

NETWORK HOUSING GROUP

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015



ABOUT NETWORK HOUSING GROUP

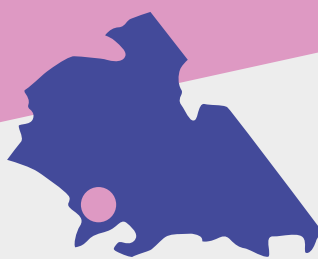
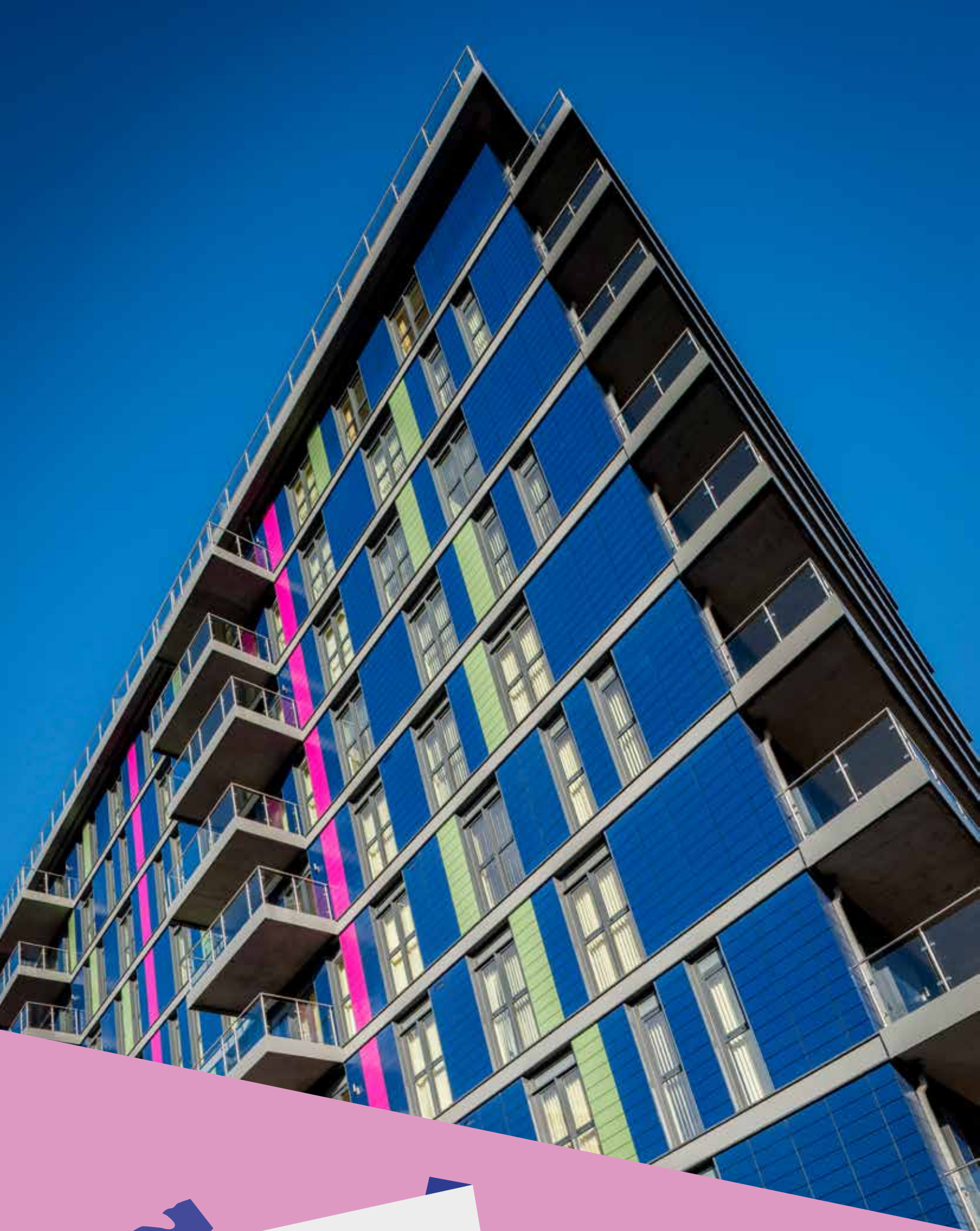
- We own and manage over 18,000 homes, mainly in London and Hertfordshire. We work in 40 local authority areas
- We are a member of the G15 group of London's largest housing associations
- We consist of four registered providers - Network Stadium Housing Association, Riversmead Housing Association, Community Trust Housing and London Strategic Housing - and our commercial brand, Network Living
- We are experts in development and regeneration with a large, flourishing development programme, working across the full range of tenures
- We are a leading provider of leased accommodation and services for private landlords and health trusts
- We have specialist skills in the provision of housing and services for older people



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243 EALING ROAD
ALPERTON

441 HOMES
Brent

THE BOARD, EXECUTIVE OFFICERS & ADVISORS

THE DIRECTORS OF THE COMPANY WHO WERE IN OFFICE DURING THE YEAR AND UP TO THE DATE OF SIGNING THE FINANCIAL STATEMENTS WERE:

BOARD

Andrew Watson, Chair (resigned 21 May 2015)
Helen Evans, Group Chief Executive (resigned 21 May 2015)
Alan Head, Chair – Group Investment Committee (resigned 21 May 2015)
Christopher Lyons, Chair – Group Audit Committee (resigned 1 April 2015)
Charmian Boyd (resigned 21 May 2015)
Chris Kane (resigned 21 May 2015)
Linda Walton, Chair - Group Finance Committee (resigned 1 September 2014)
Anne Turner (appointed 1 September 2014, resigned 21 May 2015)
Nick Sharman (resigned 21 May 2015)
Kevin Brush (resigned 20 May 2015)
Peter Stredder, Chair – Audit and Risk Committee (appointed 25 July 2014, resigned 21 May 2015)
Trevor Morley (resigned 21 May 2015)

This Board was replaced on 21 May 2015 with the Common Board.

COMMON BOARD

The following are the Board members of Network Housing Group and all other Registered Providers in the Group:

Andy Watson, Chair (appointed 21 May 2015)
Anne Turner (appointed 21 May 2015)
Peter Stredder (appointed 21 May 2015)
Helen Evans (appointed 21 May 2015)
Chris Kane (appointed 21 May 2015)
Charmian Boyd (appointed 21 May 2015)

The following are only Board members of the Associations as indicated:

Trevor Morley (appointed 21 May 2015) Network Stadium and LSH
Valerie Vaughan-Dick (appointed 21 May 2015) Network Stadium and LSH
Nick Sharman (appointed 21 May 2015) Riversmead
Alan Hall (appointed 21 May 2015) Riversmead

Alan Head (appointed 30 June 2015)
 Community Trust Housing

Peter Fiddeman (appointed 30 June 2015)
 Community Trust Housing

COMPANY SECRETARY

Richard Reger

EXECUTIVE OFFICERS

Helen Evans, Group Chief Executive
Trudi Kleanthous, Corporate Business Director
David Levenson, Group Finance Director and from 1 April 2014 Acting Commercial Director (resigned 26 September 2014)
Barry Nethercott, Interim Group Finance Director
Gerry Doherty, Director of Asset Management
Vicky Savage, Group Development Director

REGISTERED OFFICE

Olympic Office Centre
 8 Fulton Road, Wembley, Middlesex HA9 0NU

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
 1 Embankment Place, London WC2N 6RH

SOLICITORS

Trowers & Hamlins
 3 Bunhill Row, London EC1Y 8YZ

BANKERS

Barclays Bank PLC
 1 Churchill Place, London E14 5HP

REGISTRATIONS

Homes & Communities Agency No. L4373
 Co-operative and Community Benefit Societies No. 29543R



REPORT OF THE BOARD

THE BOARD PRESENTS ITS REPORT AND THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR NETWORK HOUSING GROUP LIMITED ('THE GROUP', 'NHG LTD', 'THE ASSOCIATION') AND ITS SUBSIDIARY UNDERTAKINGS FOR THE YEAR ENDED 31 MARCH 2015

The consolidated Income and Expenditure account, Statement of Total Recognised Surpluses and Deficits, Balance Sheet and Cash Flow Statement for Network Housing Group Limited are set out on pages 36 to 41. The Group's principal accounting policies are set out on pages 42 – 47 and these policies have been consistently applied across the Group.

The purpose of Network Housing Group which is encapsulated in our 5 Year Strategy mission statement is, *'To be a leading housing provider, maximising the homes we build, known for the quality of our development and customer service offers, and with highly satisfied customers and partners'*.

The Group now owns and/or manages over 18,000 properties for a wide range of customers.

CHAIR'S REVIEW

This has been an extremely positive year for Network Housing Group. We achieved a record net surplus of £49.2m, more than double last year's previous net surplus of £23.3m (itself a record). Our operating margin has grown from 29.6% in 2014 to 35.5% and turnover has increased by 21.4% to over £189m.

We have a £1.4bn asset base of properties at cost (including Social Housing Grant at £538m), practically completed over 1,200 homes in the year and have a strong development programme in place for 2015-2018. During the year we also raised an additional £89m in new facilities at favourable rates. We are in a strong position for the future.

These results reflect the enormous amount of work undertaken to improve our value for money and efficiency as a business, building on the outcomes from our 'Fit for the Future' review in 2013/14, which unified our management structure.

Following on from these changes, during 2014/15 we have focused on governance change, moving away from our federal Group structure to a simpler Common Board structure that will enable faster decision making, stronger Board control and risk management, and better value for money. The Common Board met for the first time in May 2015.

Through the 2014/15 year we also engaged in discussions with another major London-based Registered Provider, Catalyst Housing, on the potential benefits of amalgamating our businesses. The organisations are approximately the same size and the geographical synergies are strong. The two organisations took a decision in June 2015 not to progress the arrangements as the complexity of effectively integrating two such large businesses meant many of the potential benefits for residents and the organisations were unlikely to be realised within a reasonable timeframe.

In development we continue to punch above our weight. During 2014/15, we secured £34.4m in grants for the period 2015-18. This included the second largest housing grant allocation of any housing association in London for this period.

We have outperformed many of our larger peers in terms of numbers of new homes delivered. But this has not come at the expense of quality – we received six major development awards for the quality of our homes during 2014/15. These achievements support our objective of maximising the homes we deliver within available resource to help address the severe affordable housing crisis in the areas in which we operate.

We will continue to achieve this objective and are planning to do so in the face of many challenges and changes in the operating environment. For example, the extension of Right to Buy and the planned £12bn of further welfare cuts will have an impact on our balance sheet and revenues, and most importantly, on our residents. The extent will depend on the final shape of these policies and the mitigations we are able to put in place. We know too that we have further work to do in continuing to improve our business efficiency and customer satisfaction levels.

However, Network Housing Group is now a much stronger business than it was two years ago, financially, structurally and managerially. We are in a good position to respond to our changing operating environment and to keep delivering for our current and future customers. The credit for that improvement goes to our staff and my fellow board members for the exceptional work they have put in to improve the quality of everything we do. That work will continue.



A handwritten signature in black ink that reads "Andy Watson".

ANDY WATSON
Group Chair
Network Housing Group

GROUP CHIEF EXECUTIVE'S REVIEW

During the 2014/15 year we have continued to implement change across the business to improve our efficiency and quality, and to support our ability to meet the objectives in our new Five Year Strategy.

The Five Year Strategy, adopted by the Board in July 2014, commits us to four key objectives:

- Maximising growth within our resources
- Delivering first class customer service
- Increasing our financial strength
- Building a great organisation

We have taken action towards meeting each of these ambitions.

Our development performance, with over 1,200 homes being practically completed in the year and obtaining the housing grants we bid for in the 2015-18 bid round, marked an excellent start. Our four major regeneration schemes across London and Hertfordshire are also progressing well.

Our customer service ambition is bold, deliberately committing us to a significant improvement in our customer satisfaction over a limited time. We have introduced a new Customer Service Strategy to guide us, combined with a new Customer Charter which lays down clear and consistent standards. The Common Board governance structure is supported by a Group Residents' Panel and Local Resident Panels, which ensure that residents have a clear and defined route to making their views known to the Group Board and to help shape our policies. We have also continued to implement key changes resulting from the 'Fit for the Future' structural review.

Our newly centralised Asset Management team began operating at the start of 2014/15 and our single Customer Service Centre became operational in June 2014. We have invested in these new teams to ensure they have the capacity and skills to improve our service to customers and the benefits are now beginning to show through.

For example, we have significantly improved our procurement processes and introduced a new procurement strategy. We have invested in and improved contracts management to improve delivery from key contractors and terminated poorly performing contracts. We have carried out a stock condition survey which has accessed 70% of occupied homes and 100% of common areas which means that we have comprehensive, accurate and up to date information on which to base our new asset management strategy. We have also introduced 'transaction based' customer satisfaction surveys to provide more current and better quality management information.

Through our Corporate Social Responsibility (CSR) programmes we are supporting more people into work and offering training and advice. Our welfare benefits advisors have helped improve the finances of 166 low income households by nearly £680k. CSR supports our residents, but also has the business benefit of supporting income collection through the impact of welfare reform. This will be increasingly important as further significant welfare reform is implemented.

Our improved financial performance is demonstrated in the Chair's report and through the remainder of these financial statements.

We recognise that to achieve our business objectives we need to attract and retain a highly skilled and committed workforce by being a great place to work. The progress we have made towards becoming an organisation with a clear, unified, overarching strategy and a cohesive culture will contribute to this.

Other activity in the year focused on making Network a great place to work includes our well being programme for staff, our major culture programme – Network has HART - which focuses on cultivating the required behaviours from staff and has already contributed to strengthening performance. We have made substantial improvements to our internal communications, including introducing a new intranet and enhanced regular briefing systems for all employees. This has been reflected in service improvements and an increase in customer satisfaction to 79%. This is still short of our aspiration but is a step in the right direction.

The past two years have been an intense period of necessary change and we will continue to evolve our business to achieve our challenging objectives in a tough operating environment. We are making good progress.



Helen Evans

HELEN EVANS

Group Chief Executive
Network Housing Group



SIGNIFICANT EVENTS IN THE YEAR

Organisational restructure

April 2014 saw the implementation of the Group organisational restructure 'Fit for the Future', undertaken to improve efficiency and reduce costs across the Group. This was in part achieved by centralising the Customer Service Centre, Asset Management, Complaints, Performance and Communications functions.

Consolidation of our Governance arrangements

In continued response to the changes in our external environment the Group has now reviewed its governance structure. We needed a governance structure that allowed us to be quicker and more flexible in our decision making. The registered provider Boards across the Group have now agreed to move to a Common Board which met for the first time in May 2015.

Residents' involvement and improved Customer Service

A structure has also been agreed for residents to influence policy and strategy and ensure accountability for service standards. As a result of the governance consolidation it is now possible to create a Group-wide central resident body (Group Panel) with representatives from the new Local Panels across Network's areas of operation. This new structure is being implemented and will be bedded in through 2015.

During 2014/15 the Group unified and relocated a new Customer Service Centre. We also made significant progress towards improving the way we source data about our customers by undertaking transactions based satisfaction surveys. This will assist us in meeting our aim of having high quality, reliable and relevant information about at least 90% of our customers by the end of 2015.

Residents have been involved in shaping our service improvement plan. For example, during the previous year Network Stadium Housing

Association's Scrutiny Panel conducted a scrutiny project investigating Anti-Social Behaviour (ASB) case management. The panel's target was to increase resident satisfaction in the Group's management of this issue to a score of 80%. During the year a service improvement plan developed in partnership with the neighbourhood management team led to a satisfaction level of 95% with this service being achieved.

Improved Asset Management

A review of asset management was undertaken as part of the 'Fit for the Future' review resulting in the creation of a new centralised strategic Asset Management team.

Since April 2014 some 25 new technical/professional and administrative staff have been appointed, strengthening the Group's asset management skill base and capacity going forward.

At the beginning of 2014/15 there were a number of legacy issues that the new department has managed, including some poor contractor performance, affecting services to residents. A thorough review and consolidation of contracts was undertaken across the Group and more robust performance management of contractors was introduced.

This has led to much improved reactive and planned maintenance service delivery to our residents and significant improvements in customer satisfaction with repairs.

Development Performance

The Group's development programme is contributing significantly to our organic growth aspiration of 1,000 new homes per year. We have succeeded in meeting the delivery expectations of our investment partners at the GLA and HCA, despite the challenging backdrop of a highly competitive and overheated land

acquisition market, rising build costs, skills shortages and a construction industry that has struggled to keep up with demand.

We have had to be adaptable over the last four years. The flexible framework of the Affordable Homes Programme (AHP) 2011-2015, the opportunity to bid for additional funding under other programmes (all under the “Mayor’s Housing Covenant (MHC)” umbrella), together with the strong working relationship between our development team and the funding bodies, has allowed us to achieve our goals. The last year of the programme (2014/15) brought relative stability as the final stages of the programme had been fixed and most projects

were on site prior to the start of the year.

