not to be closely related they are accounted for separately and treated as fair value through the statement of comprehensive income.

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

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

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are addressed below.

Useful economic lives of fixed assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to

Note 1 - Accounting policies (continued)

reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors including rental debtors. When assessing impairment of debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience of cash collection from tenants.

During the year, we sold property which resulted in a debtor of £60m at the year end date, which is due for settlement by January 2022. Based on due diligence performed prior to, and following, the transaction date, we consider this amount to be fully recoverable.

Investment property

The fair value of investment properties is determined by using valuation techniques. The valuation of commercial properties is determined using open market value with vacant possession. Properties rented on the open market are valued at market value subject to tenancies using a discounted cash flow methodology.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets have started to function again, with transactions returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS3 and VPGA 10 of the RICS Valuation - Global Standards.

Housing property cost allocation

Housing property costs include the cost of acquiring land and buildings, cost of construction, directly attributable management costs and capitalised interest. Directly attributable management costs are allocated at 2.0% (2020:2.0%) of project acquisition and works costs to a maximum of costs incurred. Interest is capitalised up to the date of practical completion based on the weighted average cost of capital at a rate of 3.93% (2020: 3.98%), reviewed annually.

Impairment of housing properties

Housing properties are assessed for indicators of impairment at each balance sheet date. Where indicators of impairment are identified, a detailed assessment is undertaken to compare the carrying value of the assets or cash generating units for which impairment is indicated, to their recoverable amounts. The recoverable amount is considered to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of the value in use may involve considerations of the service potential of the assets, or cash generating unit concerned, or the present value of the future cash flows.

The group defines a cash generating units as individual historic completed homes.

Where the recoverable amount of the asset or a cash generating unit is lower than its carrying value, an impairment is recorded and charged to the statement of comprehensive income and expenditure.

In October 2020, approximately 1,000 households were evacuated from our properties located at the Paragon estate, which contains a mixture of intermediate rent, shared ownership and student accommodation homes, due to structural defects which had been identified following a safety review. Further investigation has been carried out at the site, to determine the level of remediation required. The Board's impairment assessment has considered the nature of each tenure and options, and estimated the realisable value, based on:

- The cost of remediation, estimated based on the advice of professional cost consultants
- The direct cost of repurchasing shared ownership properties, including where appropriate a market premium and other compensation measures
- Compensation or other forms of contributions from the scheme's original contractor
- Anticipated sales prices for the scheme's properties once remediated, based on estimated valuations provided by professional property valuers

The impairment review resulted in a charge included in the 2021 income statement which has not been disclosed as it is commercially sensitive.

Impairment of properties

Due to the Covid-19 pandemic, there are delays in sales. Nevertheless, the property market has started to function. We have therefore reassessed the net realisable value of our work in progress for homes being constructed for sale and reduced them by 5%. We have also reassessed the carrying value of certain completed properties during the year, which resulted in an impairment charge.

Note 2 - Turnover, cost of sales, operating costs and operating surplus

Group continuing activities - year ended 31 March 2021	Turnover £m	Cost of sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	**475.9**	**-**	**(356.0)**	**119.9**
Other social housing activities				
Development services	8.6	-	(18.4)	(9.8)
Sales and marketing services	-	-	(3.8)	(3.8)
Neighbourhood activities	0.5	-	(1.5)	(1.0)
First tranche shared ownership sales	84.1	(78.3)	-	5.8
Supporting people and care	12.2	-	(12.5)	(0.3)
Impairment	-	-	-	-
	105.4	**(78.3)**	**(36.2)**	**(9.1)**
Activities other than social housing activities				
Private sales	248.8	(187.8)	-	61.0
Charitable fundraising activities	0.2	-	(0.1)	0.1
Commercial rent properties	13.2	-	(2.1)	11.1
Student accommodation	3.1	-	(2.3)	0.8
Impairment	-	-	(3.6)	(3.6)
Market rent properties	48.5	-	(27.6)	20.9
Non-social lease owners	14.0	-	(14.0)	-
	327.8	**(187.8)**	**(49.7)**	**90.3**
Total	**909.1**	**(266.1)**	**(441.9)**	**201.1**

Group continuing activities - year ended 31 March 2020	Turnover £m	Cost of sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	**467.8**	**-**	**(346.4)**	**121.4**
Other social housing activities				
Development services	-	-	(8.6)	(8.6)
Sales and marketing services	-	-	(9.9)	(9.9)
Neighbourhood activities	0.5	-	(1.5)	(1.0)
First tranche shared ownership sales	78.1	(57.3)	-	20.8
Supporting people and care	12.7	-	(13.6)	(0.9)
Impairment	-	-	(3.6)	(3.6)
	91.3	**(57.3)**	**(37.2)**	**(3.2)**
Activities other than social housing activities				
Private sales	103.2	(99.1)	-	4.1
Charitable fundraising activities	0.3	-	(0.1)	0.2
Commercial rent properties	6.7	-	(2.2)	4.5
Student accommodation	7.1	-	(4.2)	2.9
Impairment	-	-	0.3	0.3
Market rent properties	44.6	-	(21.2)	23.4
Non-social lease owners	10.5	-	(10.5)	-
	172.4	**(99.1)**	**(37.9)**	**35.4**
Total	**731.5**	**(156.4)**	**(421.5)**	**153.6**

Note 2 - Turnover, cost of sales, operating costs and operating surplus (continued)

NHG continuing activities - year ended 31 March 2021	Turnover £m	Cost of sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	**424.3**	**-**	**(330.8)**	**93.5**
Other social housing activities				
Development services	33.0	(27.8)	(7.8)	(2.6)
Sales and marketing	-	-	0.4	0.4
Neighbourhood activities	0.5	-	(1.1)	(0.6)
First tranche shared ownership sales	15.3	(8.5)	-	6.8
Supporting people and care	12.2	-	(12.5)	(0.3)
Impairment	-	-	-	-
	61.0	**(36.3)**	**(21.0)**	**3.7**
Activities other than social housing activities				
Commercial rent properties	10.2	-	(1.4)	8.8
Charitable fundraising activities	0.2	-	(0.1)	0.1
Market rent properties	20.2	-	(15.5)	4.7
Impairment writeback	-	-	15.6	15.6
Private sales	4.6	2.7	-	7.3
Non-social lease owners	6.7	-	(6.7)	-
	41.9	**2.7**	**(8.1)**	**36.5**
Total	**527.2**	**(33.6)**	**(359.9)**	**133.7**

NHG continuing activities - year ended 31 March 2020	Turnover £m	Cost of sale £m	Operating costs £m	Operating surplus £m
Social housing lettings (note 3)	**419.6**	**-**	**(323.9)**	**95.7**
Other social housing activities				
Development services	20.0	(20.0)	(4.3)	(4.3)
Sales and marketing	-	-	(1.4)	(1.4)
Neighbourhood activities	0.5	-	(1.4)	(0.9)
First tranche shared ownership sales	5.9	(4.1)	-	1.8
Supporting people and care	12.7	-	(13.6)	(0.9)
Impairment	-	-	(1.8)	(1.8)
	39.1	**(24.1)**	**(22.5)**	**(7.5)**
Activities other than social housing activities				
Commercial rent properties	4.6	-	(1.6)	3.0
Charitable fundraising activities	0.3	-	(0.1)	0.2
Market rent properties	19.8	-	(14.4)	5.4
Impairment writeback	-	-	1.6	1.6
Private sales	0.9	(6.9)	-	(6.0)
Non-social lease owners	5.0	-	(5.0)	-
	30.6	**(6.9)**	**(19.5)**	**4.2**
Total	**489.3**	**(31.0)**	**(365.9)**	**92.4**

Note 3 - Income and expenditure from social housing lettings

Group - year ended 31 March 2021	Rented social housing £m	Shared ownership £m	Temporary housing £m	Key worker housing £m	Supported housing £m	Total £m
Income						
Rent receivable	255.6	48.5	59.9	9.3	23.5	396.8
Service charges receivable	18.3	13.9	-	0.6	15.4	48.2
Net rents receivable	**273.9**	**62.4**	**59.9**	**9.9**	**38.9**	**445.0**
Amortised government grants	10.0	1.4	-	-	1.5	12.9
Management fee	-	3.1	-	0.2	3.5	6.8
Other income	3.5	2.5	-	0.2	2.8	9.0
Other grants	1.4	-	-	-	0.8	2.2
Total income from social housing lettings	**288.8**	**69.4**	**59.9**	**10.3**	**47.5**	**475.9**
Expenditure						
Management	(44.0)	(11.2)	(5.6)	(3.1)	(11.9)	(75.8)
Service charges	(30.5)	(13.7)	(0.4)	(0.7)	(13.4)	(58.7)
Routine maintenance	(71.1)	(0.9)	(2.5)	(1.2)	(4.9)	(80.6)
Planned maintenance	(6.9)	-	-	(0.4)	(0.8)	(8.1)
Major repairs expenditure	(23.5)	(2.6)	(0.9)	-	(4.0)	(31.0)
Bad debts	(3.2)	(0.4)	(0.8)	-	(0.3)	(4.7)
Lease charges	(0.4)	-	(43.6)	-	(0.1)	(44.1)
Depreciation of housing properties	(46.5)	(0.1)	(0.2)	(1.6)	(4.6)	(53.0)
Operating costs on social housing lettings	**(226.1)**	**(28.9)**	**(54.0)**	**(7.0)**	**(40.0)**	**(356.0)**
Operating surplus on social housing lettings	**62.7**	**40.5**	**5.9**	**3.3**	**7.5**	**119.9**
Void losses	3.1	-	0.8	1.7	2.0	7.6

Note 3 - Income and expenditure from social housing lettings (continued)