The Group received £17.2m of grant funding for Practical Completion of over 1,200 homes in the year. Of this, £15.8m relates to the completion of 1,139 homes in London where we exceeded our GLA target by 11 homes and £1.4m relates to the completion of 108 homes in the Eastern Region where we met our HCA target.

Of the completed homes, 555 new homes were handed over into management across the Group in 2014/15.

Tenure	Units	Funding Programme
Social Rent	30	AHP 11-15
Affordable Rent	191	AHP 11-15
Shared Ownership	172	AHP 11-15
Flexible Affordable Home Ownership	95	MHC Homes For Working Londoners
Shared Equity	21	AHP 11-15
Fixed Equity on Regeneration Schemes	5	None
Private Sale	41	None
TOTAL	555	



Under our grant funded programmes in 2014/15 we achieved Practical Completion grant claims on 136 homes that were handed over into management in 2013/14 but for which we were unable to claim grant during that financial year.

Similarly, under special year end arrangements with the GLA, Practical Completion grants were claimed in 2014/15 for 602 homes which will be handed over into management in 2015/16.

Having secured one of the largest grant funded development programmes for the 2015-18 programme, we are continuing to increase our development capabilities, including establishing joint venture partnerships for larger schemes with more private sale units. Other growth initiatives include the tightly monitored, unconditional purchase of a small number of sites when circumstances are right, and successfully selling new properties off-plan in advance of completion.

As part of our regeneration programme at Stockwell Park, we successfully refurbished 155 homes which were not included in the funding programme.

In 2014 we forecast delivery of 1,061 homes for 2014/15. Practical completion was achieved on all of these but some homes were not brought into management because of severe delays in utilities connections across the sector and the UK's wider construction programme. Both the GLA and HCA recognised this and we were able to claim the relevant grant allocations ahead of handover in 2015/16.

For funding purposes, Rectory Park in Ealing achieved practical completion but will be handed over during 2015/16.

Grant Arrangements 2015/2018 - AHP2

The Group submitted a successful bid under AHP 2015-18 and MHC 2015-18. The total grant allocation is £34.4m, including Recycled Capital Grant Fund (RCGF), to deliver 1,190 new homes in the London and Eastern regions.

The 229 home South Kilburn Regeneration project is progressing well and is currently on track to be delivered on time and within the parameters approved by the Board.

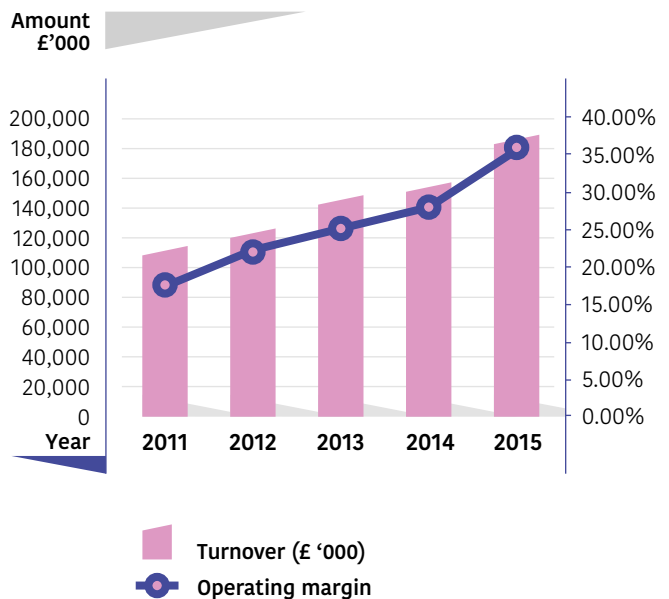


FINANCIAL REVIEW

The Group revenue for the year has increased by 21.3% to £189.5m (2014: £156.2m). Operating surplus increased to £67.3m (2014: £46.3m) with the operating margin increasing to 35.5% (2014: 29.6%). During the year property sales from new development were better than anticipated, in terms of both volume and values. This, along with extra first tranche shared ownership sales, contributed to our improved performance.

This growth in turnover and operating margin is a continuing trend as shown by the graph below:

NETWORK HOUSING GROUP TURNOVER AND OPERATING MARGIN



The tables below show a summary of our consolidated financial performance and position over the last five financial years:

INCOME AND EXPENDITURE SUMMARIES

	2015 (£'000)	2014 (£'000)	2013 (£'000)	2012 (£'000)	2011 (£'000)
Turnover	189,516	156,170	149,068	124,218	115,196
Operating costs	(122,213)	(109,886)	(111,459)	(96,839)	(95,388)
OPERATING SURPLUS	67,303	46,284	37,609	27,379	19,808
Surplus on sale of assets	8,066	2,977	2,694	1,356	9,120
Net interest and other financial income	(26,134)	(25,958)	(22,449)	(19,943)	(20,281)
Tax	(1)	(6)	4	(1)	(564)
SURPLUS FOR THE YEAR	49,234	23,297	17,858	8,791	8,083
Operating margin (percent)	35.5%	29.6%	25.2%	22.0%	17.2%

The Group made a surplus for the year of £49.2m (2014: £23.3m). This increase was due to an increase in turnover from £156.2m in 2014 to £189.5m (21.4%) and an increase in surplus on sale of fixed assets (170.9%).

BALANCE SHEET SUMMARIES

	2015 (£'000)	2014 (£'000)	2013 (£'000)	2012 (£'000)	2011 (£'000)
Total fixed assets	864,809	749,681	652,700	654,022	635,707
Net current assets	56,429	55,451	95,785	38,834	19,921
TOTAL	921,238	805,132	748,485	692,856	655,628
Creditors due in more than one year	736,111	667,875	620,357	578,508	544,656
Provisions for liabilities and charges	8,541	9,891	22,978	26,599	32,069
Reserves	176,586	127,366	105,150	87,749	78,903
TOTAL	921,238	805,132	748,485	692,856	655,628

At the end of the year, the Group's housing properties at cost less depreciation totalled £1,402.9m (2014: £1,322.6m). This value is reflected in the consolidated balance sheet. Amortised social housing grant and other capital grants received of £581.8m (2014: £599.8m) represented 41.5% (2014: 45.4%) of housing assets.

During the year, the Group undertook a professional revaluation of some of its housing stock by external valuers. The value of the Group's housing stock is as follows:

- Existing Use Value for Social Housing (EUV-SH) **£1,176.5m (2014: £1,104.9m)**
- Market value, tenanted (MV-T) **£2,010.7m (2014: £1,853.9m)**
- Vacant possession market value (VPMV) **£3,432.0m (2014: £3,339.5m)**

The Group continues to borrow to fund its affordable housing development programme. Housing loans increased from £662.7m to £751.2m. The Group's reserves increased from £127.4m to £176.6m.

As at 31 March 2015, gearing based on borrowings against historic cost of properties for the Group was 57% (2014: 52%). The most common gearing covenant across the Group's bank facilities is 65%.

Treasury policy

Treasury services are provided to the Group by Network Treasury Services Limited (NTSL).

Each year the Network Group Board approves the treasury management strategy and updates the treasury policy for the Group. This policy addresses funding and liquidity risk, covenant compliance and investment policy.

NTSL was set up in 2008 as the Group's treasury vehicle to raise funding for the Group and lend money to the Registered Providers. Treasury management activities are monitored by the Board of NTSL, which meets at least four times per year. The Group members borrow at both

fixed and variable rates, with fixed interest rates being hedged at not less than 50% of drawn borrowings. In accordance with the treasury policy, variable rate borrowings are fixed for less than twelve months from the balance sheet date, or where the bank has an option to cancel the fix within the same period.

At 31 March 2015, 70.5% (2014: 81.0%) of the Group's debt was at fixed rates and 29.5% (2014: 19.0%) at variable rates.

All interest rate transactions are traded with the same Counterparty Banks as the debt. The Group has no standalone swaps and is not exposed to margin calls.

Network Housing Group's treasury team manages the debt portfolio and monitors covenant compliance on a regular basis, reporting on covenant compliance to the Group's lenders typically on a quarterly basis. For the year to 31 March 2015 the Group has complied with its loan covenants and business plan forecasts show it will continue to comply for at least the forthcoming three years.

SUMMARY OF HOUSING LOANS

	2015 (£'000)	2014 (£'000)
Fixed	529,707	536,782
Variable	221,447	125,912
TOTAL DRAWN	751,154	662,694

THE DEBT FALLS DUE FOR REPAYMENT IN:

	2015 (£'000)	2014 (£'000)
Less than 1 year	30,400	5,177
Between 1 & 2 years	62,285	29,123
Between 2 & 5 years	135,902	149,637
After 5 years	522,567	478,757
TOTAL DRAWN	751,154	662,694

Investment policy

Short-term cash balances are placed in AAA rated Money Market Funds, or overnight or short-term deposits at competitive rates with A1/P1 rated banks or main UK clearing banks.

At 31 March 2015 sinking funds were in place in respect of:

- 1 The Housing Finance Corporation (THFC) 2043 Bond and
- 2 Affordable Housing Finance (AHF) 2042 Bond

THFC 2043 Bond

A 4.5% coupon gilt stock with a maturity date of 2042 and a nominal value of £5.2m is held in an Interest Service Reserve Fund. We plan to hold this until the maturity date.

In 2042 the proceeds of the gilt in the Interest Service Reserve Fund will amount to the par value of £5.2m. The excess carrying value of the gilt in the amount of £1.4m is being amortised over the remaining 28 year life of the gilt.

A Sinking Fund of £415k is held by THFC as replacement for security to account for sales of shared ownership properties (2014: £nil).

Affordable Housing Finance 2042 Bond

There is a current Liquidity Reserve Fund £1,140,000 (2014: £nil) held with regard to this Bond.

Investments in all sinking funds are restricted in use.

In light of prevailing market conditions, the investment strategy is constantly under review to ensure that the Association's risks relating to the capital invested and income accrued to date are protected so far as possible.

Cash flows

The consolidated cash flow statement on page 41 to the financial statements shows that during the year the Group generated net cash inflow from operating activities of £35.9m (2014: £79.7m), made net interest payments of £32.8m

(2014: £29.1m), and invested a net £108.2m (2014: £111.0m) in fixed assets. The Group raised finance in the year of £88.7m (2014: £50.4m).

Liquidity policy

We reviewed our liquidity policy in the year, being the amount of cash and facilities available to be drawn at any time. From April 2015, minimum liquidity available to the Group is to be £100m of which at least £25m must be held in liquid cash deposits. The Treasury Policy ensures loan facilities are in place to fund future requirements. The minimum liquidity limit for the year ended March 2015 was £75m. At 31 March 2015, the Group held £50.9m in cash deposits as part of the Group Treasury Policy.

Security

As at 31 March 2015 all bank facilities with the exception of a £45.5m facility from Affordable Housing Finance signed in October 2014, were secured against the Group's properties.



UNDERSTANDING VALUE FOR MONEY IN NETWORK HOUSING GROUP

Network Housing Group has improved its financial performance and its service quality every year for the last five years.

We have a multifaceted approach to value for money which encompasses both major initiatives like Fit for the Future as referenced below and also integrates value for money disciplines into strategy development and day to day service planning and delivery.

First principles are set in our Five Year Strategy which sets strategic aims for both service delivery and financial performance. Network is a developing housing association and this means maximising resources available for developing new homes in a range of tenures through effective and economic organisation of our services. We operate a cross-subsidy model for development which undertakes build for private sale to support our development of sub market rented homes. Our sales programme this year has been exceptional, achieving a surplus of £11.9m, a 42% margin on sales receipts.

This does not mean development at the expense of quality of service to the customer. Excellent services is another plank of our Five Year Strategy supported by systematic service reviews and programmes of continuous improvement. We increase our financial strength to ensure that we are able to continue to develop and support quality homes and services. Financial strength is both the objective and result of our value for money approach.

We understand that to achieve value for money we must meet or exceed the service standards agreed with our customers by using a level of resources appropriate to the standard we are aiming to deliver. We consult with residents about their priorities in terms of balancing cost with service levels, benchmark extensively against other providers and tailor services to local circumstances and regulatory requirements where necessary.

Network Housing Group has taken a rigorous and self-critical approach to assessing the cost and quality of our services. Through 2013/14 we implemented a major change programme, 'Fit for the Future' (F4F), which critically reviewed 18 different areas of service delivery and corporate structure. In 2014/15 we have implemented the action plan consequent from these reviews. This included collapsing the separate governance structures of our Group into a Common Board able to make and implement service decisions more quickly and more easily and creating a new unitary management structure for the Group as a whole.

Implementation of the outcomes of F4F proceeded throughout 2014/15 and achieved £5 million of banked and recurring savings against 2013/14 costs. Significant contributions to these savings came from staff (£1.2m), repairs (£2.2m) and other non-pay costs (£1.6m).

Completion of the F4F programme, the adoption of a consolidated governance structure, and our Five Year Strategy built around use of resources and customer service, has created a new baseline for the Group's value for money self-assessment and forward strategy. Having achieved significant cost reductions the organisation has also made targeted investment in service improvement, deploying some of the gains made into increased staffing in the Customer Service Team, development of the Asset Management Strategy and staffing in both planned and preventative maintenance. Additional investment of £0.9m was made in these areas of activity and has contributed to notable service and resident satisfaction improvements noted below.

This additional investment in services has been possible while maintaining a development performance which saw Network achieve first position in the Inside Housing published national table of percentage addition to stock in year 2014/2015, and while improving

operating margin progressively from 17.2% in 2011 to 35.5% this year.

Board management of Value for Money (VfM)

At Board level the new corporate governance structure will ensure that there is continued scrutiny of financial performance and continued improvement in VfM delivery, balanced with NHG's aspiration to provide excellent services to all our customer groups.

Whilst day to day management of services rests with the Group Executive Management Team (GEMT), they are accountable to the Group Board through the Group's board and committee structures.

The Customer Services Committee considers performance against service targets and provides a forum for regional resident panels to influence policy, including use of resources or raising performance issues at Group Board level.

Performance and front line operations are scrutinised through a wide range of key performance indicators, including business critical measures such as income collection, voids management, repairs performance and complaints management. The committee also takes a strategic lead in overseeing the Group's implementation of its Customer Services Strategy, with ongoing measures through monthly consumer and transactional satisfaction surveys, carried out for the Group by Voluntas and also by using Bright Navigator software to track call centre performance.

The Chair of the Customer Services Committee is also a Member of the Group Investment Committee, which has responsibility for investment decisions and for ensuring a balance between the need to invest in existing stock and services and maximising investment in new homes.

The third plank of scrutiny is provided by our Audit and Risk Committee, which in addition to considering management accounting and audit information in detail, also receives a range of financial health reports, including spend by contractor and project tracking of the F4F savings targets. This committee also considers any control failures resulting in financial loss or near misses to ensure that lessons are learned and processes improved for the future. As noted above, there have been no significant control failures in 2014/15.

The Audit and Risk Committee also scrutinises the development of the value for money strategy, which supports the Five Year Strategy. This is being updated to reflect the new consolidated structure of the Group and the recent changes in the operating environment created by the new government and will be published on our website in late 2015.

These three sub-committees report directly to the Group Board, enabling the Group Board to meet the regulatory requirement to have a strategy for VfM and mechanisms for ensuring it is delivered.

VfM delivered and future plans

Operating performance

Network Housing Group's business plan is structured around improved financial performance, business growth and continuous efficiency gains.

Our operating surplus, rent arrears management and rent void performance have all improved during the year. Similarly, maintenance and service costs are showing positive performance results.

Management cost per unit has increased. This is the result of additional costs incurred in establishing stronger teams and processes in Asset Management and our Customer Service

Centre and new IT infrastructure to support these in our drive for improved customer satisfaction.

There is an inevitable trade-off between these additional costs and benefits now being derived. For example, residents' satisfaction with the quality of their homes has improved and is better than our peer Group average. We also achieved a strong improvement in average re-let days and our performance is now upper quartile within the G15.

Customer relationship management (CRM) system and use of technology

Our investment in IT in the year was £796k. This has not yet translated into cash savings but has contributed to improvement in customer

service and provides a platform for our digital access to services strategy, which will be delivered in the next two years.

Optimising return on assets

Registered providers are required to demonstrate that they understand the returns on assets employed and to have strategies for optimising future returns.

The Group has assessed the operating performance of different asset classes as set out below.

	Operating surplus		Capital deployed		ROCE		Variance
	2015	2014	2015	2014	2015	2014	
			NBV	NBV	By NBV	By NBV	By NBV
	£'000		£'000				
CTH	1,514	1,136	49,681	34,733	3.0%	3.3%	(0.3%)
LSH	3,226	2,391	39,737	39,331	8.1%	6.1%	2.0%
RIV	10,850	8,917	140,226	124,556	7.7%	7.2%	0.5%
Stadium	25,883	21,742	581,712	512,319	4.4%	4.2%	0.2%
Group stats	41,958	34,775	821,202	722,777	5.1%	4.8%	0.3%

2014/15	General rented £'000	Sheltered housing £'000	Shared ownership £'000	Hostels £'000	Short stay £'000	Key workers £'000	TOTAL £'000
Turnover	72,268	12,397	7,644	4,923	21,261	9,182	127,675
Operating surplus	28,493	4,873	3,607	1,249	2	3,734	41,958
Operating margin 2014/15	39.4%	39.3%	47.2%	25.4%	-	40.7%	32.9%
Operating margin 2013/14	35.4%	30.3%	49.7%	15.4%	1.2%	34.9%	28.9%

For our social housing we aim to achieve operating margins above 35%. The 4% improvement in 2014/15 to 32.9% delivers good progress towards this goal, and further improvement is planned for 2015/16. In particular, we are closely analysing our future plans for short stay tenancies.