Group - year ended 31 March 2020	Rented social housing £m	Shared ownership £m	Temporary housing £m	Key worker housing £m	Supported housing £m	Total £m
Income						
Rent receivable	247.5	46.0	63.5	10.4	27.7	395.1
Service charges receivable	18.2	10.4	-	0.6	15.9	45.1
Net rents receivable	**265.7**	**56.4**	**63.5**	**11.0**	**43.6**	**440.2**
Amortised government grants	8.1	1.0	-	-	1.2	10.3
Management fee	-	3.0	0.2	-	2.4	5.6
Other income	2.7	3.5	-	0.1	2.6	8.9
Other grants	1.8	-	-	-	1.0	2.8
Total income from social housing lettings	**278.3**	**63.9**	**63.7**	**11.1**	**50.8**	**467.8**
Expenditure						
Management	(44.0)	(12.6)	(6.6)	(3.4)	(16.0)	(82.6)
Service charges	(20.2)	(10.4)	(0.2)	(0.6)	(13.9)	(45.3)
Routine maintenance	(64.7)	(0.8)	(3.5)	(1.2)	(4.9)	(75.1)
Planned maintenance	(16.8)	(0.3)	-	(0.4)	(1.9)	(19.4)
Major repairs expenditure	(16.6)	(2.3)	(0.4)	-	(1.4)	(20.7)
Bad debts	(1.5)	(0.2)	(0.2)	(0.1)	(0.2)	(2.2)
Lease charges	-	-	(47.3)	(0.3)	(0.6)	(48.2)
Depreciation of housing properties	(45.8)	(0.3)	(0.2)	(1.5)	(5.1)	(52.9)
Operating costs on social housing lettings	**(209.6)**	**(26.9)**	**(58.4)**	**(7.5)**	**(44.0)**	**(346.4)**
Operating surplus on social housing lettings	**68.7**	**37.0**	**5.3**	**3.6**	**6.8**	**121.4**
Void losses	2.9	0.1	1.2	0.2	2.0	6.4

Note 3 - Income and expenditure from social housing lettings (continued)

NHG - year ended 31 March 2021	Rented Social housing £m	Shared ownership housing £m	Temporary housing £m	Keyworker housing £m	Supported housing £m	Total £m
Income						
Rent receivable	247.9	18.1	59.9	9.3	23.5	358.7
Service charges receivable	18.3	5.5	-	0.6	15.1	39.5
Net rents receivable	**266.2**	**23.6**	**59.9**	**9.9**	**38.6**	**398.2**
Amortised grants	10.0	1.1	-	-	1.5	12.6
Other grants	1.4	-	-	-	0.8	2.2
Management fee income	-	1.0	-	-	3.5	4.5
Other fee income	3.6	0.3	-	0.1	2.8	6.8
Turnover from social housing lettings	**281.2**	**26.0**	**59.9**	**10.0**	**47.2**	**424.3**
Expenditure						
Management	(43.3)	(0.3)	(5.6)	(3.1)	(11.9)	(64.2)
Service charges	(30.5)	(5.5)	(0.4)	(0.7)	(13.4)	(50.5)
Routine maintenance	(69.6)	(0.2)	(2.5)	(1.2)	(4.9)	(78.4)
Planned maintenance	(6.9)	-	-	(0.4)	(0.8)	(8.1)
Major repairs expenditure	(23.4)	(2.1)	(0.9)	-	(4.0)	(30.4)
Bad debts	(3.1)	(0.2)	(0.8)	-	(0.3)	(4.4)
Lease charges	(0.4)	-	(43.6)	-	-	(44.0)
Depreciation of housing properties	(44.3)	(0.1)	(0.2)	(1.6)	(4.6)	(50.8)
Operating costs on social housing lettings	**(221.5)**	**(8.4)**	**(54.0)**	**(7.0)**	**(39.9)**	**(330.8)**
Operating surplus on social housing lettings	**59.7**	**17.6**	**5.9**	**3.0**	**7.3**	**93.5**
Void losses	3.0	-	0.8	1.7	2.0	7.5

Note 3 - Income and expenditure from social housing lettings (continued)

NHG - year ended 31 March 2020	Rented social housing £m	Shared ownership housing £m	Temporary housing £m	Keyworker housing £m	Supported housing £m	Total £m
Income						
Rent receivable	241.2	17.8	63.5	10.4	27.7	360.6
Service charges receivable	18.2	2.5	-	0.6	15.7	37.0
Net rents receivable	**259.4**	**20.3**	**63.5**	**11.0**	**43.4**	**397.6**
Amortised grants	8.1	0.8	-	-	1.2	10.1
Other grants	1.8	-	-	-	1.0	2.8
Management fee	-	0.8	0.2	-	2.4	3.4
Other income	2.8	0.1	-	0.1	2.7	5.7
Turnover from social housing lettings	**272.1**	**22.0**	**63.7**	**11.1**	**50.7**	**419.6**
Expenditure						
Management	(43.3)	(3.0)	(6.6)	(3.4)	(16.0)	(72.3)
Service charges	(20.2)	(2.4)	(0.2)	(0.6)	(13.9)	(37.3)
Routine maintenance	(64.4)	(0.3)	(3.5)	(1.2)	(4.9)	(74.3)
Planned maintenance	(16.8)	(0.3)	-	(0.4)	(1.9)	(19.4)
Major repairs expenditure	(16.6)	(0.5)	(0.4)	-	(1.4)	(18.9)
Bad debts	(1.4)	-	(0.2)	(0.2)	(0.2)	(2.0)
Lease charges	(0.1)	-	(47.3)	(0.3)	(0.5)	(48.2)
Depreciation of housing properties	(44.4)	(0.3)	(0.2)	(1.5)	(5.1)	(51.5)
Operating costs on social housing lettings	**(207.2)**	**(6.8)**	**(58.4)**	**(7.6)**	**(43.9)**	**(323.9)**
Operating surplus on social housing lettings	**64.9**	**15.2**	**5.3**	**3.5**	**6.8**	**95.7**
Void losses	2.8	-	1.2	0.2	2.0	6.2

Note 4 - Surplus on disposal of assets

Group	2021 Shared ownership £m	2021 Other £m	2021 Total £m	2020 Shared ownership £m	2020 Other £m	2020 Total £m
Disposal proceeds	92.5	48.7	141.2	81.5	73.3	154.8
Social housing grant	(7.3)	(1.3)	(8.6)	(5.1)	16.6	11.5
Carrying value of fixed assets	(58.0)	(36.2)	(94.2)	(59.3)	(78.3)	(137.6)
Selling costs	(0.3)	(0.4)	(0.7)	(0.3)	(0.6)	(0.9)
Year-ended 31 March	**26.9**	**10.8**	**37.7**	**16.8**	**11.0**	**27.8**

NHG	2021 Shared ownership £m	2021 Other £m	2021 Total £m	2020 Shared ownership £m	2020 Other £m	2020 Total £m
Disposal proceeds	15.0	61.9	76.9	22.1	73.3	95.4
Social housing grant	(0.7)	(1.3)	(2.0)	(0.9)	16.6	15.7
Carrying value of fixed assets	(9.9)	(46.7)	(56.6)	(22.0)	(78.7)	(100.7)
Selling costs	(0.1)	(0.3)	(0.4)	(0.1)	(0.6)	(0.7)
Year-ended 31 March	**4.3**	**13.6**	**17.9**	**(0.9)**	**10.6**	**9.7**

Note 5 - Interest receivable and similar income

	Group		NHG	
	2021 £m	2020 £m	2021 £m	2020 £m
Bank deposits	0.2	1.0	0.2	0.9
Intercompany	-	-	29.7	35.7
Interest on financial assets held at amortised cost	**0.2**	**1.0**	**29.9**	**36.6**
Interest on financial assets held at fair value	1.2	1.0	1.2	1.0
	1.4	**2.0**	**31.1**	**37.6**

Note 6 - Interest payable and similar charges

	Group		NHG	
	2021 £m	2020 £m	2021 £m	2020 £m
Indexation on loans	-	-	-	-
Other loans	122.0	131.4	117.8	123.9
Interest on financial liabilities held at amortised cost	**122.0**	**131.4**	**117.8**	**123.9**
Interest paid on financial liabilities held at fair value	21.1	15.5	20.0	15.0
	143.1	**146.9**	**137.8**	**138.9**
Less: interest capitalised on developments	(19.2)	(22.8)	(3.7)	(8.7)
	123.9	**124.1**	**134.1**	**130.2**
Interest is capitalised at	3.93%	3.69%	4.15%	4.11%

Note 7 - Surplus on ordinary activities before taxation

	Group		NHG	
	2021 £m	2020 £m	2021 £m	2020 £m
Surplus on ordinary activities before taxation is stated after charging/crediting:				
Depreciation on housing properties	53.2	53.2	50.8	51.5
Depreciation on other fixed assets	10.5	9.6	9.4	8.3
Rent on temporary housing leases (less than 28 days)	44.1	48.2	44.0	48.2
Office rents	-	0.8	-	0.8
Hire of other assets	0.4	0.4	0.4	0.4
Impairment	3.6	3.3	(15.6)	0.2
Writedown of inventories	6.8	6.7	(9.5)	5.2
Surplus on sale of listed investments	-	(0.1)	-	-
Auditors' remuneration	£'000	£'000	£'000	£'000
Audit services (excluding VAT)	335.1	262.6	178.2	167.6
Non-audit services (including VAT)	-	-	-	-

Note 8 - Taxation

	Group		NHG	
Total tax reconciliation	2021 £m	2020 £m	2021 £m	2020 £m
Surplus on ordinary activities before tax	144.7	98.1	143.9	53.4
Theoretical tax at UK corporation tax rate 19% (2020: 19%)	27.5	18.6	27.3	10.1
Capitalised interest	-	(0.2)	-	-
Charitable activities	(31.1)	(15.9)	(27.3)	(10.1)
Fair value movement on investment profits	3.6	-	-	-
Fixed asset differences	1.0	-	-	-
Expenses not deductible for tax purposes	1.5	(2.2)	-	-
Chargeable losses/(gains)	6.2	(7.4)	-	-
Deferred tax not recognised	(8.7)	4.3	-	-
Effect of rate change on deferred tax	-	3.4	-	-
Adjustment to tax charge in respect of previous periods	-	(0.6)	-	-
Total tax charge	**-**	**-**	**-**	**-**

	Group		NHG	
Deferred tax	2021 £m	2020 £m	2021 £m	2020 £m
Balance at 1 April	52.5	51.8	-	-
Deferred tax charged to revaluation reserve	(0.5)	0.8	-	-
Deferred tax charged to cash flow hedge reserve	-	(0.1)	-	-
Balance at 31 March	**52.0**	**52.5**	**-**	**-**

Note 9 - Housing properties

On transition to FRS102, the Group took the option of carrying out a one-off valuation on the majority of its housing properties and using that amount as deemed cost. To determine the deemed cost at 1 April 2014, the Group engaged Jones Lang LaSalle (JLL) to value housing properties on an EUV-SH basis. Housing properties are subsequently to be measured at cost.