Restructured asset management

As part of our plans to improve the way we manage our assets, a new Group Asset Management (AM) Team was established at the beginning of the financial year to take responsibility for all asset management related services across the Group.

Performance management of contractors has been significantly improved and is now much more consistent, while the relationship with some poorly performing contractors has been terminated.

Both contractor performance and customer satisfaction have improved. Policies and procedures have been reviewed and updated and a new customer offer has been introduced to raise and standardise the level of service across the Group.

The introduction of the new Group-wide Customer Service Centre in June 2014 has improved access to repairs services and enabled collection of detailed, consistent performance feedback on contractors, improving our performance monitoring.

Network Housing Group's 2014/15 best practice stock condition survey means it currently has one of the most extensive and up-to-date stock condition asset records amongst its G15 peers. The survey was based on a 70% survey of internal dwellings and 100% survey of blocks with common parts. Added to 30% of intelligent cloned data at street and block level, this has created a complete survey data record.

The Group is now using the latest version of Integrated Housing Solutions (IHS) asset management database, populated with the completely new stock data set. Interim findings from the stock survey have already been used to more accurately inform and allow a 'just

in time' strategy to be adopted around our planned maintenance programming to improve VfM for 2015/16.

The new stock asset management data will be central to the preparation of a new Group Asset Management (AM) Strategy during 2015/16. The project is based on defining what type of organisation Network wants to be and how an AM strategy would support this. The new strategy will be integral to our ability to drive VfM in the management of our assets for the future.

Active asset management

Whilst the stock condition survey will underpin a comprehensive strategy for active asset management, during its completion NHG has continued to proactively review current schemes for renewal needs and development opportunities. During 2014/15 in addition to previously existing schemes we have gained approval for the redevelopment of three schemes in the East Herts district area which will result in improved quality and higher density homes in these areas. We have also identified major development opportunities in the replacements of temporary accommodation buildings in Brent and increased development around our key workers sites. These initiatives demonstrate NHG's active commitment to making best use of the resources that we have to provide as many homes of good quality as we can within the resources that we have available.

Benchmarked performance

We continue to monitor performance by comparison with our peers. The following table shows our performance over the past two years and demonstrates how we compare with our peers within the housing sector (the G15 Group), where information is available.





ZUBEDA ALI
VOIDS & LETTING OFFICER
AT NETWORK STADIUM.

RESIDENT (CUSTOMER) PERSPECTIVE

Indicator	2015	2014	G15 benchmark	
			Upper quartile	Median
Resident satisfaction (%)	79.7	79.2	92.1	83.3
Current rent arrears (%)	4.1	5.8	3.7	3.8
Average re-let time (standard re-lets) (days)	28.5	37.9	28.3	33.7
Percentage of residents very or fairly satisfied with quality of new home (new build only) (%)	92.8	84.1	88.5	86.6

COMMERCIAL/COMPETITIVE

Indicator	2015	2014	NHG % change from 2014 - 2015	G15 % change from 2013 - 2014
Operating surplus before housing sales (£m)	67.3	46.3	45	12
Surplus on housing sales (£m)	8.1	3.0	171	50
Interest payable (£m)	26.7	26.9	(1)	4
Operating margin on social housing letting (%)	33	29	14	5
Maintenance cost per home (£)	953	980	(3)	2
Management cost per home (£)	1,542	1,311	18	(4)
Voids and bad debts (£m)	1.8	3.6	(50)	0
Interest cover (incl. sales) (%)	325	235	38	17
Interest cover (exc. sales) (%)	294	223	32	13
Total debts per unit (£'000)	46.8	42.7	10	3

GOVERNANCE

Indicator	2015	2014
Chief executive remuneration per home (£)	8.9	8.8
Board Chair's remuneration per home (£)	1.3	0.9
Board members' remuneration per home (£)	4.5	3.3

Net growth in stock numbers through development was offset by stock rationalisation as a result of our decision to exit the private retirement leasehold sector.

Other headline performance

Treasury management

Efficient and effective treasury management has made a helpful contribution to cost control, with the overall weighted average cost of capital being reduced by 0.2% year on year.

Also, a wide range of treasury related legal work, which was previously done by lawyers, is now being done in-house by a paralegal officer with a resultant cost saving of circa £50k in the year.

Asset quality

The Group now has an almost complete set of Standard Assessment Procedure (SAP) information held in Reduced Data SAP (RdSAP) 2009 format within the asset database, providing easy reference and reporting on energy efficiency. A new Environmental Improvement Strategy will be launched in 2015/16, targeting resources on improving the thermal efficiency of existing stock to reduce carbon emissions and target fuel poverty.

The new asset management team has worked closely with NHG's development team to establish new and comprehensive Employer's Requirements for new schemes. Lessons learnt from previous developments have been used to ensure new developments use building components that will maximise life cycle cost benefits while maintaining a balance of what is affordable so that schemes are economically viable.

Over 1,200 new homes have or will come into management during 2014/15 and 2015/16. The key stock data and asset records of these new developments are captured and recorded on the Group's stock condition database for further maintenance and contract planning. We are also undertaking a number of regeneration schemes after reviewing both the financial and non-financial performance of the stock.

The asset management team has worked closely with the housing management team to develop a new Older Persons Strategy. Each sheltered housing block has been assessed for its long term viability or for its redevelopment potential.

Procurement

We created a new centralised in-house procurement team in September 2014. This is achieving considerable savings, partly through not using consultants to manage procurement exercises. A new procurement strategy for 2015/16 has been agreed by the Group Board along with a new procurement plan. We are adopting a mixed approach to procurement, using local, specialist compliance and industry leading contractors. It is now possible for us to let single larger contracts that cover all parts of the Group leading to efficiencies, improved services and better value for money.

Procurement for the development programme has been through competitive process from appointed framework contractors and consultants. Delivery of the programme through a period of significant build cost inflation increases has been contained within original scheme approvals.

Development performance and standards

Developing new affordable homes is a core part of our objectives and a key way in which we deliver social value. Network has focused strongly on delivering VfM through development activity in recent years, and this year, as already indicated, we produced over 1,200 new homes for affordable rent or shared ownership, our largest ever development programme. This demonstrates our willingness to commit resources and undertake measured risks to maximise our contribution to meeting the housing crisis in London and the Home Counties.

Network is currently leading on four large scale regeneration projects in London and Hertfordshire - in Stockwell, Kilburn, Ealing and Hertford. This type of transformative regeneration is key to sustaining communities, improving residents' life chances, and sustaining value within our assets for the future, and is consequently a key element of our development and asset management VfM approach.

We are continuously striving to improve the standards of our development, whilst reducing the costs of delivering new homes. The case study on the following page is one example of how we undertake this process.





VALUE FOR MONEY CASE STUDY

243 EALING ROAD, ALPERTON IS A 441 HOME DEVELOPMENT ALONGSIDE THE GRAND UNION CANAL AND OPPOSITE OUR EXISTING SCHEMES AT PEPPERMINT HEIGHTS AND GRAND UNION HEIGHTS. WE HAVE DELIVERED 187 AFFORDABLE HOMES SO FAR AT THIS SCHEME, WITH A FURTHER 254 HOMES FOR PRIVATE SALE TO FOLLOW IN PHASES THROUGHOUT 2015.

We procured the scheme in partnership with Hill Partnership Ltd as a joint arrangement with no separate entity being set up. This means that we are sharing the risks and rewards with Hill, on a 50/50 basis.

We have seen tremendous benefits from this approach with improved quality, faster programme delivery and reduced costs, due to the added incentives for the contractor.

DELIVERY TIME

All affordable blocks at this development were delivered ahead of or in line with programme, enabling timely grant drawdown from the GLA.

In addition, our procurement route on this project allowed us to bring forward the private sale blocks in the programme. This is because we have much greater control over the balance between sales rate and construction than we would in a more standard design and build contract.



243 EALING ROAD
ALPERTON
Brent



We were initially due to complete the last block in 2017, but are now scheduled to complete the project by the end of 2015/16. The financial benefits include earlier sales proceeds and fixing construction costs at current rates.

A further benefit is that it minimises the period of on-going disruption to the lives of the residents who have already moved into their new homes.

CONSTRUCTION COST

The construction contracts at 243 Ealing Road use a 'net-cost model' for pricing. This means that the partners only pay the pure underlying cost of construction without the risk premium that would be factored into pricing under a design and build contract.

Pre-construction, our cost consultants reported that under a fixed-price design and build contract their estimated build cost for the affordable homes would be £18.0m. Under the net cost model, the agreed contract sum was in fact £16.3m (a difference of £1.7m). In addition, further savings were made through the on-site procurement process to bring the estimated final account to around £15.5 million.

QUALITY

The build quality has been of the highest standard. The joint venture approach has enabled us to tap into our contractor's supply chain and benefit from their purchasing power to reduce costs whilst increasing quality. This means we have been able to develop a project which does not differentiate between affordable and private housing, which is important to our residents. All of our entrances have an identical specification, regardless of tenure. The landscaping includes communal gardens and play areas that are open to all residents.

As a result of the above, the scheme was nominated for the Evening Standard New Homes Awards 2015 in the 'Best First Time Buyer Home' Category.



SOCIAL BENEFITS

WELFARE ASSISTANCE

Our welfare advice service continues to go from strength to strength. A team of two officers was set up in the previous financial year and since then they have assisted our residents with housing benefit applications and in maximising their benefit claims. In addition we created a partnership with Brent Community Law Centre which offers debt advice to residents.

Residents across the Group have achieved a benefit of over £1m since the commencement of the service. In 2014/15 the welfare advice service supported 166 residents across the Group to generate income of £673k.

As part of our assistance in reducing the impact of welfare benefit reforms, we have provided training to our residents on budget management.

COMMUNITY INVESTMENT

This was the second year of Network Stadium's 360 Programme following 2013/14's successful pilot. The 12-month pilot targeted neighbourhoods with the lowest resident satisfaction scores in an attempt to improve standards to the quality of the other Network estates. The 2014/15 programme was opened up to all estates including older person's schemes.

The key objectives of the programme were to increase resident satisfaction, particularly with regard to reducing anti-social behaviour, and to improve communal areas and the environment surrounding our properties. We also introduced a focus on the wellbeing of residents through our Wellbeing Satisfaction Surveys, allowing us to measure the impact of the programme on residents' happiness.

During the year 37 different estates benefitted from the programme with a total of £342k being spent on improvements.

A new partnership with Groundwork Hertfordshire Trust and Groundwork London resulted in 36 residents finding employment and 110 residents in total supported with work-related information, advice and guidance.

Eight young people aged 16-23, graduated from Riversmead's second Green Team initiative, after completing a 16 week training programme in landscaping. Run in partnership with Groundwork Hertfordshire, the programme aims to help young people get back into employment or further education by developing their skills in landscaping whilst gaining practical on-the-job work experience on projects in the community.

Riversmead also utilised apprenticeships and work experience placements to provide high quality paid work whilst helping to develop the skills of local residents.

During the year we introduced the HACT (Housing Association Charitable Trust) Social Value Toolkit as a way of better measuring the financial benefits derived from our substantial annual discretionary investments into our communities. We would expect to see the first results from this during 2015/16.

CULTURAL CHANGE

During 2014/15 we introduced a new set of behaviours for our people, designed to support cultural change and improved efficiency and effectiveness in our work. The programme is known as HART:

Hungry - we want to do more and do it better

Accountable - we take responsibility and get things done

Respectful - towards our customers and colleagues

Together - we act as one team, working towards common objectives

The **HART** concept has been well received by staff and will help our efforts to drive continuous improvement in our services and better Value for Money throughout the organisation.



SARAH OKAE
NEIGHBOURHOOD OFFICER AT NETWORK
STADIUM (LEFT) WITH ONE OF OUR RESIDENTS.



STATEMENT OF GROUP CORPORATE GOVERNANCE

The Group Board is ultimately responsible for the corporate governance of all subsidiaries within the Group. The relationship between Group members is governed by the Associations' governing instruments and by an Intra Group Agreement.

The governance of the Group is summarised in the following paragraphs.

Group Board

The Group Board is the ultimate governing body of the Network Housing Group. During the financial year to 31 March 2015 it was comprised of ten non-executive Board members (the Chairs of three registered providers in the Group and six independent members) and the Group Executive Director. Members are remunerated in order to compensate them for the time and effort they put in and to attract the skills the Group requires. Members are drawn from a wide range of backgrounds so that there is an optimum mix of skills and expertise to fulfil the function of the Group Board.

Changes which will become effective after the year end

During the year, the Group reviewed its governance arrangements and the Group Board made a decision to consolidate the Group's governance structures, moving towards a Common Board structure. As part of this work, the Group has reviewed and amended its committee structure and the committees' terms of reference. This has included dividing the role of the former Group Finance Committee amongst the Group Board and Audit and Risk Committee; expanding the role of the Audit Committee to give more focus on risk; and expanding the role of the Group Investment Committee to include oversight of strategic asset management.

All registered provider members of the Group amended their rules after the year end to allow

a Common Board to be formed. The membership of the Common Board will consist of six core members, who will be members of all the registered provider Boards, and two members for each of Network Stadium Housing Association Limited, London Strategic Housing Limited, and Riversmead Housing Association Limited, making a total of 12 Board members in total.

Risk management

Risk management procedures and considerations are embedded in the culture of Network Housing Group with staff taking responsibility for identifying and assessing the risks faced by the Group and by having in place a risk management framework to manage these risks.

The following committees have been established by the Board to consider specific aspects of the Group's affairs, providing recommendations and support to the Group's and the subsidiaries' Boards. The Chairs of the committees report back to the Board as and when appropriate. The committees and their main roles and responsibilities are set out in written terms of reference and summarised below:



Group Audit and Risk Committee (“ARC”)

- reviews audit and risk management activities across the Group and delivers an annual assessment of the quality of the internal control environment and the effectiveness of risk and audit systems to Group Board
- provides assurance to subsidiary Boards on all matters covered by the compliance framework
- keeps under review the effectiveness of the Group’s internal controls and risk management systems
- monitors risk management activity across the Group to ensure consistent and effective usage of internal systems, and identifies trends and aggregate risks
- monitors the Group’s financial performance against its business plan and budget targets
- reviews the long term financial model, tests scenarios including risk stress testing and recommends financial targets to the Group Board
- monitors the impact of the external environment on Group’s financial status
- considers and reports on financial implications of other significant risks and exposures being undertaken by the Group
- acts on behalf of the Group in reviewing and approving changes to financial delegations

The ARC assumed roles previously assigned to the Group Finance Committee (“GFC”) in January 2015.

Group Investment Committee (“GIC”)

- recommends the Group’s investment strategy to the Group Board and subsidiary Boards
- monitors the performance and delivery of the development programme, including post implementation review, and other new business activity against the investment strategy and agreed targets

- scrutinises proposed investments before submission to subsidiary or Group Boards for decision
- monitors the Group’s resource capacity and capability to deliver the programmes

Group Remuneration, Nominations and Governance Committee (“GRNGC”)

- has responsibility for overseeing the Group’s remuneration policies for paid staff and for non-executive members of the Group Board and the subsidiary Boards. It has particular responsibility for keeping under review the terms and conditions of employment of the Group chief executive and other members of the Group Executive Management Team (GEMT)
- is responsible for overseeing the recruitment of new independent Board members for the Group Board and making recommendations on appointments to the Group Board and Group committees

Each Group member is responsible for producing a risk map for its own business. The central service directors produce risk maps for their functions. The Group’s risk map, which contains strategic level risks is produced and reviewed by the Group Executive Management Team and is informed by information from Group member and directorate risk registers.

The Group has implemented two officer led risk panels. The Group Risk Panel, which comprises the Group Chief Executive, other executive members and the Head of Assurance, reviews the Group’s risk map and the operational/functional risk maps for consistency and completeness and is responsible for ensuring that actions identified in the risk maps are followed through. The Scheme Risk Appraisal Panel reviews risks associated with development schemes.



SIGNIFICANT RISKS 2014/15

The Group has identified a list of strategic level risks, of which the following five have been identified as having the highest priority:

Key risk	Actions taken
Health & Safety	New dedicated Health & Safety team recruited
	100% stock condition survey supports identification of potential H&S issues
	Revised processes and regular monitoring of performance
	New software to improve management of key Health & Safety services
Data integrity	Implementation of Data Protection Project Plan completed
	Dedicated data quality team established
	Ownership of key data sources and quality assigned to individual executive directors' responsibility
	Project developed to change approach to managing 'shared drive' information
Contract procurement and management	New centralised Asset Management team recruited
	Remedial action taken on poorly performing contracts
	Additional resource recruited to Procurement team
	New Procurement Strategy approved 2014/15 and new practices being implemented
	Forward Procurement Plan agreed for 2015/16
	Contract Standing Orders revised
Regulatory and legislative compliance	Consolidation of Group to improve risk management and control
	Quarterly compliance sign-off process implemented and evaluated for further development and improvement
	New process in place re compliance with gas safety requirements and new dedicated gas access officer appointed
Delivery of development programme	Quarterly review meetings with framework consultants and suppliers
	Weekly meetings on higher risk developments
	Development Control Manual updated
	Employer's Requirements fully reviewed and redrafted
	New land managers and project managers in place to support delivery of AHP2

Internal controls assurance statement

The Board has overall responsibility for establishing, maintaining and reviewing the effectiveness of the Group's system of internal control.

The system of internal control is designed to manage risk and provide reasonable and not absolute assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information, the safeguarding of the Group's assets and interests and compliance with relevant legislation, law and regulation. The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk.

Assurance framework

The assurance framework processes adopted by the Board is modelled on the "Three Lines of Defence Model" endorsed by the Institute of Internal Auditors and the Financial Services Authority. The assurance framework is designed to provide sufficient, continuous and reliable assurance on organisational stewardship and the management of the major risks to organisational success and delivery of improved value for money.

Key elements of the control framework include:

Risk assessment

In meeting its responsibilities, the Board has adopted a risk-based approach to internal control, which is embedded within the normal management and governance process. By embedded we mean that the controls are recorded as being integral to the day-to-day procedures of the organisation.

Executive responsibility has been clearly defined for the identification, evaluation and control of significant risks. The Group Executive Management Team (acting as the Group Risk Panel) and Board carry out evaluations of the risks which impact on the Group's ability to meet key business objectives. Risk assessments

are generally carried out at two key stages in the year and are aligned to the business planning process. Business risk assessments are also carried out throughout the Group at departmental levels, for projects and for new business opportunities.

This process is co-ordinated through a regular reporting framework by the Group Risk Panel. The Group Executive Management Team considers reports on significant risks facing the Group and the Group Chief Executive is responsible for reporting to the Board any significant changes affecting key risks or the breakdown of internal control. Each Association's most significant risks are further analysed and quantified, reported to their Board and reviewed by the Group Risk Panel.

Monitoring

As part of the risk management process, managers carry out control evaluation relating to key risks and record if key controls are in place and working effectively, or require improvement. Actions arising from identified control weaknesses are documented in the risk assessment. Management reporting on control provides hierarchical assurance to successive levels of management and to the Board. A process for corrective action to be taken in relation to any material control issues arising from independent internal and external audit reports is in place. The ARC reviews the work of the internal and external auditors and annual reports from auditors are received by the Board.

The Internal Audit function carries out risk-based internal audits across the Group. The ARC approves the audit plan and receives an annual report and Assurance Statement on internal control effectiveness. The Board receives a copy of this report in support of the ARC Annual Report to the Board.

The internal control framework and the risk management process are subject to review by Internal Audit, which is responsible for providing independent assurance to the Board and the ARC.

Control environment and activities

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues. The Board has adopted the Code of Governance 'Excellence in Governance 2010'. This sets out the Group's policies with regards to the quality, integrity and ethics of its employees.

The governance framework is supported by a framework of policies and procedures with which employees must comply. Standing Orders and Contract Standing Orders cover issues such as delegated authority, segregation of duties and procurement. Other Group policies also cover health and safety, data and asset protection and fraud detection and prevention. During the year the ARC approved the Group's new counter fraud, bribery and corruption policy and a counter fraud work plan.

The Group complies with 'Excellence in Governance', except in the following respects:

The Chair of the Group Board has served more than nine years in aggregate in various non-executive roles within the Group. We had agreed with the HCA that this remains appropriate, to ensure a degree of stability and continuity during a period of significant change, particularly in relation to merger discussions with Catalyst. Now that these have ended the Group Board will consider whether this arrangement continues to be appropriate.

During the year, London Strategic Housing Ltd had only five Board Members at a time when its rules required a minimum of seven. This was a temporary situation which was resolved by changing the association's Rules and moving to a common board arrangement. The association is now fully compliant.

Information and communication

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Guidance has been produced on responsibility at Board level for audit, risk and control issues across the Group.

The Group Board has received the Group Chief Executive's and the Associations' Executive Directors' annual assurance statements on the effectiveness of internal controls; has conducted its annual review of the effectiveness of the system of internal control; and has identified a framework for continuously improving the risk management process.

Group member Boards have reviewed their main sources of assurance in an annual assurance mapping exercise, or as appropriate to satisfy themselves of adequate assurance reporting.

The following Group strategic and operational improvements, planned for 2014/15, were successfully implemented:

- Purchase order and commitments system - first stage
- Improvements to website, intranet and mobile technology platforms
- Customer relationship management system - second stage
- Growth in the non-regulated entity to undertake market and intermediate rent
- Deliver a centralised Asset Management service for the Group
- Deliver a centralised Contact Centre for the Group

The following strategic and operational improvements are planned for completion in 2015/16:

- Deliver first class customer service
- Maximise financial strength
- Maximise growth within our resources
- Build a great organisation

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group.

This process has been in place throughout the year under review, up to the date of the annual report, and is reviewed by the Board.

The Board has reviewed the effectiveness of the systems of internal control, including the sources of assurance agreed by the Board and confirm that they are appropriate for that purpose.

The Board is satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year and up to date of the signing of these financial statements those systems were directed at the management of the significant risks facing the Group. No weaknesses were identified which would have resulted in material misstatement or loss that would have required disclosure in the financial statements.

Statement of Board's responsibilities

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

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 Registered Social Landlord (RSL) 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RSL will continue in business

The Board is responsible for keeping proper accounting records that are sufficient to show and explain the RSL's transactions and disclose with reasonable accuracy at any time the financial position of the RSL and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and Regulations thereunder, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012. It is also responsible for safeguarding the assets of the RSL and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditors

The Directors who held office at the date of approval of this Report of the Board confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The Report of the Board was approved on 30 July 2015 and signed on its behalf by:



ANDREW WATSON
Chair



PETER STREDDER
Board member



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NETWORK HOUSING GROUP LIMITED FOR THE YEAR ENDED 31 MARCH 2015

REPORT ON THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, Network Housing Group Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the registered provider's affairs as at 31 March 2015 and of the Group's and the registered provider's surplus and cash flows for the year then ended;
- 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 Social Housing in England 2012.

WHAT WE HAVE AUDITED

The financial statements comprise:

- the Group and registered provider balance sheet as at 31 March 2015;
- the Group and registered provider income and expenditure accounts and the Group's statement of total recognised surpluses and deficits for the year then ended;
- the Group cash flow statements for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Board has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records, system of control and information and explanations received

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the registered provider; or
- the registered provider financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 33 the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the registered provider's members as a body in accordance with Section 87 (2) and Section 98(7) of the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies are

appropriate to the Group's and the registered provider's circumstances and have been consistently applied and adequately disclosed;

- the reasonableness of significant accounting estimates made by the Board; and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the Board's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report of the Board to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



PAULINE CAMPBELL

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors,
London, 12 August 2015

CONSOLIDATED INCOME AND
EXPENDITURE ACCOUNT
for the year ended 31 March 2015

	Note(s)	2015 (£'000)	2014 (£'000)
Turnover	2	189,516	156,170
Cost of properties developed for sale	2	(28,458)	(19,075)
Operating costs	2 & 4	(93,755)	(90,811)
Operating surplus	2	67,303	46,284
Profit on sale of fixed assets	7	8,066	2,977
Surplus on ordinary activities before interest		75,369	49,261
Interest receivable and other income	8	594	986
Interest payable and similar charges	9	(26,728)	(26,944)
Surplus on ordinary activities before taxation		49,235	23,303
Tax (charge) on surplus on ordinary activities	11	(1)	(6)
Surplus for the year	24	49,234	23,297

All activities are classed as continuing.
There is no material difference between the historical cost surplus for the year and the surplus for the year reported in the above consolidated income and expenditure account.

CONSOLIDATED STATEMENT OF TOTAL
RECOGNISED SURPLUSES AND DEFICITS
for the year ended 31 March 2015

	2015 (£'000)	2014 (£'000)
Surplus for the year	49,234	23,297
Pension scheme movements (see note 34)	(18)	725
Revaluation reserve	-	(307)
Total recognised surpluses relating to the year	49,216	23,715

The notes on pages 42 - 94 form an integral part of these financial statements.

ASSOCIATION'S INCOME AND EXPENDITURE ACCOUNT
NETWORK HOUSING GROUP LIMITED

for the year ended 31 March 2015

	Note(s)	2015 (£'000)	2014 (£'000)
Turnover	2	20,329	14,361
Operating costs	2 & 4	(20,260)	(14,047)
Operating surplus	2	69	314
Gift aid receivable		255	338
Surplus on ordinary activities before interest		324	652
Interest receivable and other income	8	-	2
Surplus on ordinary activities before taxation		324	654
Surplus for the year	24	324	654

All amounts relate to continuing activities.

There is no material difference between the historical cost surplus for the year and the surplus for the year reported in the above income and expenditure account.

The notes on pages 42 – 94 form an integral part of these financial statements.



BALANCE SHEETS AS AT 31 MARCH 2015

Co-operative and Community Benefit Societies No. 29543R

	Note	Association 2015 (£'000)	Group 2015 (£'000)	Association 2014 (£'000)	Group 2014 (£'000)
Fixed assets					
Tangible assets					
Housing properties at cost less depreciation	12	-	1,402,995	-	1,322,554
Social Housing Grant	12	-	(538,452)	-	(551,690)
Other capital grants	12	-	(43,341)	-	(48,087)
Net book value of housing properties	12	-	821,202	-	722,777
Other fixed assets	13	2,437	10,072	2,333	3,189
Investments held as collateral	15	-	8,127	-	6,622
Investments in properties	15	-	16,207	-	7,202
Debtors: amounts falling due after more than one year	16	-	9,201	-	9,891
Total fixed assets		2,437	864,809	2,333	749,681
Current assets					
Stock	31	-	89,026	-	51,201
Debtors: amounts falling due within one year	17	8,355	17,642	7,890	17,346
Cash at bank and in hand	18	-	35,258	-	52,778
		8,355	141,926	7,890	121,325
Creditors: amounts falling due within one year	19	(8,433)	(79,345)	(8,027)	(58,454)
Provisions for liabilities and charges	20	(130)	(4,430)	(291)	(4,445)
Net current (liabilities)/assets excluding pension liability		(208)	58,151	(428)	58,426

BALANCE SHEETS AS AT 31 MARCH 2015

Co-operative and Community Benefit Societies No. 29543R

	Note	Association 2015 (£'000)	Group 2015 (£'000)	Association 2014 (£'000)	Group 2014 (£'000)
Pension liability	34	-	(1,722)	-	(2,975)
Net current assets including pension liability		(208)	56,429	(428)	55,451
Total assets less current liabilities		2,229	921,238	1,905	805,132
Creditors: amounts falling due after more than one year	21	-	736,111	-	667,875
Provisions for liabilities and charges	22	-	8,541	-	9,891
Capital and reserves					
Non-equity share capital	23	-	-	-	-
Revaluation reserves	24	-	814	-	814
Designated reserves	24	-	4,147	-	4,143
Revenue reserve	24	2,229	171,625	1,905	122,409
		2,229	921,238	1,905	805,132

The notes on pages 42 – 94 form an integral part of these financial statements.
These financial statements on pages 36 to 94 were approved by the Board on 30 July
2015 and were signed on its behalf by:



ANDREW WATSON
Chairman



PETER STREDDER
Board member



RICHARD REGER
Company Secretary



**PARK HEIGHTS
STOCKWELL**

159 HOMES
Lambeth

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2015

	Note	2015		2014	
			£'000		£'000
Net cash inflow from operating activities	27	-	35,976	-	79,736
Returns on investments and servicing of finance					
Interest received	8	594		986	
Interest paid		(33,370)		(30,063)	
			(32,776)		(29,077)
Taxation					
Corporation tax paid			-		-
Capital expenditure and financial investment					
Purchase and construction of housing properties		(123,384)		(135,659)	
Social housing and other capital grants received net of disposal		15,526		579	
Purchase of other tangible fixed assets		(7,819)		(500)	
Net proceeds from sales of housing properties		18,032		18,410	
Proceeds from sales of other tangible fixed assets		-		999	
Sales of initial tranche of shared ownership properties		-		-	
(Purchase)/sale of investments		(10,510)		5,240	
			(108,155)		(110,931)
Net cash outflow before financing			(104,955)		(60,272)
Financing					
Loans received		130,921		76,341	
Loans repaid		(42,195)		(25,941)	
			88,726		50,400
Decrease in cash for the year	27		(16,229)		(9,872)

The notes on pages 42 – 94 form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

01 ACCOUNTING POLICIES

The following policies have been applied consistently from one financial year to another and in dealing with items which are considered to be material in relation to the Association's financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified for the revaluation of fixed asset investments and in accordance with applicable accounting standards in the United Kingdom, the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 and The Accounting Direction for Social Housing in England from April 2012. The financial statements follow the recommendations of the Statement of Recommended Practice Accounting by Registered Social Housing Providers Update 2010. The financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Network Housing Group Limited and all of its subsidiary undertakings in accordance with FRS 2 'Accounting for subsidiary undertakings'. Details of these subsidiary undertakings are included in note 29. The Group structure came into being on 1 April 2003, when Network Housing Group Limited became the parent.

Related parties

The Group has taken advantage of the exemption contained in FRS 8 'Related Party

Disclosures' from disclosing related party transactions or balances with other Group entities, as for accounting purposes it wholly owns all of the subsidiaries disclosed in note 29.

Intra Group transactions disclosed in accordance with The Accounting Direction for Social Housing in England from April 2012 are provided in note 32.

Turnover

Turnover represents rental and service charge income receivable, income from the management of properties, income from the sale of properties recognised at sales completion, revenue grants from local authorities and the Homes and Communities Agency, development administration and other income. Turnover excludes value added tax where applicable.

All income is recognised on a receivable basis. Where applicable, turnover on long-term contracts has been recognised in accordance with SSAP 9 'Stocks and long-term contracts'.

Provisions

The Group provides against both current and former tenant rent arrears. Current tenant arrears are provided at the rate of 20%. Former tenant arrears are provided for at the rate of 100%. Provisions for sundry debts are made at 20% for current tenants' debt and 100% for former tenants' debt. Provisions for trade debts are provided in full where they are in excess of 90 days old.

Housing properties

Housing properties constructed or acquired in the open market are stated at cost less the amount of grants received towards their construction and accumulated depreciation. The cost of housing properties is their purchase price together with any costs of acquisition, improvement or reinvestment, including directly attributable development costs and interest payable.

Direct costs involved with administering development activities are capitalised to the extent that they are directly attributable to the development process and in bringing the properties into their intended use. Interest on loans to finance specific developments is capitalised up to the date of practical completion of a property. During the year, the Group capitalised interest based on an average loan rate applied on outstanding loans and the financing costs.

Housing properties and depreciation

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction. Freehold land is not depreciated.

The Group depreciates freehold housing properties by component on a straight line basis over the estimated useful economic lives of component categories.

USEFUL ECONOMIC LIVES FOR IDENTIFIED COMPONENT CATEGORIES

Assets	Annual rates	Years
Fabric	1%	100
Windows and doors	4%	25
Kitchens	4%	25
Bathrooms	4%	25
Boilers (Inc. Gas & Electric Heating)	5%	20
Mechanical electrical	3.3%	30
Service contractors	5%	20

Service Contractors comprise capital costs relating to lifts, CCTV, warden call systems and other similar communal capital costs. The depreciable amount is arrived at on the basis of original cost, less the portion of Social Housing Grant and other grants attributable to housing properties, less residual value, which is taken to be the proportion of cost attributable to land.

The Group depreciates housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Impairment

Property assets are subject to an annual impairment review in accordance with FRS 11 'Impairment of fixed assets and goodwill'. Other assets will be reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to recoverable amount. Any such write-down would be charged to operating surplus.

Other fixed assets and depreciation

Depreciation is charged on a straight-line basis over the expected useful economic lives of other fixed assets to write off the cost less estimated residual values at the following annual rates:

Assets	Annual rates	Years
Computer hardware and software	20 - 33.33%	over 3 - 5 years
Office fixtures and furniture	10%	over 10 years
Leasehold improvements	2%	over 50 years
Office property	2%	over 50 years

Improvements to property and capital costs

Improvement or reinvestment costs are only capitalised if they increase the net rental stream over the life of the property. An increase in net rental stream may arise through an increase in rental income, a reduction in future maintenance costs or a significant extension in the useful economic life of the property.

The Group incurs capital expenditure for the development and construction of tangible fixed assets for rent and for the restoration or replacement of previously depreciated tangible fixed asset components. These values are shown in the balance sheet as tangible fixed assets net of grants and depreciation.