The valuation was carried out as a desktop exercise on an EUV-SH basis using discounted cash flows. The properties were grouped by local authority area.

The cash flow was calculated over 50 years with the net income in the final year capitalised into perpetuity with an assumption of 1% real rent increase per annum with a discount rate of between 5.25% and 6.25%.

Group

	Completed properties held for letting £m	Letting properties in the course of development £m	Completed shared ownership properties £m	Shared ownership properties in the course of development £m	Total £m
At 1 April 2020	5,447.2	230.9	1,156.6	168.8	7,003.5
Additions	0.4	162.9	0.3	61.3	224.9
Impairment	(21.4)	-	(7.8)	-	(29.2)
Works to existing properties	13.9	-	0.4	-	14.3
Properties completed	208.1	(208.1)	104.7	(104.7)	-
Disposals	(15.1)	(25.3)	(53.9)	(4.5)	(98.8)
Transfer to other tenures	(6.2)	(59.6)	(14.2)	18.6	(61.4)
At 31 March 2021	**5,626.9**	**100.8**	**1,186.1**	**139.5**	**7,053.3**
Depreciation					
At 1 April 2020	(399.5)	-	(11.0)	-	(410.5)
Charge for the year	(53.2)	-	-	-	(53.2)
Disposals	4.1	-	0.4	-	4.5
At 31 March 2021	**(448.6)**	**-**	**(10.6)**	**-**	**(459.2)**
Net book value					
At 31 March 2021	**5,178.3**	**100.8**	**1,175.5**	**139.5**	**6,594.1**
At 31 March 2020	**5,047.7**	**230.9**	**1,145.6**	**168.8**	**6,593.0**
Historical cost at 31 March 2021	5,140.9	100.8	1,114.2	139.5	6,495.4
Historical cost at 31 March 2020	4,959.0	230.9	1,082.0	168.8	6,440.7

Note 9 - Housing properties (continued)

NHG

	Completed properties £m	Housing properties in the course of development £m	Completed shared ownership properties £m	Shared ownership properties in the course of development £m	Total £m
At 1 April 2020	5,190.1	131.8	463.6	36.9	5,822.4
Additions	0.5	120.7	-	2.7	123.9
Impairment	(8.7)	-	-	-	(8.7)
Works to existing properties	13.9	-	-	-	13.9
Properties completed	178.2	(178.2)	31.7	(31.7)	-
Disposals	(15.1)	(1.4)	(9.9)	-	(26.4)
Transfer between group members	(6.2)	4.3	7.2	21.4	26.7
At 31 March 2021	**5,352.7**	**77.2**	**492.6**	**29.3**	**5,951.8**
Depreciation					
At 1 April 2020	(394.9)	-	(0.1)	-	(395.0)
Charge for the year	(50.8)	-	-	-	(50.8)
Disposals	4.2	-	-	-	4.2
At 31 March 2021	**(441.5)**	**-**	**(0.1)**	**-**	**(441.6)**
Net book value					
At 31 March 2021	**4,911.2**	**77.2**	**492.5**	**29.3**	**5,510.2**
At 31 March 2020	**4,795.2**	**131.8**	**463.5**	**36.9**	**5,427.4**
Historical cost at 31 March 2021	4,885.4	77.2	466.4	29.3	5,458.3
Historical cost at 31 March 2020	4,720.6	131.8	436.6	36.9	5,325.9

Housing Properties comprise:	Group 2021 £m	Group 2020 £m	NHG 2021 £m	NHG 2020 £m
Freeholds	5,727.2	5,889.6	4,233.9	4,382.0
Long leaseholds	852.7	687.2	1,257.4	1,024.5
Short leaseholds	14.2	16.2	18.9	20.9
	6,594.1	**6,593.0**	**5,510.2**	**5,427.4**

Additions to properties include:	Group 2021 £m	Group 2020 £m	NHG 2021 £m	NHG 2020 £m
Capitalised interest	19.2	22.8	3.7	8.7
Capitalised development salaries and overheads	6.5	7.1	1.6	2.1

Expenditure on works to existing properties	Group 2021 £m	Group 2020 £m	NHG 2021 £m	NHG 2020 £m
Amounts capitalised	14.3-	12.6	13.9	12.6
Amounts charged to income and expenditure account	31.0	20.7	30.4	18.9
	45.3	**33.3**	**44.3**	**31.5**

Note 10 - Investment properties

The market rent properties were valued at 31 March 2021 by Jones Lang LaSalle Limited, member of the Royal Institute of Chartered Surveyors. The properties were valued at open market value basis subject to tenancies. The properties were valued on a discounted cashflow basis over a 10-year holding period, with a reversion in the final year to net income capitalised into perpetuity by an exit yield between 3.9% and 4.75% dependent on the scheme. The discount rate used is between 6.5%.and 6.75%

The financial statements include commercial properties at open market value with vacant possession. The valuation has been compiled for internal accounts purposes and complies with VPGA1 valuation for inclusion in financial statements. RICS Valuation – Global Standards 2017. These were valued by Dunphys Ltd, Savills, Jones Lang LaSalle, Tuckerman Chartered Surveyors, and Currell Chartered Surveyors. All valuers are members of the Royal Institute of Chartered Surveyors at 31 March 2021.

Impairment

The valuation of the market rent units and the outcome of a reduction in the fair value on certain schemes triggered the Group to review this as a potential impairment indicator for similar market rent developments. On this basis the values of two schemes have an overall impairment of £2.6m. The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally.

Nevertheless, as at the valuation date property markets have started to function again, with transactions returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS3 and VPGA 10 of the RICS Valuation - Global Standards.

Group	Completed market rent properties £m	Market rent properties in the course of development £m	Sub total £m	Completed commercial properties £m	Commercial properties in the course of development £m	Sub total £m	**Total £m**
Valuation 1 April 2020	826.8	151.2	978.0	78.2	8.8	87.0	1,065.0
Additions	-	33.1	33.1	-	-	-	33.1
Completed properties	115.1	(115.1)	-	0.7	(0.7)	-	-
Transfer to other tenures	-	(1.8)	(1.8)	0.2	(2.8)	(2.6)	(4.4)
Revaluation of property	21.2	(2.7)	18.5	(1.9)	-	(1.9)	16.6
At 31 March 2021	**963.1**	**64.7**	**1,027.8**	**77.2**	**5.3**	**82.5**	**1,110.3**
Impairment							
At 1 April 2020 and 31 March 2021	**-**	**-**	**-**	**(0.8)**	**-**	**(0.8)**	**(0.8)**
Net book value							
At 31 March 2021	**963.1**	**64.7**	**1,027.8**	**76.4**	**5.3**	**81.7**	**1,109.5**
At 31 March 2020	826.8	151.2	978.0	77.4	8.8	86.2	1,064.2

Note 10 - Investment properties (continued)

NHG

	Completed market rent properties £m	Market rent properties in the course of development £m	Sub total £m	Completed commercial properties £m	Commercial properties in the course of development £m	Sub total £m	**Total £m**
Valuation at 1 April 2020	252.9	1.4	254.3	46.8	-	46.8	301.1
Transfer between group members	-	(0.6)	(0.6)	0.2	-	0.2	(0.4)
Additions	3.4	-	3.4	-		-	3.4
Disposals	(34.4)	-	(34.4)	-		-	(34.4)
Completed properties	0.8	(0.8)	-	-	-	-	-
Revaluation of property	2.1	-	2.1	(2.7)	-	(2.7)	(0.6)
At 31 March 2021	**224.8**	**-**	**224.8**	**44.3**	**-**	**44.3**	**269.1**
Impairment							
At 1 April 2020 and 31 March 2021	**-**	**-**	**-**	**(0.7)**	**-**	**(0.7)**	**(0.7)**
Net book value							
At 31 March 2021	**224.8**	**-**	**224.8**	**43.6**	**-**	**43.6**	**268.4**
At 31 March 2020	252.9	1.4	254.3	46.1	-	46.1	300.4

Note 11 - Other fixed assets

Group	Other land and buildings £m	Other tangible fixed assets £m	Total assets £m
Cost			
At 1 April 2020	60.3	68.4	128.7
Additions	0.4	5.3	5.7
Transfer to other tenures	(4.6)	-	(4.6)
Disposals	(3.2)	(0.6)	(3.8)
At 31 March 2021	**52.9**	**73.1**	**126.0**
Accumulated depreciation			
At 1 April 2020	19.1	50.3	69.4
Charge for the year	2.3	8.2	10.5
Transfer	(2.2)	-	(2.2)
Disposals	(2.9)	(0.7)	(3.6)
At 31 March 2021	**16.3**	**57.8**	**74.1**
Net book value			
At 31 March 2021	**36.6**	**15.3**	**51.9**
At 31 March 2020	41.2	18.1	59.3

NHG	Other land and buildings £m	Other tangible fixed assets £m	Total assets £m
Cost			
At 1 April 2020	60.1	63.0	123.1
Additions	0.4	5.3	5.7
Transfer to other tenures	(4.6)		(4.6)
Disposals	(3.2)	(0.4)	(3.6)
At 31 March 2021	**52.7**	**67.9**	**120.6**
Accumulated depreciation			
At 1 April 2020	19.0	47.9	66.9
Charge for the year	2.3	7.1	9.4
Transfer	(2.9)	(0.7)	(3.6)
Disposals	(2.2)	-	(2.2)
At 31 March 2021	**16.2**	**54.3**	**70.5**
Net book value			
At 31 March 2021	**36.5**	**13.6**	**50.1**
At 31 March 2020	41.1	15.1	56.2

Group - other land and building	2021 Total £m	2020 Total £m
Freehold	36.6	41.0
Short leasehold	-	0.2
Total	**36.6**	**41.2**

NHG - other land and building	2021 Total £m	2020 Total £m
Freehold	36.5	40.9
Short leasehold	-	0.2
Total	**36.5**	**41.1**

Note 12 - Investment in Homebuy activities

Group	Homebuy loans to customers £m
At 1 April 2020	27.1
Paid in year	(1.0)
Written off in the year	-
At 31 March 2019	**26.1**

Other investments

Other investments consists of listed investments and investments in associate.