Once a tangible fixed asset component is recognised, further major repairs may be incurred on the asset at a later date. Where expenditure is incurred, the remaining capital cost relating to the component replaced is written off to avoid double counting and the new component is capitalised.

However, there are three exceptions to this rule:

- where subsequent expenditure provides an enhancement of the economic benefits of the asset in excess of its previously expected performance standard;
- where a component of a tangible fixed asset that has been treated separately for depreciation purposes is replaced or restored;
- where the subsequent expenditure relates to a major inspection or overhaul resulting in the restoration of the economic benefits of the asset that expired.

Social housing grant ('SHG') and other capital grants

SHG is receivable from the HCA and other grants are receivable from local authorities and other organisations.

Where developments have been financed wholly or partly by SHG or wholly or partly by other capital grants, the cost of these developments has been reduced by the grant receivable. SHG received in excess of the current development costs is shown as a current liability.

Upon the sale of a property, any attributable SHG (being the lower of SHG received and the net proceeds of the sale) is recorded in the Recycled Capital Grant Fund (RCGF) for reinvestment in eligible housing properties within the prescribed timescale, failing which the amount will be repayable.

Where a SHG funded property is sold the grant becomes recyclable and is transferred to RCGF or Disposal Proceeds Fund (DPF for right to acquire units) until it is reinvested in a replacement property.

Financial assets held at fair value

The Group has designated where applicable any part of a portfolio of identified financial instruments that are managed together and accounted for the change in value through the revaluation reserves in the statement of total recognised surpluses and deficits.

Investment property valuation

Upward revaluations and downward revaluations of investment properties are credited and charged to the revaluation reserve respectively. Revaluations are provided by the external valuers, Lamberts Chartered Surveyors.

Taxation

The Group has charitable status and is therefore not subject to corporation tax on its charitable activities.

Other investments

All other current asset investments are measured at fair value, with gains and losses recognised immediately in the statement of recognised surpluses and deficits.

Where investments are held as security due to a condition of a loan, they are shown within the balance sheet as investments held as collateral. Where the carrying value differs to the nominal value of the investment, the difference will be amortised on a straight line basis over the remaining life of the investment. In the event the investment is converted to an alternative form of investment the accounting treatment will be reassessed based on accounting standards relevant at the time of conversion.

Properties developed for sale

Completed properties and properties under construction for outright sales are recognised at the lower of cost and net realisable value. Cost includes acquisition and development costs together with capitalised development costs and interest payable. Net realisable value is based on the estimated selling price less selling costs.

Stocks

Stocks represent:

- Work in progress and completed properties relating to housing properties for transfer to other housing providers;
- Properties for outright sales; and
- Properties for shared ownership first tranche sales.

Where housing properties have been developed for shared ownership, the value held as stock is the estimated cost to be sold as a first tranche. The balance is held as work in progress or completed properties in fixed assets.

Sales of housing properties

Sales of housing properties are taken into account on the completion date. Where houses are sold, the surplus or deficit in the income and expenditure account is calculated by comparing net sale proceeds and the carrying amounts.

First tranche shared ownership sales

- Shared ownership properties are split proportionally between current and fixed assets based on the first tranche proportion;
- First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover; and
- The remaining element of the shared ownership properties is accounted for as fixed assets, so that any subsequent sale is treated as a disposal of fixed assets.

Long-term contracts

Work in progress on long-term contracts is stated at total cost incurred, net of amounts transferred to the income and expenditure account in respect of work completed to date, less foreseeable losses and applicable payments on accounts.

Operating leases

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Hostels managed by agents

Where a hostel owned by the Group is managed by an agent organisation and the financial risks of management are assumed by the agent, any income and expenditure on that hostel is not included in the income and expenditure of the Group in accordance with the substance of the arrangement.

Stock transfers

Where opportunities for the regeneration of local authority housing stock arise after transfer requests from residents and tenants, the Group will seek to maximise the resources available for regeneration by entering into a VAT shelter arrangement.

Where the Group has entered into such an arrangement, the financial statements reflect the underlying substance of the transactions on a gross basis. The receivables to the local authority is shown in current and long term debtors and the Group's legally binding obligation to the local authority under the refurbishment contract is shown in provisions for liabilities and charges.

Interest payable

The cost of raising loans is amortised over the period of the loan. The deferred cost is offset against the liability and included within creditors: amounts falling due after more than one year. The actual interest payable on these loans is charged to the income and expenditure account together with amortisation charges. Interest on loans to finance specific developments is capitalised to the date of practical completion of the scheme.

Value added tax ('VAT')

The Association is partially exempt and accordingly is able to recover from HM Revenue and Customs part of the VAT incurred on expenditure. At the year end VAT recoverable or payable is included in the balance sheet. Irrecoverable VAT is accounted for in the income and expenditure account within the operating cost line.

Renegotiation of loans

Where loans are renegotiated, the Group policy is to assess quantitative factors only to determine if the terms of the loan are significantly different to classify the renegotiation as either a 'renegotiation of existing debt' or an 'extinguishment of existing debt'. Where the renegotiation is classified as a renegotiation of existing debt, changes to interest costs are recognised over the remaining term of the loan. Where the renegotiation is classified as an extinguishment of existing debt, changes to interest costs are recognised at the point of renegotiation in the income and expenditure account. The Group complies with the treatment of loans in accordance with FRS4.

Gift aid

Following the publication of Institute of Chartered Accountants in England and Wales (ICAEW) Technical Alert 16/14 BL, gift-aid payments are treated as distributions of reserves by the paying entity and as income from an investment in a subsidiary by the receiving entity. Previously gift-aid payments were recognised as income within the income and expenditure account under "Non-social housing activity" of the parent entity and as an expense in the profit and loss account of the subsidiary. Cash flows from gift aid payments were shown as a movement in debtors. In accordance with Financial Reporting Standard 28 - Corresponding amounts, the comparatives in the income and expenditure account and in the cash flow statement have been adjusted to provide comparable disclosures.

Retirement benefits

The Group participates in three pension schemes providing benefits based on final pensionable pay (defined benefit schemes) and in one pension scheme providing benefits based on contributions made.

Defined benefit schemes

Local Government Pension Schemes

The Group participates in two defined benefit pension schemes which are administered

by the London Borough of Lambeth Pension Fund and the Hertfordshire County Council Pension Fund. These two schemes are regulated under the Local Government Pension Scheme Regulations 1997, as amended. The assets of the scheme are held separately from those of the Group.

The schemes are defined benefit statutory schemes providing benefits on the basis of members' final salary. Both schemes are contracted out of the State Second Pension.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a 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. Pension scheme surpluses (to the extent that they are recoverable) or deficits are recognised in full. The movement in the scheme surpluses/deficits other than cash contributed by the Group are split between operating charges, finance items and, in the statement of total recognised surpluses and deficits, actuarial gains and losses.

The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Both schemes have been closed to new entrants and the Hertfordshire County Council Pension Scheme was also closed for future accrual on 31 October 2014. From 1 November 2014 staff are offered access to the SHPS defined contribution scheme.

The Social Housing Pension Scheme (DB)

The Group participates in the Social Housing Pension Scheme (SHPS) which provides benefits based on Career Average Revalued Earnings (CARE) or based on final pensionable pay. The assets of the scheme are held separately from those of the Group. The Group is unable to identify its share of the underlying assets and liabilities belonging to individual participating employers on a consistent and reasonable basis. It therefore accounts for the scheme,

as required by FRS 17 'Retirement benefits', as if it were a defined contribution scheme. As a result, the amount charged to the Group's income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

After consultation, the Group closed both the CARE and the final pensionable pay elements of the scheme for future accrual on 30 November 2014. From 1 December 2014 staff are offered access to the SHPS defined contribution scheme.

A deed of indemnity is in place whereby subsidiary entities guarantee the payment and performance of the Association's present and future obligations and liabilities under the SHPS DB scheme.

No contingent liability or provision is recognised in the Association's or Network Housing Group subsidiaries' financial statements in relation to the deed of indemnity as they are able to make payments required by SHPS and there is no intention to exit the scheme triggering any crystallising event. Further disclosure relating to the deed of indemnity is set out in note 34.

Defined contribution scheme

The Social Housing Pension Scheme (DC)

The Group also participates in the Social Housing Pension Scheme defined contribution scheme where the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.



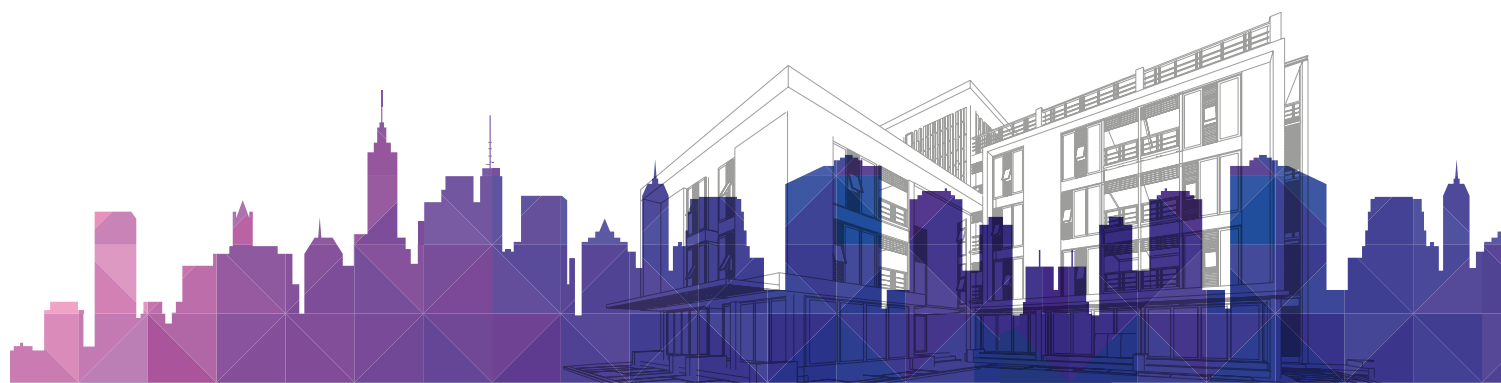
02 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

NHG LIMITED

	2015		
	Turnover £'000	Operating costs £'000	Operating (deficit) / surplus £'000
Other income and expenditure			
Management fees from Group subsidiaries	15,184	(16,859)	(1,675)
Development administration	4,270	(3,399)	871
Other income	875	(2)	873
TOTAL	20,239	(20,260)	69

NHG LIMITED

	2014		
	Turnover £'000	Operating costs £'000	Operating (deficit) / surplus £'000
Other income and expenditure			
Management fees from Group subsidiaries	9,060	(11,327)	(2,267)
Development administration	4,370	(2,720)	1,650
Other income	931	-	931
TOTAL	14,361	(14,047)	314





**TEWIN PLACE
HERTFORDSHIRE**

Hertfordshire

GROUP

Social housing lettings (note 3)	2015				2014			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/ (deficit) £'000
Rented accommodation	72,268	-	(42,148)	30,120	65,664	-	(40,992)	24,672
Impairment cost	-	-	(1,627)	(1,627)	-	-	(1,442)	(1,442)
Sheltered accommodation & care services	12,397	-	(7,524)	4,873	12,213	-	(8,507)	3,706
Shared ownership	7,644	-	(4,037)	3,607	7,915	-	(3,979)	3,936
Hostels	4,923	-	(3,674)	1,249	5,223	-	(4,418)	805
Short stay	21,261	-	(21,259)	2	21,355	-	(21,092)	263
Key worker	9,182	-	(5,448)	3,734	8,117	-	(5,282)	2,835
Total social housing lettings	127,675	-	(85,717)	41,958	120,487	-	(85,712)	34,775

Other social housing activities								
Housing management administration	346	-	(3,526)	(3,180)	1,154	-	(2,377)	(1,223)
Supporting People contract income	409	-	(199)	210	1,219	-	(954)	265
Sale of First Tranche properties	24,604	(13,452)	(1,497)	9,655	23,253	(15,013)	(1,075)	7,165
Development administration	-	-	810	810	-	-	1,590	1,590
Community development	-	-	-	-	46	-	(63)	(17)
Emergency response services	-	-	-	-	41	-	-	41
Other income	57	-	(3)	54	(309)	-	(9)	(318)
Total other social housing activities	25,416	(13,452)	(4,415)	7,549	25,404	(15,013)	(2,888)	7,503

GROUP

Non-social housing activity	2015				2014			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/ (deficit) £'000
Lettings: student accommodation	1,662	-	(145)	1,517	1,619	-	(118)	1,501
Outright sale of properties	28,358	(14,992)	(1,468)	11,898	4,682	(4,055)	(260)	367
Market rented	388	(26)	-	362	-	-	-	-
Commercial activities	2,597	-	(1,264)	1,333	1,255	-	(432)	823
Other	3,420	12	(746)	2,686	2,723	(6)	(1,402)	1,315
	36,425	(15,006)	(3,623)	17,796	10,279	(4,061)	(2,212)	4,006
TOTAL	189,516	(28,458)	(93,755)	67,303	156,170	(19,074)	(90,812)	46,284



03

INCOME AND EXPENDITURE FROM
SOCIAL HOUSING LETTINGS

GROUP

	General rented	Sheltered housing	Shared ownership	Hostels	Short stay	Key workers	Total 2015	Total 2014
Income from lettings	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable	68,196	8,554	4,718	4,722	21,048	9,006	116,244	107,886
Charges for support services	-	1	-	-	-	-	1	1
Service income	3,952	3,779	2,926	201	213	176	11,247	12,384
Net rental income	72,148	12,334	7,644	4,923	21,261	9,182	127,492	120,271
Other	120	63	-	-	-	-	183	216
Turnover from social housing lettings	72,268	12,397	7,644	4,923	21,261	9,182	127,675	120,487
Expenditure on letting activities								
Management	20,268	1,088	701	1,307	2,386	1,891	27,641	23,473
Impairment cost	1,627	-	-	-	-	-	1,627	1,442
Support costs	-	92	-	-	-	-	92	138
Routine maintenance	5,787	1,088	261	371	637	485	8,629	15,461
Major repairs expenditure	6,442	600	398	345	56	612	8,453	2,076
Property lease charges	-	-	-	802	17,755	452	19,009	18,542
Services	4,617	3,497	2,248	302	328	1,536	12,528	13,351
Depreciation net of amortisation of grant for housing properties	4,888	1,223	477	545	73	496	7,702	10,191
Rent losses/(write backs) from bad debts	146	(64)	(48)	2	24	(24)	36	968
Other costs	-	-	-	-	-	-	-	70
Operating costs on social housing lettings	43,775	7,524	4,037	3,674	21,259	5,448	85,717	85,712
Operating surplus/(deficit) on social housing lettings	28,493	4,873	3,607	1,249	2	3,734	41,958	34,775
Void losses	(531)	(166)	(3)	(28)	(484)	(593)	(1,805)	(2,641)

04 OPERATING COSTS

	NHG Ltd 2015 £'000	Group 2015 £'000	NHG Ltd 2014 £'000	Group 2014 £'000
Direct costs	-	62,380	-	64,497
Administrative costs	20,260	31,375	14,047	26,314
	20,260	93,755	14,047	90,811

05 EMPLOYEE INFORMATION

The monthly average number of persons employed during the year, including the Executive Officer, is based on an assumption

that 1 full time equivalent employee (FTE) works 35 hours and includes the total staff on permanent and fixed term contract:

	NHG Ltd 2015 FTE	Group 2015 FTE	NHG Ltd 2014 FTE	Group 2014 FTE
Office-based staff	218	383	122	402
Scheme-based staff	-	27	-	37
	218	410	122	439

Staff costs for the above persons were:

	NHG Ltd 2015 £'000	Group 2015 £'000	NHG Ltd 2014 £'000	Group 2014 £'000
Wages and salaries	8,750	15,065	5,925	16,077
Social security costs	965	1,599	626	1,586
Other pension costs	933	1,777	754	2,050
	10,648	18,441	7,305	19,713

The number of staff in the NHG Ltd (excluding the Chief Executive Officer) receiving

remuneration in excess of £60,000 as at 31 March 2015 is shown as follows:

	2015 FTE	2014 FTE
£60,000 - £69,999	6	5
£70,000 - £79,999	5	5
£80,000 - £89,999	1	3
£90,000 - £99,999	4	2
£100,000 - £109,999	2	1
£130,000 - £139,999	1	-
£140,000 - £149,999	-	1
£150,000 - £159,999	-	1
£160,000 - £169,999	1	-
	20	18

06 DIRECTORS' AND BOARD EMOLUMENTS

The directors are defined as members of the Board and the Executive Officers.

BOARD MEMBERS AND EXECUTIVE OFFICERS 2015

	Appointed / Resigned	Basic salary/fees	Expenses	Total remuneration	Bonus / other payments	Pension contribution	Benefits in kind	Total emolument
Non-Executive Officers		£	£	£	£	£	£	£
Andrew Watson		20,000	-	20,000	-	-	-	20,000
Charmian Boyd		6,667	-	6,667	-	-	-	6,667
Alan Head		10,167	-	10,167	-	-	-	10,167
Chris Kane ¹		-	-	-	-	-	-	-
Christopher Lyons	R 01/04/2015	8,083	-	8,083	-	-	-	8,083
Trevor Morley		10,333	-	10,333	-	-	-	10,333
Nick Sharman		8,956	-	8,956	-	-	-	8,956
Linda Walton	R 01/09/2014	4,251	-	4,251	-	-	-	4,251
Peter Stredder		6,125	-	6,125	-	-	-	6,125
Anne Turner		6,125	-	6,125	-	-	-	6,125
Kevin Brush	R 20/05/2014	1,167	-	1,167	-	-	-	1,167
		81,874	-	81,874	-	-	-	81,874

¹ Chris Kane opted not to receive any remuneration.

BOARD MEMBERS AND EXECUTIVE OFFICERS 2015

	Appointed / Resigned	Basic salary/fees	Expenses	Total remuneration	Bonus / other payments	Pension contribution	Benefits in kind	Total emolument
Executive Officers		£	£	£	£	£	£	£
David Levenson	R 26/09/2014	188,321	135	188,456	-	7,818	-	196,274
Barry Nethercott		160,609	-	160,609	-	-	-	160,609
Helen Evans		163,716	14	163,730	11,890	12,039	1,945	189,604
Trudi Kleanthous		111,764	-	111,764	8,610	8,610	-	128,984
Jon Dawson		93,314	406	93,720	9,225	8,518	1,409	112,872
Gerry Doherty		104,808	40	104,848	-	1,367	-	106,215
Vicky Savage		121,545	1,617	123,162	32,597	11,043	1,370	168,172
		944,077	2,212	946,289	62,322	49,395	4,724	1,062,730
		1,025,951	2,212	1,028,163	62,322	49,395	4,724	1,144,604



During the year, Board members and executive officers of Network Housing Group received emoluments (including pension contributions and benefit in kind) totalling £1,144,603 (2014: £717,763). The increase is largely attributable to changes

in the structure of the executive officers team, together with a contractual severance payment to the former Finance Director. In 2014/15, the decision was made that all Board members are paid through the parent company.

OTHER DIRECTORSHIPS AND SHAREHOLDINGS

Board Members had the following external directorships, not including directorships of subsidiaries or associates of Network Housing Group Limited

Andrew Watson	Shareholder and Director, Who Moved My Cheese Limited; FISH Asset Managements Limited
Charmian Boyd	Director of Seamless Relocation
Chris Kane	Director of Chris Kane Associates
Christopher Lyons	Business Advisor to Aarden and Humberside NHS Commissioning Support Unit; 100% shareholding in CL2 Enterprises Ltd - Dormant Company; Non-executive Chairman of Ashley House plc
Trevor Morley	Director of Cerberus Innovations Ltd; Director of Directions Homes Investments Ltd; Director of Pal Investments Ltd
Linda Walton	Chair Citizens Advice, Aylesbury; Deputy National Councillor Federation of Small Businesses; Director Linda Walton Associates
Peter Stredder	Director of Energobit SA
Anne Turner	ASRA Housing Group Ltd; Leicester Housing Association Ltd; ASRA Housing Association Ltd; Orbit Treasury Ltd; Orbit Capital plc
Kevin Brush	Director of Fairhurst Ward Abbotts Holdings (trades for profit)

BOARD MEMBERS AND EXECUTIVE OFFICERS 2014

	Appointed / Resigned	Basic salary/fees	Expenses	Total remuneration	Bonus / other payments	Pension contribution	Benefits in kind	Total emolument
Non-Executive Officers		£	£	£	£	£	£	£
Andrew Watson		15,000	-	15,000	-	-	-	15,000
Alan Head		7,000	-	7,000	-	-	-	7,000
Christopher Lyons		7,000	-	7,000	-	-	-	7,000
Charmian Boyd		6,000	-	6,000	-	-	-	6,000

BOARD MEMBERS AND EXECUTIVE OFFICERS 2014

	Appointed / Resigned	Basic salary/fees	Expenses	Total remuneration	Bonus / other payments	Pension contribution	Benefits in kind	Total emolument
Non-Executive Officers		£	£	£	£	£	£	£
Charles Humphry		8,000	-	8,000	-	-	-	8,000
Kevin Brush		7,000	-	7,000	-	-	-	7,000
Linda Walton		6,000	-	6,000	-	-	-	6,000
Trevor Morley		1,500	-	1,500	-	-	-	1,500
Chris Kane ¹		-	-	-	-	-	-	-
Nick Sharman		1,500	-	1,500	-	-	-	1,500
		59,000	-	59,000	-	-	-	59,000

Executive Officers								
David Levenson		144,375	561	144,936	13,125	14,959	-	173,020
Barry Nethercott		4,000	-	4,000	-	-	-	4,000
Gerry Doherty		2,308	-	2,308	-	-	-	2,308
Jeremy Stibbe		77,787	121	77,908	-	6,223	-	84,131
Helen Evans		161,173	109	161,282	14,500	14,041	1,850	191,673
Jon Dawson ²		90,248	-	90,248	-	8,500	1,308	100,056
Trudi Kleanthous		96,191	-	96,191	-	7,385	-	103,576
		576,082	791	576,873	27,625	51,108	3,158	658,764

		635,082	791	635,873	27,625	51,108	3,158	717,764
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¹ Chris Kane opted not to receive any remuneration. ² Emolument details were not disclosed on 2013/14 financial statements. Jon Dawson transferred to NHG Ltd in July 2014 and a part of his salary was shown in the London Strategic Housing Limited's financial statements for 2014.

SUMMARY EMOLUMENTS PAID WERE:

	2015 £'000	2014 £'000
Aggregate emoluments payable to Executive Directors	1,014	608
Aggregate emoluments payable to non-executive Directors	82	59
	1,096	667
Pension contributions payable to Executive Directors	49	51
	49	51
Total emoluments	1,145	718
Emoluments paid to the highest paid Director, excluding pension contributions	188	178

The emoluments of the highest paid director, excluding pension contributions and including a loss of office payment of £115k, were £188k.

The Chief Executive of Network Housing Group Limited is an ordinary member of the Social Housing Pension Scheme on the same basis as that available to all other eligible staff. Pension contributions paid into a defined contribution scheme on behalf of the Chief Executive were £12k. The Association did not make any contribution to any individual pension arrangement on her behalf. No pension

contributions were made on behalf of any non-executive Director. The notice period for termination of her contract is six months.

The number of staff in the Group (including directors and chief executives, but excluding the Chief Executive Officer) receiving remuneration in excess of £60,000 as at 31 March 2015 is shown as follows:

	2015 FTE	2014 FTE
£60,000 - £69,999	9	5
£70,000 - £79,999	6	8
£80,000 - £89,999	3	4
£90,000 - £99,999	4	3
£100,000 - £109,999	3	1
£110,000 - £119,999	-	1
£130,000 - £139,999	1	-
£140,000 - £149,999	-	1
	26	23

The ratio of the highest earner (annualised salary) compared to the average earner

(annualised salary) is shown as follows:

RATIO OF HIGHEST TO AVERAGE EARNERS

	2015	2014
Ratio of highest to average earner	4:1	4:1

CHIEF EXECUTIVE OFFICER (CEO) AND CHAIRMAN'S REMUNERATION ON A £ PER UNIT BASIS

Ratio of highest to average earner	2015	2014
	£	£
Chief Executive	8.97	8.88
Chair	1.36	0.9

07

PROFIT ON SALE OF FIXED ASSETS

	NHG Ltd 2015 £'000	Group 2015 £'000	NHG Ltd 2014 £'000	Group 2014 £'000
Sales proceeds	-	19,084	-	11,990
Cost of sales transferred from fixed assets	-	(10,540)	-	(8,711)
Incidental sale expenses	-	(478)	-	(302)
	-	8,066	-	2,977

08

INTEREST RECEIVABLE AND OTHER INCOME

	NHG Ltd 2015 £'000	Group 2015 £'000	NHG Ltd 2014 £'000	Group 2014 £'000
Interest receivable on deposits	-	266	2	765
Interest receivable and similar income on investments	-	315	-	221
Unrealised gains on fair value of investments	-	13	-	
	-	594	2	986

09

INTEREST PAYABLE
AND SIMILAR CHARGES

	NHG Ltd 2015 £'000	Group 2015 £'000	NHG Ltd 2014 £'000	Group 2014 £'000
Loan interest	-	32,739	-	29,342
Less: interest capitalised	-	(7,025)	-	(4,568)
Loan amortisation costs	-	138	-	65
Pension scheme interest	-	(75)	-	119
Other finance costs	-	900	-	621
Sinking fund depreciation	-	51	-	1,365
	-	26,728	-	26,944

10

SURPLUS ON ORDINARY
ACTIVITIES BEFORE TAXATION

The surplus on ordinary activities before taxation is stated after charging:	NHG Ltd 2015 £'000	Group 2015 £'000	NHG Ltd 2014 £'000	Group 2014 £'000
Depreciation	760	15,635	794	14,562
Impairment	-	1,627	-	1,442
Auditors' remuneration (including expenses, excluding VAT):				
Audit of Group financial statements	27	27	25	25
Audit of Group financial statements- adjustments in relation to 2013/14	-	-	40	40
PricewaterhouseCoopers LLP fees for the external audit of the Group's annual financial statements (current year)	-	93	-	85
PricewaterhouseCoopers LLP fees for the external audit of the Group's annual financial statements (prior year)	23	45	-	-
Fees in respect of other non-audit services				
Other assurance services	-	83	23	61
Operating lease payments				
Lands and building	896	19,991	1,010	19,633

The audit fees for 2013/14 and 2014/15 are shown as exclusive of VAT in accordance with the Accounting Direction for Housing in England from April 2012.

11

TAX ON SURPLUS
ON ORDINARY ACTIVITIES

(a) Analysis of charge in year	Group 2015 £'000	Group 2014 £'000
UK corporation tax on surpluses of the year	1	6
Current tax charge	1	6
Deferred tax	-	-
Total tax charge for the year	1	6

The tax assessed for the year is lower (2014: the same) than the standard rate of

corporation tax in the UK 20% (2014: 23%). The differences are explained below:

(b) Factors affecting tax charge for the year	Group 2015 £'000	Group 2014 £'000
Surplus on ordinary activities before taxation	49,235	23,303
Surpluses not chargeable to corporation tax due to charitable exemption	(49,230)	(23,276)
	5	27
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2014: 23%)	1	6
Tax charge	1	6



12 HOUSING PROPERTIES AT COST

GROUP

Cost	Housing properties (under development)		Housing properties (completed)		Total housing properties £'000
	General rented £'000	Shared ownership £'000	General rented £'000	Shared ownership £'000	
At 1 April 2014	113,767	20,245	1,189,312	77,695	1,401,019
Historic adjustment*	-	-	(621)	-	(621)
Adjusted balance as at 1 April 2014*	113,767	20,245	1,188,691	77,695	1,400,398
Additions	101,943	19,163	8,926	-	130,032
Transfers to completed schemes	(57,158)	(12,815)	57,158	12,815	-
Transfer to completed schemes TSH**	-	-	829	-	829
Transfer to stock	(1,199)	(55)	-	(4,964)	(6,218)
Transfer to investment properties	(350)	-	-	-	(350)
Component replacement	-	-	(2,107)	-	(2,107)
Transfer to other association	4,488	-	-	-	4,488
Disposals	(381)	-	(5,484)	(4,668)	(10,533)
At 31 March 2015	161,110	26,538	1,248,013	80,878	1,516,539
Accumulated depreciation					
At 1 April 2014	-	-	76,496	1,969	78,465
Historic adjustment*	-	-	21,426	-	21,426
Adjusted balance as at 1 April 2014*	-	-	97,922	1,969	99,891
Transfer to other association	-	-	(226)	-	(226)
Charge for the year	-	-	14,024	797	14,821
Component replacement	-	-	(602)	-	(602)
On disposals	-	-	(162)	(179)	(341)
At 31 March 2015	-	-	110,956	2,587	113,543
Housing properties at cost less depreciation	161,110	26,538	1,137,057	78,290	1,402,995

GROUP

Social Housing Grant	Housing properties (under development)		Housing properties (completed)		Total housing properties £'000
	General rented £'000	Shared ownership £'000	General rented £'000	Shared ownership £'000	
At 1 April 2014	16,961	9,498	494,866	30,366	551,691
Historic adjustment*	-	-	(21,001)	-	(21,001)
Adjusted balance as at 1 April 2014*	16,961	9,498	473,865	30,366	530,690
Receivable in the year	17,207	-	-	-	17,207
Transfer to completed schemes TSH**	-	-	508	-	508
Amortisation	-	-	(3,628)	-	(3,628)
Transfers to completed schemes	(10,023)	-	10,023	-	-
Disposal	-	-	(37)	-	(37)
Repayable on Disposal /Transfer to RCGF	(171)	-	(3,546)	(632)	(4,349)
Transfer to other association	-	-	-	(847)	(847)
Transfer to current assets	-	-	-	(1,092)	(1,092)
At 31 March 2015	23,974	9,498	477,185	27,795	538,452
Other capital grants					
At 1 April 2014	9,753	-	34,985	3,349	48,087
Historic adjustment*	-	-	(3,909)	-	(3,909)
Adjusted balance as at 1 April 2014*	9,753	-	31,076	3,349	44,178
Transfer to other association	(61)	-	61	-	-
Transfer to other RPs	-	-	-	(745)	(745)
Amortisation	-	-	(241)	-	(241)
Transfer to completed schemes from TSH**	-	-	322	-	322
Repayable on disposals	-	-	(88)	(85)	(173)
At 31 March 2015	9,692	-	31,130	2,519	43,341
Net book value at 31 March 2015	127,444	17,040	628,742	47,976	821,202
Net book value at 31 March 2014	87,054	10,747	582,965	42,011	722,777

- * Housing properties costs, depreciation and grants have been adjusted to remove historic differences between the accounts and the housing properties asset register mainly arising from the introduction of component accounting in 2011/12.
- ** The TSH transfers on the fixed asset note relates to two Temporary Social Housing (TSH) properties that were previously leased but during the year purchased from their landlords. The costs and grant transferred relate to improvement costs for the properties incurred during the lease term which were recoverable from the landlord. Upon purchase, these costs and grant were transferred from debtors to fixed assets.

Total expenditure on existing properties in the year was £27,741k (2014: £28,608k). This comprises £10,553k (2014: £11,070k) which was capitalised and £17,188k (2014: £17,538k) which was treated as revenue expenditure and charged to the Income and Expenditure account. Additions to housing properties during the year include capitalised interest of £7,025k (2014: £4,568k). During the year, 10,532 (2014: 9,884) properties had charges over them for loan security.





13 OTHER FIXED ASSETS

NHG LIMITED

Cost	Computer hardware and software £'000	Office fixtures and fittings £'000	Leasehold Improvements £'000	Total £'000
At 1 April 2014	1,706	214	1,811	3,731
Write off	(54)	-	-	(54)
Additions	795	18	50	863
At 31 March 2015	2,447	232	1,861	4,540
Accumulated depreciation				
At 1 April 2014	600	77	720	1,397
Write off Nil NBV Assets	(54)	-	-	(54)
Charge for the year	558	21	181	760
At 31 March 2015	1,104	98	901	2,103
Net book value at 31 March 2015	1,343	134	960	2,437
Net book value at 31 March 2014	1,105	137	1,091	2,333

GROUP

Cost	Freehold and leasehold office property £'000	Computer hardware and software £'000	Office fixtures & fittings £'000	Scheme furniture £'000	Total £'000
At 1 April 2014	2,381	5,288	1,141	319	9,129
Additions	7,005	796	18	-	7,819
Write off	-	(54)	-	(263)	(317)
At 31 March 2015	9,386	6,030	1,159	56	16,631
Accumulated depreciation					
At 1 April 2014	881	4,121	735	207	5,944
Charge for the year	192	569	59	112	932
Write off	-	(54)	-	(263)	(317)
At 31 March 2015	1,073	4,636	794	56	6,559
Net book value at 31 March 2015	8,313	1,394	365	-	10,072
Net book value at 31 March 2014	1,502	1,164	411	112	3,189

During the year, Network Stadium Housing Association purchased the Olympic Office Centre building. The property is split between investment properties of £9.2m (note 15) and office property of £6.9m based on space occupied by the Group members.

Assets at nil net book value that are no longer in use by the Group have been written off in the year.

14

FREEHOLD AND
LEASEHOLD PROPERTIESTHE COST OF HOUSING PROPERTIES AND
FREEHOLD AND LEASEHOLD OFFICE PROPERTY COMPRISES:

	Group 2015 £'000	Group 2014 £'000
Housing properties		
Freehold	1,447,877	1,331,759
Long leasehold	81,584	69,260
	1,529,461	1,401,019
Office property		
Freehold	2,008	570
Short leasehold	1,861	1,812
	3,869	2,382
TOTAL	1,533,330	1,403,401

15

INVESTMENTS

INVESTMENTS HELD AS COLLATERAL

	Group 2015 Fair value £'000	Group 2014 Fair value £'000	Group 2015 Historic cost £'000	Group 2014 Historic cost £'000
Financial assets	8,127	6,622	8,196	6,641
	8,127	6,622	8,196	6,641

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

The financial assets are held at amortised cost. The assets are restricted and not available for general use. These are not listed on a recognised stock exchange.