Investments in asssociate	Group and NHG	
	2021 Fair value £m	2020 Fair value £m
At 1 April 2020	5.3	5.3
At 31 March 2021	5.3	5.3

Investment in associate

The Group owns 19% of the voting shares in LINQ Housing plc. The Group also owns 69% of the economic shares. The other shareholders are LINQ Partners Ltd, Swan New Homes Ltd and Ocorian Trustee (UK) Ltd. LINQ Housing plc was set up to buy and operate market rent housing. It has made past purchases of 181 properties from constituents of NHG on 50 year leases and NHG manage 74 of these properties. The sales to LINQ included overage agreements stipulating that on subsequent sale of the properties by LINQ within the 50-year lease term, then NHG is entitled to a percentage of the sale price ranging from 3.3% to 14.2% of the open market value. This is treated as deferred income in NHG accounts and will be released at the time properties are sold by LINQ.

To date 181 market rent properties have been sold to LINQ Housing.

Statement of comprehensive income	Group and NHG	
	2021 £m	2020 £m
75% of surplus for year	-	-
75% of turnover	-	-

Statement of financial position	Group and NHG	
	2021 £m	2020 £m
25% of deferred income	6.0	6.0
25% of investment in associate	5.3	5.3

Note 13 - Number of dwellings under development and in management

	Group 2021 No.	Group 2020 No.	NHG 2021 No.	NHG 2020 No.
In the development programme				
Commercial property	59	-	-	-
General needs housing	2,045	2,639	2,045	2,639
Shared ownership housing	2,934	3,696	-	-
Outright sales	2,722	3,745	-	-
Market rent	998	1,388	-	73
Intermediate market rent	374	280	40	-
	9,132	**11,748**	**2,085**	**2,712**
Rented social housing includes affordable housing units	562	903	562	903
The development programme includes homes on site	2,479	3,716	696	1,236

	Group 2021 No.	Group 2020 No.	NHG 2021 No.	NHG 2020 No.
In management at the end of the year				
General needs housing	34,736	35,624	34,657	35,521
Keyworker accommodation	1,447	1,348	1,447	1,348
Shared ownership housing	9,124	8,299	3,661	3,041
Temporary housing	2,880	3,325	2,879	3,311
Market rent accommodation	3,201	3,094	1,272	1,559
Student accommodation	839	839	-	-
Supported housing and housing for older people	3,636	4,225	3,636	4,138
Leasehold in management	9,137	8,093	4,261	3,422
	65,000	**64,847**	**51,813**	**52,340**
Rented social housing includes affordable housing units	4,964	4,528	4,964	4,528

Owned but not managed

	Group 2021 No.	Group 2020 No.	NHG 2021 No.	NHG 2020 No.
General needs rented housing	387	369	387	369
Supported housing and housing for older people	1,148	1,210	1,148	1,210
Market rent accommodation	2	2	-	2
Shared ownership housing	-	10	-	10
Leasehold in management	-	14	-	14
Temporary housing	-	1	-	1
	1,537	**1,606**	**1,535**	**1,606**

Note 14 - Investments

NHG	2021 £m	2020 £m
Cost		
At 1 April	295.1	251.0
Additions	159.9	44.1
Disinvestment in subsidiary	-	-
At 31 March	**455.0**	**295.1**
Impairment		
At 1 April	-	-
Provision for impairment	-	-
Disinvestment in subsidiary	-	-
At 31 March	**-**	**-**
Net book value		
At 31 March	**455.0**	**295.1**

As required by statute, the financial statements consolidate the results of Notting Hill Genesis and its subsidiaries at 31 March 2021 (see note 33). NHG has the right to appoint members to the boards of all of its subsidiaries, thereby exercising control.

During the year NHG provided management services for Canonbury Developments Limited, Notting Hill Home Ownership Limited, Notting Hill Developments Limited, Project Light Market Rent Limited, Folio London Limited, Notting Hill Community Housing, Touareg Trust, Walworth Homes Limited, Choices for Grahame Park Limited and Springboard 2 Housing Association Limited and charged them £11.0m (2020: £6.4m). The Board believe that the carrying value of the investment is supported by their underlying net assets.

Note 15 - Properties in the course of sale

	Group		NHG	
	2021 £m	2020 £m	2021 £m	2020 £m
Properties under construction				
First tranche	28.5	39.5	4.4	7.8
Outright sales	205.5	233.3	8.6	38.1
Completed properties				
First tranche	47.7	48.8	26.9	20.2
Outright sales	105.7	96.9	21.4	18.4
Landbank				
Landbank	161.4	205.4	77.6	79.0
	548.8	**623.9**	**138.9**	**163.5**

Note 16 - Debtors falling due within one year

	Group		NHG	
	2021 £m	2020 £m	2021 £m	2020 £m
Rental debtors	38.9	37.9	35.6	36.0
Less provision	(24.3)	(20.5)	(22.1)	(19.2)
	14.6	**17.4**	**13.5**	**16.8**
Trade debtors	6.2	7.4	4.1	5.3
Amounts receivable from local authorities	4.7	4.4	2.1	1.9
Amounts owed by subsidiary undertakings	-	-	239.5	120.2
Value added tax receivable	3.0	-	-	-
Other debtors	83.6	15.7	23.6	13.9
Prepayments and accrued income	29.2	28.2	8.9	7.8
Intercompany short-term investments	-	-	169.1	438.0
	141.3	**73.1**	**460.8**	**603.9**

Note 17 - Debtors due after more than one year

	Group		NHG	
	2021 £m	2020 £m	2021 £m	2020 £m
Other long-term debtors	7.9	8.4	6.8	7.6
Derivative instrument asset	12.0	26.0	20.5	29.2
Intercompany long-term investments	-	-	420.2	492.0
	19.9	**34.4**	**447.5**	**528.8**

Note 18 - Current asset investments

	Group		NHG	
	2021 £m	2020 £m	2021 £m	2020 £m
Short-term deposit	30.6	18.1	15.6	18.1
	30.6	**18.1**	**15.6**	**18.1**

Note 19 - Creditors: amounts falling due within one year

	Group		NHG	
	2021 £m	2020 £m	2021 £m	2020 £m
Housing loans (note 21)	331.2	121.5	323.2	113.5
Trade creditors	13.3	13.8	9.1	7.5
Amounts owed to Group undertakings	-	-	111.4	34.1
Other taxes and social security	1.9	2.4	3.0	2.9
Social housing grant	9.7	9.7	-	9.3
Recycled capital grant fund	24.9	26.8	10.7	16.3
Other creditors	71.2	84.2	41.7	43.2
Accruals and deferred income	182.9	155.2	115.8	94.3
	635.1	**413.6**	**614.9**	**321.1**

Note 20 - Creditors: amounts falling due after more than one year

	Group		NHG	
	2021 £m	2020 £m	2021 £m	2020 £m
Housing loans (note 21)	3,048.1	3,364.7	2,658.5	3,117.0
Recycled capital grant fund	28.9	21.3	13.9	8.9
Disposal proceeds fund	-	-	-	-
Deferred government grant	1,139.2	1,185.1	1,021.8	1,053.6
Homebuy grant	26.1	27.1	-	-
Other long-term creditor	38.3	36.5	8.3	8.4
	4,280.6	**4,634.7**	**3,702.5**	**4,187.9**

Deferred government grant	Group			NHG		
	Completed properties £m	Work in progress £m	Total £m	Completed properties £m	Work in progress £m	Total £m
Opening balance at 1 April 2020	897.5	297.3	1,194.8	873.0	189.9	1,062.9
Released to revenue	8.9	-	8.9	2.2	-	2.2
Released on transfer to other registered providers	(0.2)	-	(0.2)	(0.2)	-	(0.2)
Transferred to completed schemes	18.2	(18.2)	-	13.9	(13.9)	-
Transferred to recycled capital grant	-	4.2	4.2	-	4.1	4.1
Recycled on disposal	(11.0)	(6.3)	(17.3)	(3.9)	(5.6)	(9.5)
Amortisation	(12.9)	-	(12.9)	(12.6)	-	(12.6)
Payable to GLA	-	(28.6)	(28.6)	-	(27.2)	(27.2)
Intercompany transfer	-	-	-	-	2.1	2.1
Balance at 31 March 2021	**900.5**	**248.4**	**1,148.9**	**872.4**	**149.4**	**1,021.8**

Recycled capital grant fund	Group Total £m	NHG Total £m
At 1 April 2020	48.1	25.2
Grants recycled	17.2	9.6
Interest accrued	0.1	-
Used to finance new provision	(4.2)	(4.2)
Payable	(8.5)	(6.0)
Homebuy redemption	1.1	-
At 31 March 2021	**53.8**	**24.6**

At the end of 31 March 2021, £22.1m (2020: £22.9m) of grants were due for repayment to the Greater London Authority.

Homebuy - Group	Homebuy grants receivable £m
At 1 April	27.1
Repaid in the year	1.0
Written back in year	-
At 31 March 2021	**26.1**

Note 21 - Loans

	Group		NHG	
	2021 £m	2020 £m	2021 £m	2020 £m
Secured loans and overdrafts	1,248.6	1,655.1	884.8	1,433.3
Unsecured loans and overdrafts	336.4	36.6	302.6	2.7
Public bonds	1,794.3	1,794.5	1,794.3	1,794.5
Non-recourse secured bank loans	-	-	-	-
Housing loans	**3,379.3**	**3,486.2**	**2,981.7**	**3,230.5**

Analysis of loan repayments	Group		NHG	
	2021 £m	2020 £m	2021 £m	2020 £m
Repayable on maturity				
- in less than five years	-	-	-	-
- within one year or on demand	310.1	80.5	304.5	74.4
- between one and two years	3.2	5.4	3.5	5.3
- between two and five years	16.4	159.0	17.4	158.7
- in five years or more	2,355.3	2,260.3	1,825.3	1,979.6
Repayable by annual instalments				
- within one year or on demand	21.1	41.0	18.7	39.1
- between one and two years	45.0	37.1	42.4	34.7
- between two to five years	112.7	207.4	97.8	194.0
- in five years or more	515.5	695.5	672.1	744.7
	3,379.3	**3,486.2**	**2,981.7**	**3,230.5**

Public bonds

As at 31 March 2021, the Group had six public bonds in issue:

Amount £m	Year due	Interest rate %
250	2029	2.875 secured
350	2032	3.750 secured
250	2039	6.064 secured
300	2042	5.250 secured
400	2048	3.250 secured
250	2054	4.375 secured

Loans

The Group financing facilities include term and revolving facility loans with maturities out to 2056.

The loans are secured on property assets by a first secured charge. On undrawn revolving facilities, commitment fees are payable.

The Group has unsecured funding of ¥5bn (2020: ¥5bn) which has been hedged into £28m (2020: £28m) by a currency swap, to finance housing development in a subsidiary. The fixed rate coupon is 2.975% and there are six years remaining to maturity. The Group also has two interest-free unsecured loans totalling £8.8m used to finance housing development in a subsidiary.

Public secured bonds and secured loans are secured by fixed charges on individual properties. The number of charged properties for the Group is 35,508 with a value on a Market Value-Tenanted (MV-T) basis of £8,123.1m; for NHG it is 30,540 with a value on a MV-T basis of £7,116.0m (2020: Group 35,429 and NHG 31,297).

The Group has pledged as collateral against potential liabilities on free standing derivatives 1,289 properties with a total charge value of £319.8m (2020: 1,443 properties with a value of £380.4m) and for NHG 1,289 properties with a total charge value of £319.8m (2020: 1,443 properties and a value of £380.4m).

The rate of interest on loans ranges from 0.309% to 10.700%.

At 31 March 2021 the Group had undrawn loan facilities of £879.3m (2020: £474.5m).

The Group loan balance of £3,379.3m (2020: £3,486.2m) has been netted off by loan arrangement fees of £21.0m and receipts of loan premiums of £13.6m which are written off over the term of each loan.

The NHG loan balance of £2,981.7m (2020: £3,230.5m) has been netted off by loan arrangement fees of £15.1m and receipts of loan premiums of £9.0m which are written off over the term of each loan.

As at the year-end, £683.6m (2020: £791.0m) of the Group's variable debt had its interest rate hedged by stand-alone interest rate swaps. As at the year-end £42.0m (2020: £42.0m) of the Group's fixed debt had its interest rate hedged by stand-alone swaps. As at the year-end, ¥5bn (2020: ¥5bn) of the Group's debt has been hedged into £28m (2020: £28m) by a currency swap. Note 35 has an analysis of the anticipated contractual cash flows including interest payable for the Group's financial liabilities on an undiscounted basis. Interest is calculated on drawn debt throughout the year ended at 31 March 2021.

Note 22 - Provisions for liabilities and charges

Group

	Short-term leases total £m	Onerous contracts £m	Other provisions £m	London Living Wage and welfare provision £m	Total £m
At 1 April 2020	1.5	2.4	6.4	0.4	10.7
Additional provisions	-	-	-	1.0	1.0
Reclassification	(0.1)	0.1	-	-	-
Release of provision	-	(2.5)	-	(0.5)	(3.0)
At 31 March 2021	**1.4**	**-**	**6.4**	**0.9**	**8.7**

NHG

	Short-term leases total £m	Onerous contracts £m	London Living Wage and welfare provision £m	Total £m
At 1 April 2020	1.5	24.3	0.2	26.0
Additional provisions	-	-	1.0	1.0
Reclassification	(0.1)	0.1	-	-
Release of provision	-	(24.4)	(0.5)	(24.9)
At 31 March 2021	**1.4**	**-**	**0.7**	**2.1**

During the year £nil (2020: £nil) was set aside for future repairs and £nil (2020: £0.1m) was used to carry out repairs to properties that were handed back during the year. All provisions are attributable to NHG.

As properties under construction were sold during the year, the onerous contracts were released to the statement of comprehensive income.

During the year £nil (2020: £nil) of other provisions was set aside in respect of other principal development agreement.

During the year £1.0m (2020:£0.1m) was set aside to pay for London Living Wage and welfare provision in the care and support schemes and payments of £0.5m (2020:£0.1m) were made.

Note 23 - Called-up share capital

	2021 £	2020 £
At 1 April	128	149
Redeemed during year	(15)	(21)
At 31 March	**113**	**128**

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

Note 24 - Reserves

General reserves reflects accumulated surpluses for the Group which can be applied at its discretion for any purpose.

The revaluation reserve relates to the transition to deemed cost for housing properties (see note 9).

The cash flow hedge reserve is used to record transactions arising from the Group's cash flow hedging arrangements.

Note 25 - Reconciliation of operating surplus to net cash inflow from operating activities

Group	2021 £m	2020 £m
Operating surplus	262.2	212.6
Surplus on sale of properties	(37.7)	(27.8)
Fair value gains on investment	(16.2)	(12.6)
Fair value losses on financial instruments	(5.8)	(4.1)
Depreciation	63.7	62.6
Impairment charge	3.6	3.3
(Premium on)/amortisation of loan set-up costs	(2.4)	1.2
Other assets and amounts written off	0.1	4.6
Joint venture income	(7.2)	(18.6)
Decrease in properties and other assets in the course of sale	150.0	20.2
(Increase)/decrease in debtors	(67.7)	12.3
(Decrease) in creditors	(21.2)	(20.0)
Net cash inflow from operating activities at 31 March	**321.4**	**233.7**

Note 26 - Reconciliation of net cash flow to movement in net debt

Group	2021 £m	2020 £m
Decrease in cash	38.8	14.7
Cash flow from increase in liquid resources	(12.5)	(0.5)
Cash flow from (decrease)/increase in debt and lease finance	(104.7)	11.9
Non cashflow changes	(2.2)	3.3
Total changes in net debt for the year	**(80.6)**	**29.4**
Net debt at 1 April	3,349.8	3,320.4
Net debt at 31 March	**3,269.2**	**3,349.8**

Note 27 - Analysis of debt

	1 April 2020 £m	Cash flow £m	Non cash £m	31 March 2021 £m
Cash at bank and in hand	118.3	(38.8)	-	79.5
Current asset investment	18.1	12.5	-	30.6
Loans				
Short-term loans	(121.5)	(170.8)	(38.9)	(331.2)
Long-term loans	(3,364.7)	275.5	41.1	(3,048.1)
Changes in net debt	**(3,349.8)**	**78.4**	**2.2**	**(3,269.2)**

Note 28 - Pension obligations

The Group's employees and past employees are active members, deferred members or pensioners of several pension schemes operated by the Group. These include the Social Housing Pension Scheme (SHPS DB), the Genesis scheme, the PCHA 2001 scheme, the LPFA scheme and the Wandsworth Council Pension Fund (WCPF) (collectively, the "plans"). All the plans are closed to new entrants. Further information on the plans is provided below.

SHPS

The Group participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The schemes are classified as a 'last-man standing arrangement'. Therefore, the Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

Other pension schemes

The remaining pension schemes are defined benefit schemes in the UK which are closed to future accrual. There is a separate trustee-administered fund holding the pension scheme assets to meet long-term pension liabilities. In most cases, a full actuarial valuation is carried out on a periodic basis, which is then updated by a qualified actuary, independent of the scheme's sponsoring employer, as at 31 March 2021. Where this is not the case, this is stated below. Each of the valuations have been updated to show the defined benefit obligation at the reporting date. Where applicable for certain schemes the Group has agreed to pay the scheme expenses, the Pension Protection Fund (PPF) levies and group life premiums which are paid separately.

Name of pension scheme	Date of last full actuarial valuation	Deficit in valuation £m	Agreed contributions per annum £m	Period of commitment for contributions
SHPS DB	30 September 2016	26.7	4.0	Until 2026
Genesis Pension Scheme	30 September 2016	17.2	1.7	Until 2027
PCHA 2001 Pension Scheme	30 September 2016	12.7	1.6	Until 2025
LFPA Pension Scheme	31 March 2019	1.7	-	Until 2023
Wandsworth Council Pension Fund(WCPF)	31 March 2019	0.6	-	Until 2023
Total		**58.9**	**7.3**	

Further disclosures on the plans

As permitted by section 28 of FRS 102, the Group has aggregated the financial information in respect of the defined benefit schemes (the "plans") in which it participates for presentation purposes:

Pension scheme liabilities recognised in the statement of financial position

Pension obligations recognised as defined Benefit schemes	2021 £m	2020 £m
SHPS DB	32.7	16.2
Genesis	8.0	4.0
PCHA 2001	1.0	-
LPFA	2.7	1.9
WCPF	0.3	0.4
Total	**44.7**	**22.5**

Note 28 - Pension obligations (continued)

Principal actuarial assumptions at the financial position date (expressed as a range):

	2021	2020
Discount rate	1.95-2.17%	2.30-2.38%
Inflation (RPI)	3.28-3.30%	2.62-2.70%
Inflation (CPI)	2.65-2.86%	1.62-1.70%
Salary growth	3.35-4.30%	2.62-3.70%
Allowance of commutation of pension for cash at retirement	75% of max	75% of max

The mortality assumptions applied at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2020	21.3-21.6
Female retiring in 2020	23.5-24.3
Male retiring in 2040	22.5-23.1
Female retiring in 2040	25.1-26.0

Amounts recognised in the Income Statement

	2021 £m	2020 £m
Net interest on defined benefit liability	0.5	1.2
Current service cost	0.1	0.1
Expenses paid	0.4	0.4
Total expenses	**1.0**	**1.7**