In 2042 the redemption proceeds of the gilt held by the Group in the Interest Service Reserve Fund and included in the balance above will amount to its par value of £5.2m. The excess carrying value of the gilt of £1.4m is being amortised over its remaining 28 years life.

NHG Limited holds no financial investments (2014: nil).

INVESTMENTS IN PROPERTIES

	Group 2015 Fair value £'000	Group 2014 Fair value £'000	Group 2015 Historic cost £'000	Group 2014 Historic cost £'000
Investment in properties	16,132	7,202	15,892	6,737

The financial assets are held at fair value. The surplus on revaluation is credited to the revaluation reserve (note 24). During the year, Network Stadium Housing Association bought the Group's head office "Olympic Office Centre" at £16.1m. Out of this, £1.4m relates to the office property occupied by Network Stadium

Housing Association and £5.5m for the other subsidiaries and Group's head office, which has been classified as other fixed assets (note 13).

NHG Limited holds no investment properties (2014: nil).

16 DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2015 £'000	Group 2014 £'000
Stock transfer	9,201	9,891

Stock transfer balances relate to a works programme being undertaken on the Stockwell Park and Robsart estates in the London Borough of Lambeth. The amount stated in debtors due after one year and debtors

due within one year (note 17) represents the Group's receivables from the London Borough of Lambeth to be reimbursed for the cost incurred in undertaking the works under the refurbishment contract.



17

DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR

	NHG Ltd 2015 £'000	Group 2015 £'000	NHG Ltd 2014 £'000	Group 2014 £'000
Rent and service charges	-	12,171	-	11,509
Less: provision for bad and doubtful debts	-	(7,870)	-	(6,743)
	-	4,301	-	4,766
Other trade debtors	13	2,660	7	3,074
Amounts owed from Group undertakings	7,614	161	6,797	-
Stock transfer (see note 16)	-	2,350	-	3,080
Other debtors	86	1,931	562	3,176
Prepayments and accrued income	642	6,239	524	3,250
	8,355	17,642	7,890	17,346

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CASH AT BANK AND IN HAND

	NHG Ltd 2015 £'000	Group 2015 £'000	NHG Ltd 2014 £'000	Group 2014 £'000
At bank and in hand	-	33,730	-	50,734
Restricted cash held for client accounts (see note 19)	-	1,528	-	2,044
	-	35,258	-	52,778



19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Client accounts	NHG Ltd 2015 £'000	Group 2015 £'000	NHG Ltd 2014 £'000	Group 2014 £'000
Service charge and client funds	-	1,528	-	2,044
Total client account creditors (see note 18)	-	1,528	-	2,044
Other creditors				
Rent and service charges received in advance	-	4,585	-	4,448
Bank overdraft	172	570	402	1,861
Housing loans (see note 21)	-	30,400	-	5,177
Trade creditors	45	4,654	10	2,531
Amounts owed to Group undertakings	2,873	-	4,914	-
Other capital grants repayable	-	21	-	21
Other creditors including taxation and social security	689	2,053	663	2,940
Accruals and deferred income	4,654	35,534	2,037	39,432
	8,433	79,345	8,026	58,454

20 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

	Termination fee Liberty Gas £'000	SHPS Growth plan £'000	Lease termination repairs £'000	Bonus £'000	Restructure £'000	Council tax £'000	Insurance claim £'000	Stock Transfer £'000	TOTAL £'000
Balance brought forward 1 April 2014	-	163	812	100	166	52	72	3,080	4,445
Additions for 2015	715	4	434	100	-	-	-	2,350	3,603
Released in 2015	-	(52)	(96)	(100)	(166)	(52)	(72)	(3,080)	(3,618)
Balance carried forward 31 March 2015	715	115	1,150	100	-	-	-	2,350	4,430

NHG LIMITED

	SHPS Growth plan £'000	Bonus £'000	Restructure £'000	TOTAL £'000
Balance brought forward 1 April 2014	26	100	166	292
Additions for 2015	4	100	-	104
Released in 2015	-	(100)	(166)	(266)
Balance carried forward 31 March 2015	30	100	-	130

The provision for the termination fee for the Liberty Gas contract is made following legal advice provided to Riversmead Housing Association Limited with regard to contractual obligations on the early termination of this contract.

The SHPS growth plan provision is a constructive obligation for termination debt. The amount is as per the latest information from The Pension Trust.

The Dilapidation provision is in relation to repairs and redecoration for two properties in Network Stadium Housing Association Limited whose leases have been terminated and are based on quotes given by surveyors.

The provisions for lease termination repairs relate to future costs that will be incurred to return social housing properties to a suitable condition. These costs will be incurred at the point of expiry of private sector landlord lease agreements, which vary contract to contract. The costs are estimated but may vary due to the condition of the property upon expiry.

The bonus provision is a constructive obligation in respect of discretionary staff awards related to performance. This is estimation and the final amount will be decided by the Group Remuneration Committee in July 2015, with payment to be made shortly thereafter.

The Group undertook a program to improve services to tenants and reduce costs in the last financial year. The provision for this restructuring was released as all costs were realised during the year.

The provision for council tax was released in full as all costs were realised during the year.

The insurance provision represents the policy excess payments for a number of anticipated insurance claims for storm damage that took place in 2013/14. The provision was released in full as all costs were realised during the year.

The stock provision has now been split in the current year between short and long term provisions. See note 22 for further details.



21

CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR

	Group 2015 £'000	Group 2014 £'000
Housing loans falling due after more than one year	720,754	657,517
Social Housing Grant received in advance	390	331
Social Housing Grant repayable	1,127	950
Recycled capital grant fund	11,357	6,861
THFC financing surplus	2,483	2,216
	736,111	667,875

In 1988 Network Stadium took out a loan of £8,593k through deep discounted loan notes, with a bullet repayment in 2028 totalling £18,700k. The associated liability includes the £8,593k initial loan amount included in housing loans above and an additional liability of £2,483k (2014: £2,216k) included in other creditors above.

Housing loans are secured by a combination of fixed or floating charges on the Group's housing properties. During the year, 10,532 (2014: 9,884) properties had charges over them for loan security.

The housing loans carry different, but largely fixed, rates of interest, with a weighted average interest rate of 4.20%. Loans are repayable on maturity or by instalments, the last of which falls due in May 2048. These loans fall due for repayment as follows:



	Instalment loans £'000	Non- instalment loans £'000	2015 £'000	2014 £'000
Less than one year	11,510	18,890	30,400	5,177
Between one and two years	5,035	57,250	62,285	29,123
Between two and five years	24,135	111,767	135,902	149,637
After five years	331,771	190,796	522,567	478,757
	372,451	378,703	751,154	662,694

The movement on the recycled capital grant fund is shown below:

	Group 2015 £'000	Group 2014 £'000
At beginning of year	6,861	3,810
Inputs to reserve:		
Grants recycled	6,152	3,431
Interest accrued	46	20
Transfer to non-group member	(1,702)	-
Works to existing stock	-	(400)
At end of year	11,357	6,861

Out of the above recycled capital grant fund of £11,357k, £57k is repayable to HCA and the balance £11,300k to GLA.



WILLOW HOUSE
WEMBLEY

40 Homes
Brent

22

PROVISIONS FOR LIABILITIES
AND CHARGES

More than one year	2015 £'000	2014 £'000
Provisions for estate improvements arising from stock transfers	9,891	19,979
Released in the year	(1,350)	(10,088)
	8,541	9,891

The provision relates to the cost of a works programme to be undertaken on the newly transferred Stockwell Park and Robsart estates in the London Borough of Lambeth. The amount

stated represents the Group's obligation to the London Borough of Lambeth to undertake works under the refurbishment contract.

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NON-EQUITY SHARE CAPITAL

Ordinary shares of £1 each, issued and fully paid	NHG Ltd 2015 £	NHG Ltd 2014 £
At beginning of year	9	10
Cancelled during the year	(2)	(1)
Issued	3	-
At end of year	10	9

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends, redemptions of capital or distributions on a winding up. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of the Group. Therefore all shareholdings relate to non-equity interests.



24 RESERVES

NHG LTD

	2015 £'000	2014 £'000
At beginning of year	1,904	1,250
Surplus for the year	324	654
At end of year	2,228	1,904

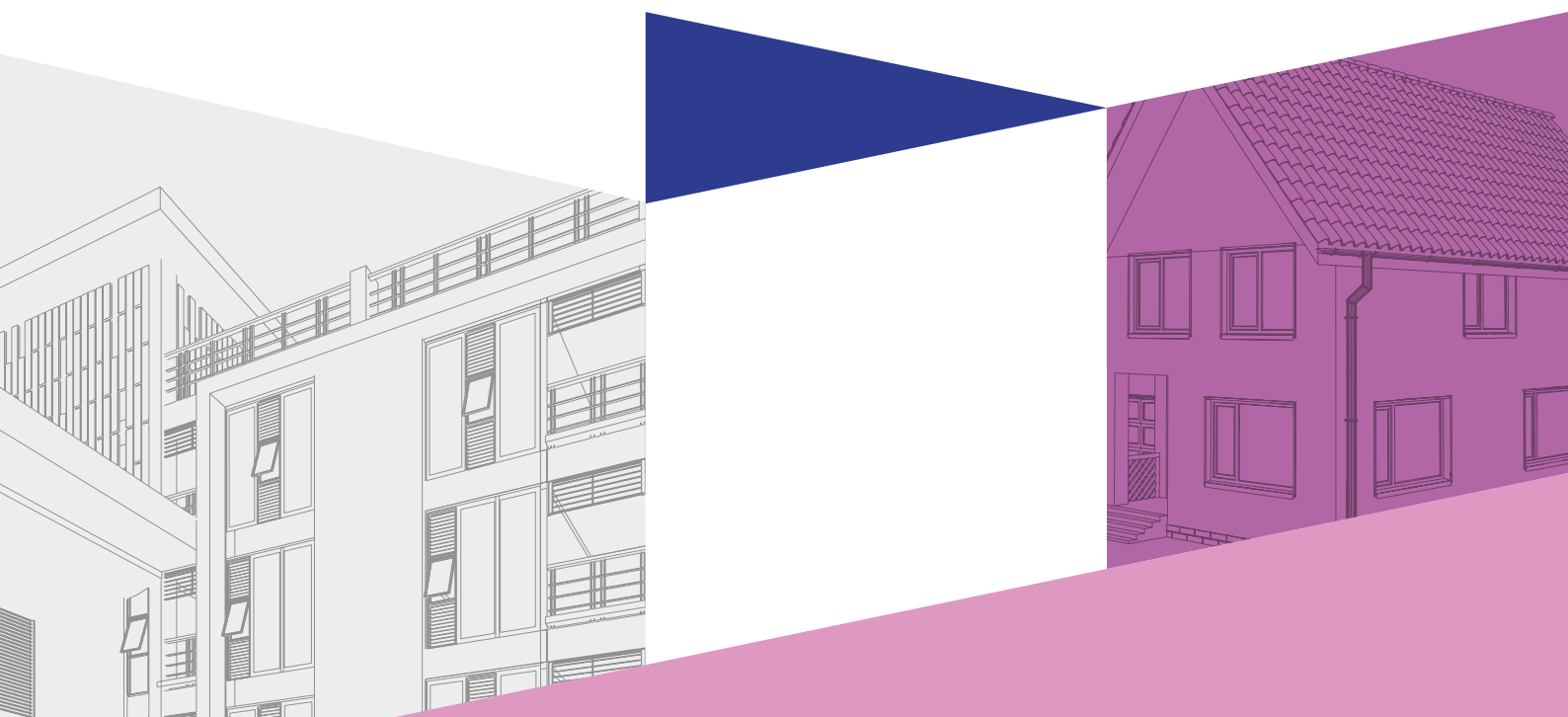
GROUP

	Furniture reserve £'000	Major repairs £'000	Insurance fund £'000	Designated reserve (Total) £'000	Revaluation reserve £'000	Revenue reserve £'000
At beginning of year	1,021	2,956	170	4,147	814	122,409
Surplus for the year	-	-	-	-	-	49,234
Pensions scheme movements	-	-	-	-	-	(18)
At end of year	1,021	2,956	170	4,147	814	171,625

The furniture reserve is to provide for replacing furniture at certain sheltered and supported housing schemes. The major repairs reserve represents provision for major and cyclical repair works. The insurance reserve is maintained to

cover the self-insured element of the Group's property insurance costs.

The Group will adopt FRS 102 in financial year 2015/16 and designated reserves will merge with revenue reserves.



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FINANCIAL COMMITMENTS

CAPITAL EXPENDITURE

	Group 2015 £'000	Group 2014 £'000
Expenditure contracted for but not provided for in the financial statements	92,018	318,523
At end of year	92,018	318,523

Capital commitments will be financed through a combination of retained reserves, long-term committed loan facilities from banks and other lending institutions, Social Housing Grant awarded

by the Homes and Communities Agency and proceeds from the sale of outright sale and non-core properties. This figure includes committed expenditures under AHP2.

The annual commitments under operating leases on land and buildings are as follows:

OPERATING LEASES

Property leases which expire:	NHG Ltd 2015 £'000	Group 2015 £'000	NHG Ltd 2014 £'000	Group 2014 £'000
Less than one year	59	6,801	-	4,275
Between one and five years	39	9,948	39	11,929
After five years	-	2,373	617	3,030
	98	19,122	656	19,234

26 CONTINGENT LIABILITIES

Network Stadium Housing Association Limited, a subsidiary of Network Housing Group Limited, is contracted to:

- i** A performance bond of £40,000 with Welwyn Hatfield District Council, to support a Section 106 of the Town & Country Planning Act 1990 Agreement. This relates to work the Association is required to complete on land at Ludwick Way, Peartree Farm, Welwyn Garden City;
- ii** A performance bond of £35,000 in favour of London Borough of Barnet, for the management of temporary housing; and
- iii** A performance bond of £240,850 in favour of Bedfordshire County Council, to support a Section 38 Highways Act 1980 Agreement on the development at Stratton Park, Biggleswade.

Community Trust Housing, a subsidiary of Network Housing Group Limited, is contracted to:

- i** A performance bond of £248,146 relating to provisions within a Section 106;
- ii** A performance bond of £50,000 relating to provisions within a Section 106;
- iii** A performance bond of £50,000 relating to provisions within a Section 172; and
- iv** TUPE bond of £165,100 to protect the terms and conditions of transferring staff from London Borough of Lambeth.

The above performance bonds **i**, **ii** and **iii** are payable by respective Associations should the contracting work described not be completed in accordance with the terms of the respective bonds.

Network Treasury Services Limited, a subsidiary of Network Housing Group Limited:

- i** Cross collateralisation and cross guarantees for £456m (2014: £412m) of loans borrowed by Network Treasury Services Limited, the Group's Treasury vehicle, as at 31 March 2015. The Group entities involved are Network Stadium Housing Association Limited, Riversmead Housing Association Limited and London Strategic Housing Limited. The loans are secured against property assets held by these Group entities. Elements of this loan are on-lent to the Association and included within housing loans in note 21. No events have occurred which would result in the crystallisation of any of the above contingent liabilities.

Network Housing Group Limited:

- i** Homes and Community Agency have provided funding via Development Agreements to Network Stadium Housing Association. The Network Housing Group has provided guarantees in support of these liabilities in favour of HCA for a total of £9,349,679.48. As at 31 March 2015, the liability amounted to the total of £7,286,171.96 (£2,344,547.06 relates to Ealing Road and £4,941,624.90 to Brook Avenue).



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NOTES TO THE CONSOLIDATED
CASH FLOW STATEMENT

Reconciliation of operating surplus to net cash inflow from operating activities	Group 2015 £'000	Group 2014 £'000
Operating surplus	67,303	46,284
Depreciation charges	11,885	11,101
Impairment of assets	1,627	1,442
Loss on disposal of assets	1,505	1,916
Non-cash historic items*	(2,863)	-
Increase in stock	(37,825)	(9,394)
Decrease in debtors	394	24,464
(Decrease)/increase in creditors	(6,050)	3,923
Net cash inflow from operating activities	35,976	79,736
Reconciliation of increase in cash and cash equivalents to movement in net debt		
Decrease in cash in the year	(16,229)	(9,872)
Cash outflow from decrease in debt	(88,726)	(50,400)
Change in net debt resulting from cash flows	(104,955)	(60,272)
Net debt at beginning of year	(613,993)	(553,721)
Net debt at end of year	(718,948)	(613,993)

Analysis of changes in net debt	At 1 April 2014 £'000	Cash flow £'000	At 31 March 2015 £'000
Cash at bank and in hand	52,778	(17,520)	35,258
Bank overdraft	(1,861)	1,291	(570)
	50,917	(16,229)	34,688
Debt due within one year	(5,177)	(25,222)	(30,400)
Debt due after one year	(657,517)	(63,237)	(720,754)
THFC financing surplus	(2,216)	(267)	(2,483)
	(613,993)	(104,955)	(718,949)

* Non-cash historic items relate to the historic adjustment made in housing properties note 12.