Amounts recognised in other comprehensive income

	2021 £m	2020 £m
Actual return on the assets held in the Plans	32.1	17.6
Return on assets included in net interest	(11.6)	(14.2)
Asset gain	20.5	3.4
Effects of changes in assumptions underlying the present value of the plans' liabilities	(51.4)	27.3
Experiences gains arising on the plans' liabilities	2.5	(0.2)
Effects of changes in demographic assumptions	(0.6)	-
Actuarial (loss)/gain recognised	(29.0)	30.5

Statement of financial position

	2021 £m	2020 £m
Fair value of the plans' assets	265.1	239.0
Present value of funded retirement benefit obligations	(309.8)	(261.5)
Net liability	**(44.7)**	**(22.5)**

Note 28 - Pension obligations (continued)

Reconciliation of movements on the defined benefit obligation	2021 £m	2020 £m
Defined benefit obligation at the start of the period	**261.5**	**288.3**
Current service cost	-	0.1
Interest cost	6.0	6.7
Actuarial (gains)/losses due to scheme experience	(2.2)	(0.3)
Actuarial (gains)/losses due to changes in demographic assumptions	1.1	(3.2)
Actuarial losses/(gains) due to changes in financial assumptions	51.0	(24.0)
Past service cost – plan amendments/curtailments	-	-
Experience loss/(gain) on defined benefit obligation	(0.2)	-
Expenses	-	0.1
Benefits paid	(7.4)	(6.2)
Defined benefit obligation at the end of the period	**309.8**	**261.5**

Reconciliation of movements on the fair value of the plans' assets	2021 £m	2020 £m
Fair value of the plans' assets at the start of the period	**239.0**	**230.0**
Interest income	5.4	5.4
Expenses	(0.2)	(0.2)
Experience gain/loss on plan assets (excluding amount in interest income)	20.5	3.3
Other actuarial gains/losses	-	(0.4)
Contributions by the employer	7.8	7.7
Benefits paid	(7.4)	(6.8)
Fair value of the plans' assets at the end of the period	**265.1**	**239.0**

The fair values of each main class of assets held by the plans and the expected rates of return for the ensuing year are set out in the following table.

	2021		2020	
Categories of assets held by the plans are as follows:	£m	% Holding	£m	% Holding
Bonds	111.4	42.0	109.0	46.0
Equity	44.7	17.0	40.9	17.0
Property and infrastructure	18.8	7.0	17.6	7.0
Other	68.6	26.0	51.2	20.0
Absolute return	7.7	3.0	6.6	3.0
Alternative risk premia	5.2	2.0	8.7	4.0
Insurance linked securities	3.3	1.0	3.8	2.0
Cash	5.4	2.0	1.2	1.0
	265.1	**100.0**	**239.0**	**100.0**

Note 29 - Employee information

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

	Group and NHG	
	2021 No.	2020 No.
Staff engaged in managing or maintaining housing stock	661	731
Staff providing other housing services	135	194
Staff engaged in developing or selling housing stock	124	160
Staff providing central administration services	325	356
Staff providing care and support	386	606
	1,631	**2,047**

Staff costs for the above persons	Group		NHG	
	2021 £m	2020 £m	2021 £m	2020 £m
Wages and salaries	68.6	70.0	62.0	65.1
Social security costs	6.8	7.0	6.2	6.3
Other pension costs (see note 28)	7.8	6.9	7.2	6.2
	83.2	**83.9**	**75.4**	**77.6**

Redundancy payments of £551,707 (2020: £724,564) were made during the year.

Salary range	2021 £'000	2020 £'000
Lowest paid employee	20	17
Highest paid employee	282	275

Remuneration banding for employees earning over £60,000 is set out below.

£'000	2021 No.	2020 No.
60-70	105	88
70-80	43	39
80-90	20	19
90-100	24	20
100-110	10	11
110-120	3	3
120-130	4	6
130-140	8	5
140-150	6	4
150-160	3	-
160-170	1	-
170-180	-	1
180-190	1	1
190-200	2	-
200-210	2	1
210-220	-	1
240-250	1	-
250-260	1	1
310-320	1	-

Note 30 - Board and Executive Directors' emoluments

The payments to current non-Executive Board members represents 0.02% (2020: 0.02%) of turnover. Board members are appraised on an annual basis and there is an annual review of Board member payments.

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

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

The remuneration of the members of the Board, the Committees and the Executive Directors was:	2021 £'000	2020 £'000
Fees for members of the Board	155	151
Fees for Committee members	54	45
Management services of Executive Directors (including pension contributions and benefits in kind)	1,999	1,837
Remuneration for management services (excluding pension contributions) includes the amount paid to the highest paid Director	282	275

Current non-Executive Board members at 31 March	2021 £'000	2020 £'000
Ian Ellis	30.0	17.5
Linde Carr	15.0	15.0
Jenny Buck	-	15.0
Stephen Bitti	15.0	15.0
Elaine Bucknor	18.5	15.0
Alexander Phillips	18.0	15.0
Bruce Mew	15.0	15.0
Jane Hollinshead	15.0	15.0
James Wardlaw	-	13.8
Richard Powell	15.0	15.0
Fred Angole	6.9	-
Arike Oke	6.3	-

Current Executive Board members	Salaries £'000	Pension costs £'000	2021 Total £'000
Kate Davies, Chief Executive	282	30	312
Andy Belton, Chief Operating Officer and Deputy Chief Executive	230	25	255
John Hughes, Group Development Director	220	30	250
Mark Vaughan, Group Director of Housing	195	15	210
Carl Byrne, Group Director of Commercial Services	188	14	202
Paul Phillips, Chief Financial Officer [1]	176	19	195
Vipul Thacker, Group Central Services Director	170	18	188
Elly Hoult, Group Director of Assets [2]	169	14	183
Katie Bond, Group Director of Sales and Building Safety [1]	147	20	167

[1] Salary pro-rated to reflect part-time working
[2] Appointed 30 April 2020

The Chief Executive is a preserved member of the pension scheme operated by the Social Housing Pension Scheme on behalf of all qualifying employees. No special or enhanced terms apply to her membership of the scheme.

During the year £111,079 was paid as loss of office payments (2020: £nil).

Note 31 - Capital commitments

	Group		NHG	
	2021 £m	2020 £m	2021 £m	2020 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements:	498.0	733.0	-	182.3
Capital expenditure that has been authorised by the Board but has not yet been contracted for:	222.6	95.5	57.6	12.1

Capital commitments will be funded by a combination of social housing grant of £68m, sales receipts of £400.1m and existing loan facilities of £252.4m.

Note 32 - Operating leases

The payment which the Group and NHG is committed to make in the next year under operating leases is as follows.

	2021 £m	2020 £m
These leases can be cancelled within 28 days' notice. The amount shown is the full payment for the year		
Temporary housing leases less than one year	34.5	32.9

Other operating lease payments under non-cancellable operating leases for properties are set out below:

	2021 £m	2020 £m
Not later than one year	6.0	5.9
Later than one year and not later than five years	25.7	25.2
Later than five years	200.1	200.4

The Group's social housing properties are held under operating leases and are tenanted under cancellable operating lease conditions. Typical tenant break clauses exist requiring a notice period of a month. Rents fluctuate in accordance with the Rent Standard and are affected by the Welfare Reform and Work Act 2016. Shared ownership properties may be purchased (stair-cased by its leaseholder) at any time at the pro-rata market rate). Ongoing lease payments will be adjusted according to the share of ownership retained by the Group. Certain properties are available to purchase via right to buy by the existing tenant.

Note 33 - Incorporation, subsidiaries and joint ventures

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

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

Notting Hill Genesis has taken advantage of the exemption contained in Financial Reporting Standard 102 - Related Party Disclosures 33.1A, and has therefore not disclosed transactions or balances with wholly owned subsidiaries.

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

- Notting Hill Commercial Properties Limited - ordinary shares, redeemable ordinary shares and redeemable preference
- Project Light Development 1 Limited - ordinary shares, ordinary-A and ordinary-B shares
- Project Light Development 2 Limited - ordinary shares and ordinary-A shares
- Notting Hill Developments Limited - ordinary and redeemable preference shares

Note 33 - Incorporation, subsidiaries and joint ventures (continued)

Company (subsidiaries)	Principal activity	Parent	Country of registration
Notting Hill Home Ownership Limited	Performs the activities of a registered housing association	NHG owns one of 11 shares and controls the Board. The remaining 10 shares are held in trust for NHG.	England and Wales
Notting Hill Commercial Properties Limited	Develops and lets commercial properties	NHG - 100% shares	England and Wales
Notting Hill Developments Limited	Develops and sells properties	Notting Hill Commercial Properties Limited - 100% shares	England and Wales
Folio London Limited	Rents properties at market rent	NHG - 100% shares	England and Wales
Canonbury Developments Limited	Develops and sells properties	Notting Hill Home Ownership Limited	England and Wales
Presentation Market Rent Limited (dormant)	Rents properties at market rents (dormant)	NHG - 100% shares	England and Wales
Folio Treasury Holdings Limited	Treasury holding company	Folio London Limited-100% shares	England and Wales
Folio Treasury Limited	Financing company	Folio London Limited-100% shares	England and Wales
Folio Buildings Limited	Rents properties at market rent	Folio London Limited-100% shares	England and Wales
Folio Porters Edge Limited	Rents properties at market rent	Folio London Limited-100% shares	England and Wales
Folio Bakersfield Limited	Rents properties at market rent	Folio London Limited-100% shares	England and Wales
Folio City Park West Limited	Rents properties at market rent	Folio London Limited-100% shares	England and Wales
Folio Sterling Place Limited	Rents properties at market rent	Folio London Limited-100% shares	England and Wales
Folio New Garden Quater Limited	Rents properties at market rent	Folio London Limited-100% shares	England and Wales
Folio St James Limited	Rents properties at market rent	Folio London Limited-100% shares	England and Wales
Folio New Hendon Village Limited	Rents properties at market rent	Folio London Limited-100% shares	England and Wales
TLD Kidbrooke LLP	To invest in the Kidbrooke scheme and provide business manager services to Kidbrooke LLP	Notting Hill Commercial Properties Limited - 99% control	England and Wales
Goat Wharf Limited	Develops and sells properties	Notting Hill Home Ownership Limited -100% shares	England and Wales
Igloo Insurance Protected Captive Cell NOT6	Provides insurance services	NHG - 100% shares	Guernsey
Project Light Development 1 Limited	Develops and sells properties	Notting Hill Commercial Properties Limited - 100% shares	England and Wales
Project Light Development 2 Limited	Develops and sells properties	Notting Hill Commercial Properties Limited - 100% shares	England and Wales
Project Light Market Rent Limited	Rents properties at market rent	Project Light Development 1 Limited - 100% shares	England and Wales
Notting Hill Community Housing Limited	Rents properties at sub-market prices	NHG - 100% shares	England and Wales
Walworth Homes Limited	Develops and sells properties	Notting Hill Commercial Properties Limited - 100% shares	England and Wales
Touareg Trust	Provides student accommodation	NHG is sole guarantee member and controls the Board	England and Wales
Choices for Grahame Park Limited	Develops and sells properties	NHG - 100% shares	England and Wales
GenFinance Limited	Responsible for managing loan facilites	NHG - 100% shares	England and Wales
GenFinance 2 PLC	Incorporated for the £250 million bond issue.	NHG - 100% shares	England and Wales
European Urban St Pancras 2 Limited (dormant)	Develops and sells property	NHG - 100% shares	England and Wales
Pathmeads Property Services Ltd (dormant)	Develops and sells property	NHG - 100% shares	England and Wales
Springboard 2 Housing Association Limited	Registered provider, manages shared ownership properties	NHG owns one of 11 shares and controls the Board. The remaining 10 shares are held in trust for NHG.	England and Wales

Note 33 - Incorporation, subsidiaries and joint ventures (continued)

Company (subsidiaries)	Principal activity	Parent	Country of registration
Genesis Purchasing Limited	Procures contracting and consulting services on behalf of the Group.	NHG - 100% shares	England and Wales
Genesis Oaklands Limited	Develops and sells property	NHG - 100% shares	England and Wales
Genesis Community Foundation Limited	A charity formed to run community and social regeneration projects	NHG - 100% shares	England and Wales
GenInvest Limited	Develops and sells properties	NHG - 100% shares	England and Wales
Stoke Quay New Homes Ltd	Develops and sells properties.	NHG - 100% shares	England and Wales
Central Chelmsford Development Agency Ltd	Develops and sells properties.	NHG - 100% shares	England and Wales

Notting Hill Home Ownership Limited has a joint venture investment in KLA Twickenham LLP and Triangle London Developments LLP, registered in England and Wales (see below).

Notting Hill Commercial Properties Ltd also has a joint venture investment in Brenley Park LLP, Chobham Farm North LLP, Spray Street Quarter LLP, Armada 1 Development LLP, Gallions 2A Developments LLP, Gallions 2B Development LLP, TLD Kidbrooke LLP, Kidbrooke Partnership LLP and Rainham and Beam Park Regeneration LLP.

The Group's investment in joint venture projects amounted to £35.3m (2020: £41.4m). Details of these investments are shown below.

Joint venture income in the amount of £7.2m (2020: £18.6m) made in the year.

The contingent liability is limited to the amount invested.

Note 33 - Incorporation, subsidiaries and joint ventures (continued)

Joint ventures

Name	Nature of business	Share of capital commitment	Proportion of holding	Year ended	Assets 2021 £m	Liabilities 2021 £m	Assets 2020 £m	Liabilities 2020 £m
KLA Twickenham LLP	Development of 280 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation.	Nil	50%	31 March	0.1	(0.1)	0.1	(0.1)
Brenley Park LLP	Development of 169 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation.	Nil	50%	31 December	0.1	(0.1)	0.1	(0.1)
Chobham Farm North LLP	Development of 478 shared ownership, permanent rented, affordable keyworker and private for sale residential accommodation.	Nil	50%	31 March	0.6	(0.6)	3.2	(3.2)
Kidbrooke Partnership LLP	To develop site adjacent to Kidbrooke Station. The scheme will comprise ten blocks.	Nil	50%	31 March	18.8	(18.8)	15.1	(15.1)
Spray Street Quarter LLP	To acquire and develop site in Woolwich Town Centre to construct 612 residential units and 8,770 square metres of non-residential space.	Nil	50%	31 March	3.3	(3.3)	2.8	(2.8)
Armada 1 South Developments LLP	To develop phase 1 of the Gallions Quarter sites.	Nil	50%	31 March	4.7	(4.7)	15.7	(15.7)
Gallions 2A Developments LLP	To develope phase 2 of the Gallions Quarter sites.	Nil	50%	31 March	3.8	(3.8)	3.4	(3.4)
Gallions 2B Development LLP	To develop phase 3 of the Gallions Quarter sites.	Nil	50%	31 March	2.4	(2.4)	1.0	(1.0)
Rainham and Beam Park Regeneration LLP	To acquire and develop site in Rainham and Beam Park in the London Borough of Havering. The scheme will consist of 774 units of mixed tenure.	Nil	50%	31 March	1.5	(1.5)	1.2	(1.2)
Triangle London Developments Limited	Established to bid for Transport for London sites.	Nil	50%	31 May	0.1	(0.1)	0.1	(0.1)
					35.4	**(35.4)**	**42.7**	**(42.7)**

Note 34 - Transactions with related parties

At 31 March 2021 there were two member on the Board who had tenancies with NHG. They are Linde Carr and Stephen Bitti. The tenancy agreements have been granted on the same terms as for all other tenants, and the housing management procedures, including those relating to management of arrears, have been applied consistently to these tenants. In respect of Linde Carr, during the year, rents of £7,643 (2020: £7,443) were charged. A credit balance of £689 was outstanding at year end (2020: £821). In respect of Stephen Bitti, during the year rents of £7,369 (2018: £7,122) were charged. A balance of £25 was outstanding at the year end (2018: £21).

At 31 March 2021 there was one member on the Board, Arike Oke, who had a lease with NHG. The lease had been granted on the same terms as for all other leases and the housing management procedures, including those relating to management of arrears, have been applied consistently to this leaseholder. During the year, rents and service charges of £7,199 (2020: £7,153) were charged. The amount outstanding at the year-end was a credit balance of £301.41 (2020: £301.41).

Project Light Development 1 Limited

During the year NHHO charged Project Light Development 1 Limited, a subsidiary of Notting Hill Commercial Properties Limited, subsidiary of NHG £nil (2020: £121,850) in respect of administration costs. At the year ending 31 March 2021 £nil (2020: £nil) was owed to NHHO.

Project Light Development 2 Limited

During the year NHHO charged Project Light Development 2 Limited, a subsidiary of Notting Hill Commercial Properties Limited, subsidiary of NHG £nil (2020 :£121,850) in respect of administration costs. At the year ending 31 March 2021 £nil (2020: £nil).

Chobham Farm North LLP

During the year NHHO charged Chobham Farm North LLP, a joint venture of Notting Hill Commercial Properties Limited, subsidiary of NHG and Telford Homes Plc £68,086 (2020:£66,967) in respect of administration costs. At the year ending 31 March 2021 £nil (2020: £nil) was owed to NHHO. During the year the joint venture sold £nil (2020:£192,217) properties in the course of constructions to NHHO.

During the year the LLP distributed £6,927,000 to the its JV partners.

Armada 1 South Development LLP

During the year NHHO charged Armada 1 South Development LLP, a joint venture of Notting Hill Commercial Properties Limited, subsidiary of NHG and Telford Homes Plc £66,339 (2021: £65,250) in respect of administration costs. At the year ending 31 March 2021 £nil (2020: £nil) was owed to NHHO. At 31 March 2021 the amount receivable from NHHO was £nil (2020: £nil). During the year the joint venture sold £1,552,009 (2020: £8,453,624) properties in the course of constructions to NHHO and its Group undertakings.

During the year members of Armada 1 South Development LLP received a repayment of total capital contributions of £30,505,390 (2020: £nil). During the year members of Armada 1 South Development LLP received a profit of £5,000,000.00 (2020:£nil).

Spray Street Quarter LLP

During the year NHHO charged Spray Street Quarter LLP, a joint venture of Notting Hill Commercial Properties Limited, subsidiary of NHG and St Modwen Developments Limited £1 (2020: £1) in respect of administration costs. At the year ending 31 Mar 2021 £nil (2020: £nil) was owed to NHHO.

Gallions 2B Development LLP

During the year NHHO charged Gallions 2B Development LLP, a joint venture of Notting Hill Commercial Properties Limited, subsidiary of Notting Hill Housing NHG and Telford Homes Plc £66,339 (2020: £65,250) in respect of administration costs. At the year ending 31 March 2021 £nil (2020: £nil) was owed to NHHO.

Kidbrooke Partnership LLP

During the year TLD Kidbrooke LLP, a joint venture of NHG and U+I PLC, charged Kidbrooke Partnership LLP, a joint venture of TLD Kidbrooke LLP and Transport for London, £146,714 (2020: £96,038) in respect of administration costs. At the year ending 31 March 2021 £nil (2020: £nil) was owed to TLD Kidbrooke LLP.

Note 34 - Transactions with related parties (continued)

Rainham Beam Park Regeneration LLP

During the year NHHO charged LLP, Rainham Beam Park Regeneration LLP a joint venture of Notting Hill Commercial Properties Limited, subsidiary of NHG and London Borough of Havering £518,122 (2020: £596,740) in respect of administration costs. At the year ending 31 March 2021 £220,884 (2020: £205,884) was owed to NHHO.

During the year NHG had invested the following amounts in the share capital of its non-regulated subsidiaries.

	2021 £m	2020 £m
Notting Hill Commercial Properties Limited	150.4	146.6
Folio London Limited	264.9	110.8
Igloo Insurance Protected CaptiveCell NOT 6	0.7	0.7
Pathmeads Property Services Limited	0.9	0.9
Genesis Oaklands	0.1	0.1
Choices for Grahame Park Limited	2.0	-
At 31 March	**419.0**	**259.1**

During the year the NHG had invested the following loans in its non regulated subsidiaries.