28 LEGISLATIVE PROVISIONS

The ultimate parent undertaking and controlling party is Network Housing Group Limited. The Group and the Association are registered under the Co-operative and Community Benefit Societies Act 2014 and are required by statute to prepare Group financial

statements as the Association is the ultimate parent in the Group. The Group and Association are registered with the Homes & Communities Agency as a social landlord. The status of the Group and the Association's subsidiary and associated organisations is shown in note 29.

29 SUBSIDIARIES AND ASSOCIATED ORGANISATIONS

The Company's subsidiaries were:

	Housing Association registered with the Homes and Communities Agency	Bodies incorporated under the Co-operative and Community Benefit Societies Act 2014	Companies incorporated under the Companies Act 2006
Wholly owned subsidiaries			
Community Housing Development Limited			•
Network New Build Limited			•
Network Treasury Services Limited			•
Network Living Ltd (previously NHG Property Ltd)			•
Pimlico Village Developments Limited			•
Pimlico Village Developments (Number Two) Ltd			•
Riversmead Housing Development Limited			•
Network Stadium Investment Limited			•
Student First Limited		•	
With controlling interest			
Community Trust Housing	•	•	
London Strategic Housing Limited	•	•	
Riversmead Housing Association Limited	•	•	
Network Stadium Housing Association Ltd	•	•	
Associated organisations			
Churchill Gardens Amenity Company Limited			•
Tay Road Amenity Company Limited			•

30 HOUSING STOCK

The number of units of accommodation in management at the end of the year was as follows:

	Group 2015 No.	Group 2014 No.
General needs	10,181	10,459
Sheltered	1,457	1,444
Affordable	1,155	758
Shared ownership	1,579	1,401
Leasehold	1,924	1,771
Supported housing (bed spaces)	99	272
Intermediate	318	8
Key workers	1,309	1,632
Market rented	21	56
	18,043	17,801

Being:

Owned and managed	16,039	15,546
Managed only	2,004	2,255
	18,043	17,801



31 STOCKS

	2015 £'000	2014 £'000
Completed schemes		
Shared ownership properties	5,834	114
Open market sales	1,117	1,303
Under construction		
Shared ownership properties	22,351	16,404
Open market sales	59,724	33,380
	89,026	51,201
Housing stock for sale as at 1 April 2014	51,126	36,906
Additions in year	165,953	91,575
Sales in year	(134,271)	(77,270)
Transfer from fixed assets	6,218	-
Transfer to fixed assets	-	(10)
Housing stock for sale as at 31 March 2015	89,026	51,201



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RELATED PARTIES

As permitted by FRS 8 'Related Party Transactions', the Group has not presented details of inter-group related party transactions, except for those with non-regulated entities.

There are no tenant Board members or councillors on the Group Board with related party interests.

TOTAL RECEIPTS FROM NON-REGULATED GROUP MEMBERS

	Details	2015 £'000	2014 £'000
Student First Limited	Loan interest	-	17
Network Stadium Investments Limited	Gift aid	5,895	495
Pimlico Development Limited	Gift aid	102	-
Network New Build Limited	Gift aid	255	331
Network Treasury Services Limited	Gift aid	-	7
Community Housing Development Limited	Gift aid	5,502	-
		11,754	850

TOTAL PAYMENTS TO NON-REGULATED GROUP MEMBERS

	Details	2015 £'000	2014 £'000
Network Stadium Investments Limited	Interest paid on loans	-	229
Network Treasury Services Limited	Interest paid on loans	121	252
Student First Limited	Interest paid on loans	491	19,738
Network Living Limited	Office rent payable	645	46
Network New Build Limited	Design & build fees	106,298	55,118
Community Housing Development Limited	Design & build fees	1,841	5,824
Pimlico Development Limited	Electricity & insurance	39	71
		109,435	81,278

33 ACCOMMODATION MANAGED BY AGENTS

The Association owns property managed by other bodies, as follows:

	Units at start of year No.	Units at end of year No.
Alamo Housing Association	92	81
Apna Ghar Housing Association	10	10
Ashford Place	-	6
Bahay Kubo Housing Association	9	11
Brent Community Housing	5	6
Brent Mind	24	30
Broadway	7	-
Centrepoint	6	6
Certitude	-	4
Creative Support	-	7
Cricklewood Homeless Concern	6	-
Directly-Managed	-	1
Echg Supported Housing	13	-
Equality Housing	17	12
Equinox Care	-	13
Harrow Churches Housing Association	6	6
Harrow Council	7	7
Hestia Housing and Support	48	7
HFT	-	5
Home From Home	4	4
Karin Housing Association	37	35
Leytonstone Housing Co-operative	2	-
London Field Solutions	53	-
Look Ahead Care and Support	8	98
MACE Housing Co-operative Ltd	65	71
Provide Temp Housing	20	-
PSL – Temporary Social Housing Brent	1	-

	Units at start of year No.	Units at end of year No.
Refugee Support Housing	12	1
Riverside ECHG	-	52
RNID	6	-
Safestart Foundation	24	24
Saint Mark's Co-operative	-	7
SFL Support Housing	27	-
Single Homeless Project	17	-
Spitalfields Housing Association	3	3
SSAFA	28	28
St Mungo's Housing Association	41	30
TUSH	7	-
Tamil Community Housing Association	23	39
Unit 11 Housing Co-operative	19	29
Westminster Association for Mental Health	8	-
Westminster Society	14	8
Westminster Housing Co-operative	8	7
Westminster MIND	-	43
	677	691





SOUTH KILBURN

229 HOMES
Brent

34 PENSION SCHEMES

The total pension cost for the Group was £1,777k (2014: £2,050k), including £1,205k (2014: £1,454k) in payments to reduce the historic pension deficit on a scheme. There were four pension schemes of which employees are members: the defined benefit Social Housing Pension Scheme (closed), the defined contribution Social Housing Pension Scheme, defined benefit Local Government Pension Schemes Hertfordshire (closed for future accrual on 31 October 2014) and defined benefit Local Government Pension Schemes Lambeth (closed for new entrants).

Social Housing Pension Scheme

The Group participates in the Social Housing Pension Scheme (the Scheme). The scheme is funded and is contracted out of the State Pension scheme.

It is not possible, in the normal course of events, to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi-employer scheme where the scheme assets are co-mingled for the investment purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the scheme, the accounting charge for the year under FRS 17 represents the employer contribution payable.

The Trustees commission an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to address the level of future contributions required so that the scheme can meet its pension obligations as they fall due.

The last formal valuation of the scheme was performed as at 30 September 2011 by a professional qualified Actuary using the Projected Unit Method. The market value of the scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past

service funding level of 67%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £ 1,323 million, equivalent to a past service funding level of 70%.

After consultation, the Group closed both Career Average Revalued Earnings (CARE) and Final defined benefit schemes. Our staff are offered access to the SHPS defined contribution scheme.

Monthly top-up contributions were £42,566 (2014: £35,364) per month.

The Association paid contributions at the rates of 2% to 8% and members 2% to 8%. Employer costs for the financial year 2014/15 were £314,781. Monthly employer contribution for March 2015 was paid in May 2015 and the amount was £28,308.

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

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

The debt for the scheme as a whole is calculated by comparing the liabilities for the scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity

policies from an insurer, plus an allowance for expenses) with the assets of the scheme. If the liabilities exceed assets there is a buy-out debt.

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

The Network Housing Group has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme, based on the financial position of the scheme as at 30 September 2012. As of this date, the estimated employer debt for the Association was £10,816,415.

As disclosed on note 1, the Association is a party to a Deed of Indemnity with Network Housing Group Limited (the Parent) and its subsidiaries: the Association, Riversmead Housing Association Limited, London Strategic Housing Limited and Community Trust Housing. The Deed of Indemnity requires that each Subsidiary agrees jointly and severally

to indemnify and hold harmless the Parent, for and against (as applicable) an amount equal to the Liability of the Parent due to The Pensions Trust. The Pensions Trust has notified the Parent of its estimated employer debt on withdrawal from the Social Housing Pension scheme, based on the financial position of the scheme as at 30 September 2012. The estimated employer debt for the Parent was £11,196,620. No crystallising event has occurred in respect of the Deed of Indemnity and as a result, no provision or contingent liability has been recognised.

Hertfordshire Local Government Pension Fund

Riversmead Housing Association Limited participated in the Hertfordshire Local Government Pension Fund until 31 October 2014. This scheme is administered by Hertfordshire County Council and is regulated under the Local Government Pension Scheme Regulations 1997, as amended.

The scheme is a defined benefit statutory scheme providing benefits on the basis of members' final salary. It is contracted out of the State Second Pension. As at the 31 October 2014, there were 36 (2014: 45) members of the Scheme employed by the Association. A full actuarial valuation of the Hertfordshire Local Government Pension Fund was carried out at 31 March 2015 by a qualified independent actuary, Hymans Robertson, for the purposes of FRS 17.

The major assumptions used by the actuary were:



	2015 % per annum	2014 % per annum
Rate of price increases	2.4	2.8
Rate of salary increases	3.8	4.1
Rate of pension increases	2.4	2.8
Discount rate for liabilities	3.2	4.3

The Association's share of the assets and liabilities of the scheme at 31 March 2015 and the expected long term rate of return on assets were:

	Long term rate of return %	2015 £'000	Long term rate of return %	2014 £'000	Long term rate of return %	2013 £'000	Long term rate of return %	2012 £'000	Long term rate of return %	2011 £'000
Equities	3	7,785	7	7,022	6	6,020	8	4,746	8	4,493
Bonds	3	2,882	4	1,613	4	1,526	5	1,238	5	1,169
Property	3	841	5	569	4	424	6	413	6	246
Other	3	360	4	285	3	509	5	482	5	246
		11,868		9,489		8,479		6,879		6,154

Share of scheme assets/ (liabilities)	2015 £'000	2014 £'000	2013 £'000
Estimated employer assets	11,868	9,489	8,479
Present value of scheme liabilities	(13,035)	(12,089)	(11,818)
Deficit in scheme	(1,167)	(2,600)	(3,339)

ANALYSIS OF THE AMOUNT CHARGED TO OPERATING SURPLUS

	2015 £'000	2014 £'000	2013 £'000
Current service costs	170	379	308
Total operating charge	170	379	308

ANALYSIS OF THE AMOUNT CHARGED TO OTHER FINANCE EXPENSES

	2015 £'000	2014 £'000	2013 £'000
Expected return on pension scheme assets	(600)	(445)	(393)
Interest on pension scheme liabilities	518	536	478
Net return on assets	(82)	91	85

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the

year (i.e. as at 31 March 2014 for the year to 31 March 2015, or date of joining the fund if later).

ANALYSIS OF THE AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS ('STRSD')

	2015 £'000	2014 £'000	2013 £'000
Actual return less expected return on pension scheme	671	51	662
Past service costs	(1,983)	703	(1,294)
Changes in the assumptions underlying the present value of the scheme liabilities	1,495	(242)	11
Actuarial gain/(loss) recognised in the STRSD	183	512	(621)

The movement in the deficit during the year is analysed below:

	2015 £'000	2014 £'000	2013 £'000
Deficit at start of the year	(2,600)	(3,339)	(3,002)

Movement in the year

Current service costs	(170)	(379)	(308)
Employer contributions	1,364	697	677
Net return on assets	82	(91)	(85)
Losses on curtailments	(26)	-	-
Actuarial gain/(loss)	183	512	(621)
Deficit at the end of the year	(1,167)	(2,600)	(3,339)

HISTORY OF EXPERIENCE GAINS AND (LOSSES) RECOGNISED IN THE STRSD

Actual return less expected return on pension scheme	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Actuarial gains/(losses) on assets	671	51	662	(308)	(576)
Percentage of scheme assets	5.7%	0.5%	7.8%	(4.5%)	(9.4%)
Experience (losses) and gains on scheme liabilities					
Actuarial gains/(losses) on liabilities	488	(461)	(1,283)	(433)	1,657
Percentage of scheme liabilities	3.7%	(3.8%)	10.9%	(4.4%)	19.0%
Total amount recognised in the STRSD					
Actuarial gains/(losses)	183	512	(621)	(741)	2,093
Percentage of scheme liabilities	1.4%	4.2%	(5.3%)	(7.5%)	24.0%

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Total assets	11,868	9,489	8,479	6,879	6,154	5,852	4,153
Total liabilities	(13,035)	(12,089)	(11,818)	(9,881)	(8,734)	(10,606)	(6,405)
Net liabilities	(1,167)	(2,600)	(3,339)	(3,002)	(2,580)	(4,754)	(2,252)

The Association paid contributions at the rate of 19%. Monthly top-up contributions were £22,083.33 and they were paid for April to October 2014.

Riversmead staff are now offered access to the SHPS defined contribution scheme, the same as staff in other parts of the Group.

Riversmead left the Hertfordshire County Council Pension Fund on 31 October 2014. As at that date there were 36 members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £1,121,579.16 (2014: £1,278,567).

London Borough of Lambeth Pension Fund

Community Trust Housing participates in the London Borough of Lambeth Pension Fund. This

scheme is administered by the London Borough of Lambeth and is regulated under the Local Government Pension Scheme Regulations 1997, as amended.

The scheme is a defined benefit statutory scheme providing benefits on the basis of members' final salary. It is contracted out of the State Second Pension. As at the balance sheet date there were three active members of the scheme employed by the Association. The Association has elected not to offer membership of the London Borough of Lambeth Pension Fund to new employees.

A full actuarial valuation of the London Borough of Lambeth Pension Fund was carried out at 31 March 2015 by a qualified independent actuary, Hymans Robertson, for the purposes of FRS 17.

The major financial assumptions used by the actuary were:

	2015 % per annum	2014 % per annum
Rate of price increases	2.4	2.8
Rate of salary increases	4.3	4.6
Rate of pension increases	3.2	2.8
Discount rate for liabilities	3.2	4.3

The assets and liabilities of the scheme at 31 March 2015 and the expected long term rate of return on assets were:

	Long term rate of return %	2015 £'000	Long term rate of return %	2014 £'000
Equities	3.2	1,177	6.6	1,035
Bonds	3.2	588	4.3	508
Property	3.2	203	4.8	200
Cash	3.2	61	3.7	73
		2,029		1,816



SHARE OF SCHEME LIABILITIES

	2015 £'000	2014 £'000
Estimated employer assets	2,029	1,816
Present value of scheme liabilities	(2,584)	(2,196)
Deficit in scheme	(555)	(380)

ANALYSIS OF THE AMOUNT CHARGED TO OPERATING SURPLUS

	2015 £'000	2014 £'000
Current service costs	28	38
Past service cost	-	-
Total operating charge	28	38

ANALYSIS OF THE AMOUNT CHARGED TO OTHER FINANCE EXPENSES

	2015 £'000	2014 £'000
Expected return on pension scheme assets	(103)	(101)
Interest on pension scheme liabilities	94	119
Net expense	(9)	18

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the year (i.e. as at 31 March 2014 for the year to 31 March 2015, or date of joining the fund if later).

ANALYSIS OF THE AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS ('STRSD')

	2015 £'000	2014 £'000
Actual return less expected return on pension scheme assets	115	(346)
Experience gains and losses on scheme liabilities	-	-
Past service costs	-	-
Changes in the assumptions underlying the present value of the scheme liabilities	(316)	559
Actuarial gain recognised in the STRSD	(201)	213

The movement in the deficit during the year is analysed below:

	2015 £'000	2014 £'000
Deficit at start of the year	(380)	(578)
Movement in the year		
Current service cost	(28)	(38)
Past service cost	-	-
Contributions	45	41
Net expense on assets	9	(18)
Actuarial (loss)/gain	(201)	213
Deficit at the end of the year	(555)	(380)

HISTORY OF EXPERIENCE GAINS AND LOSSES

Actual return less expected return on scheme assets	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Gains/(losses)	115	(346)	162	8	(273)
Percentage of scheme assets	5.67%	-19.05%	7.83%	0.44%	-0.16%
Experience gains and losses on scheme liabilities					
(Losses)/gains	(316)	559	(301)	(13)	293
Percentage of scheme liabilities	12.23%	25.45%	-11.37%	-0.58%	13.90%
Total amount recognised in the STRSD					
(Losses)/gains	(201)	213	(139)	(18)	300
Percentage of scheme liabilities	-9.91%	-9.70%	-5.25%	-0.80%	14.23%

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Total assets	2,029	1,816	2,070	1,804	1,707
Total liabilities	(2,584)	(2,196)	(2,648)	(2,244)	(2,108)
Net liabilities	(555)	(380)	(578)	(440)	(401)

As at the balance sheet date, there were two (2014: three) active members of the scheme employed by the Association. The annual pensionable payroll in respect of these members was £122,859 (2014: 141,770). The Association paid contributions at the rate of 33.5% (2014: 30.3%).

The Local Government Pension scheme is closed for new entrants.



NETWORK HOUSING GROUP'S
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Registered provider no. L4373
Member of the National Housing Federation