	2021 £m	2020 £m
Notting Hill Developments Limited	38.9	92.9
Folio London Limited	17.4	249.8
Touareg Trust	19.5	16.8
Notting Hill Community Housing	58.0	70.7
Project Light Development 1 Limited	-	28.7
Project Light Development 2 Limited	-	24.9
Project Light Market Rent Limited	-	72.2
Canonbury Developments Limited	28.2	53.9
Genesis Oaklands Limited	131.9	83.6
Choices for Grahame Park Limited	35.3	28.0
Folio Porters Edge Limited	0.5	-
Folio Bakersfield Limited	0.2	-
Folio City Park West Limited	0.3	-
Folio Sterling Place Limited	0.3	-
Folio New Garden Quarter Limited	0.2	-
Folio St James Limited	0.2	-
Folio Buildings Limited	0.3	-
Folio New Hendon Village Limited	0.1	-
Walworth Homes llmited	23.1	12.7
At 31 March	**354.4**	**734.2**

Details of other transactions between NHG and its non-regulated subsidiaries during the year are shown here.

The transactions relate to: Notting Hill Commercial Properties Limited, Notting Hill Developments Limited, Canonbury Developments Limited, Folio London Limited, Touareg Trust , Goat Wharf Limited, Notting Hill Community Housing, Walworth Homes Limited, Igloo Insurance Protected Captive Cell NOT6,Choices for Grahame Park Limited, Genfinance limited, GenFinance 2PLC, Genesis Purchasing Limited, Genesis Oaklands Limited, Genesis Community Foundation, Stoke Quay New Homes Limited, Central Chelmsford Development Agency Limited, Folio Treasury Limited and Folio New Hendon Village Limited.

In accordance with the treasury policy, excess cash held by subsidiaries is invested in NHG to manage interest charges.

Purchases relate to invoices that are charged to NHG but relate to other Group companies. They include temporary staff costs, utility bills and courier charges.

Overhead recharges are recharges made by NHG to the rest of the Group based on the budget taking into account staff numbers, floor space and turnover per subsidiary.

Payroll relates to payroll costs for specific staff who work directly for the said subsidiaries.

Other inter-company transactions	2021 £m	2020 £m
Excess cash invested	27.3	45.5
Purchases	(2.8)	(1.4)
Overhead recharges	(1.0)	(0.7)
Payroll	(2.3)	(2.5)
Interest	(8.9)	(10.2)
Transfer of stock	-	(12.9)
Disinvestment in subsidiaries	(0.6)	(11.9)
	11.7	**5.9**

Note 35 - Financial instruments and risk management

Group

	Financial assets at fair value		Financial assets at amortised cost	
	2021 £m	2020 £m	2021 £m	2020 £m
Financial assets that are debt instruments measured at amortised cost				
Current asset investments	-	-	30.6	18.1
Cash	-	-	79.5	118.3
Debtors	-	-	141.3	73.1
Debtors falling due after one year	-	-	7.9	8.4
Financial assets measured at fair value through the statement of comprehensive income				
Interest rate swaps fixed to float	8.8	17.4	-	-
RPI option	-	-	-	-
Designated currency hedge	3.2	8.6	-	-
Total	**12.0**	**26.0**	**259.3**	**217.9**

NHG

	Financial assets at fair value		Financial assets at amortised cost	
	2021 £m	2020 £m	2021 £m	2020 £m
Financial assets that are debt instruments measured at amortised cost				
Current asset investments	-	-	15.6	18.1
Cash	-	-	31.0	77.1
Debtors	-	-	460.8	603.9
Debtors falling due after one year	-	-	427.0	499.6
Financial assets measured at fair value through the statement of comprehensive income				
Interest rate swaps fixed to float	20.5	29.2	-	-
RPI option	-	-	-	-
Designated currency hedge	-	-	-	-
Total	**20.5**	**29.2**	**934.4**	**1,198.7**

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

Credit risk is assessed on all financial instruments in the tables above and an adjustment is made to the valuation to reflect the credit risk associated with each counterparty.

Note 35 - Financial instruments and risk management (continued)

Group

	Financial liabilities at fair value		Financial liabilities at amortised cost	
	2021 £m	2020 £m	2021 £m	2020 £m
Financial liabilities that are measured at amortised cost				
Trade and other payables	-	-	303.9	292.1
Public bonds	-	-	1,794.3	1,794.5
Loans and borrowings	-	-	1,585.0	1,691.7
Other long-term creditors	-	-	1,329.2	1,345.0
Financial liabilities that are measured at fair value through the statement of comprehensive income				
RPI swaps	6.6	8.7	-	-
Cancellable interest rate swaps	2.0	2.5	-	-
Interest rate swaps float to fixed	7.5	13.8	-	-
Designated interest rate hedges	124.0	153.6	-	-
Total	**140.1**	**178.6**	**5,012.4**	**5,123.3**

NHG

	Financial liabilities at fair value		Financial liabilities at amortised cost	
	2021 £m	2020 £m	2021 £m	2020 £m
Financial liabilities that are measured at amortised cost				
Trade and other payables	-	-	291,7	207.6
Public bonds	-	-	1,794.3	1,794.5
Loans and borrowings	-	-	1,187.4	1,436.0
Other long-term loans	-	-	1,088.7	1,093.4
Financial liabilities that are measured at fair value through the statement of comprehensive income				
RPI swaps	6.6	8.7	-	-
Cancellable interest rate swaps	2.0	2.6	-	-
Interest rate swaps float to fixed	10.8	13.8	-	-
Designated interest rate hedges	123.0	151.6	-	-
Total	**142.4**	**176.7**	**4,362.1**	**4,531.5**

Group

	2021		2020	
	Book value £m	Fair value £m	Book value £m	Fair value £m
A comparison of the book value to the fair value of the Group's long-term borrowings at 31 March				
Current portion of long-term debt	331.2	331.2	121.5	121.5
Long-term debt	3,048.1	3,048.1	3,364.7	3,364.7
	3,379.3	**3,379.3**	**3,486.2**	**3,486.2**

	Group		NHG	
	2021 £m	2020 £m	2021 £m	2020 £m
Gains in respect of financial derivatives held at fair value through the statement of comprehensive income				
Gains on disposal of financial interest rate swaps	-	-	-	-
Gains in respect of financial derivatives	5.0	7.6	6.5	9.8
Gains in respect of financial derivatives	-	-	-	-
	5.0	**7.6**	**6.5**	**9.8**

NHG

	2021		2020	
	Book value £m	Fair value £m	Book value £m	Fair value £m
A comparison of the book value to the fair value of the NHG's long-term borrowings at 31 March				
Current portion of long-term debt	323.2	323.2	113.5	113.5
Long-term debt	2,658.5	2,658.5	3,117.0	3,117.0
	2,981.7	**2,981.7**	**3,230.5**	**3,230.5**

Note 35 - Financial instruments and risk management (continued)

Risk

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk.

Interest rate risk

The Group finances its development through a mixture of retained surplus, grant and borrowings. The Group's interest rate management ensures that a minimum of 40% of its drawn funds should be fixed on a long-term basis and the remaining 60% is either hedged or kept at variable rates depending on prevailing market conditions and requirements of the business.

The Group has entered into interest rate swap agreements to hedge exposure to the variability in cash flows attributable to movements in interest rates. This is documented in the treasury policy and allows the Group to enter into contracts where the Group agrees to pay interest at a fixed rate and receives interest at a floating rate. The interest rate swaps are designated as a hedge of the variable debt interest payments which are linked to changes in the benchmark interest rate (LIBOR) which is the quoted price in an active market. This method reflects the risk management objective of the hedging relationship that swaps a series of future variable cash flows to a fixed rate. The interest rate swap agreements which do not meet the hedging tests contained in FRS102 are accounted for through the statement of comprehensive income.

The cash flows from the interest rate swaps are expected to occur monthly, quarterly or on a semi-annual basis dependent on each contract.

Hedge accounting

Where the Group hedges its exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt, or future currency payment on debt denominated in a foreign currency) or a highly probable forecast transaction and that transaction could affect profit or loss, the hedging relationship is designated as a cash flow hedge.

The tables above indicate the periods in which cash flows associated with cash flow hedging instruments are expected to occur.

The key assumption used in valuing the interest foreign currency derivatives is the GBP:JPY forward exchange rates.

Hedge accounting is discontinued where the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged instrument is derecognised or the hedging instrument is terminated.

A cash flow hedge is accounted for as follows:

The proportion of the gain or loss on the hedging instruments that is determined to be an effective hedge are recognised directly in equity and the ineffective portion of the gain or loss on the hedging instrument is taken to the statement of comprehensive income.

Where the forecast transaction results in a financial asset or financial liability, only gains or losses previously recognised in the statement of comprehensive income are reclassified to the statement of comprehensive income in the same period as the asset or liability affects income or expenditure. Where the forecasted transaction or commitment results in a non-financial asset or a non-financial liability, any gains or losses previously deferred in the statement of comprehensive income are included in the cost of the related asset or liability. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in the statement of comprehensive income are transferred to the statement of comprehensive income in the same period as the underlying income or expenditure.

Liquidity risk

The Group has a policy to maintain sufficient liquidity in cash and lending facilities to cover 18 months of operational activity. At the year end, 85% of the Group's borrowings were due to mature in more than five years. The liquidity risk of each Group entity is managed centrally by the Group treasury function on a monthly basis to adhere to Group policy.

Note 36 - Contingent liability

Contingent liabilities relate to grant recognised in general reserves under the performance method upon transition to deemed cost.

	Group		NHG	
	2021 £m	2020 £m	2021 £m	2020 £m
At 1 April	**1,539.2**	**1,536.5**	**1,392.9**	**1,386.7**
Realised on disposal	(8.9)	(5.5)	(2.2)	(1.3)
Additions	12.9	10.3	12.6	10.1
Adjustments	-	6.9	-	6.4
Transfers to other registered provider	-	(9.0)	-	(9.0)
At 31 March	**1,543.2**	**1,539.2**	**1,403.3**	**1,392.9**

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