



**NHF PROPERTY & SERVICES
LIMITED**

FINANCIAL STATEMENTS

**For the Year ended
31 March 2016**

NHF PROPERTY & SERVICES LIMITED

For the year ended 31 March 2016

Company registration
number:

4904686

Registered office:

NHF Property & Services Limited
Lion Court
25 Procter Street
London
WC1V 6NY

Bankers:

Lloyds TSB
Kings Cross Branch
344 Gray's Inn Road
London
WC1X 8BX

Auditor:

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

NHF PROPERTY & SERVICES LIMITED

For the year ended 31 March 2016

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REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 March 2016.

Principal activity

The company's main purpose is renting and providing office space, conference facilities and serviced meeting rooms.

Business review

Operations

The company owns the freehold of Lion Court, 25 Procter Street, London, WC1V 6NY. It rents out the building to its holding company the National Housing Federation Limited which in turn has let 61.6% of the usable space to a serviced office provider.

Risks and uncertainties

The lease to the serviced office provider is for ten years with no break clause. There is a risk that the serviced office provider may default on the rent however this is mitigated by holding a three month rent deposit.

The company has obtained the support of its parent to ensure that it can meet its cashflow needs for twelve months from date of signing these accounts; the parent has confirmed that it will not demand settlement of the inter-company balance of £6,483k unless the company has the available funds to make the payment.

Financial Review

There was a profit for the year after taxation amounting to £4,289k (2015: £1,847k) as shown on page 8.

Movements on fixed assets are disclosed in note 6.

REPORT OF THE DIRECTORS

The company rents out its freehold property to its holding company the National Housing Federation Limited, which in turn has let 61.6% of the usable space to a serviced office provider on a ten year commercial lease.

The whole property is treated as an investment property and included at valuation. The property was independently valued at 31 March 2016 to £25.98m (2014 £21.5m) by Strutt & Parker LLP, acting as an independent valuer as defined by Professional Standard 2 of the RICS Valuation Professional Standards, January 2014. The basis of valuation was market value of the freehold interest in the property subject to any tenancies.

The accounts have been prepared on a going concern basis and the Director's confirm that there are no material uncertainties that may cast significant doubt of the ability of the company to continue as a going concern.

Directors

The membership of the Board is set out below. The directors received no fees or remuneration for their services.

Simon Charlick

Matthew Taylor (resigned 23 September 2015)

Diana Warwick (appointed 2 February 2016)

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including FRS 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

REPORT OF THE DIRECTORS

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notification under section 488(1) of the Companies Act 2006.

BY ORDER OF THE BOARD



Jackie Cunningham
Secretary

6 July 2016

NHF PROPERTY & SERVICES LIMITED

For the year ended 31 March 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NHF PROPERTY & SERVICES LIMITED

We have audited the financial statements of NHF Property & Services Limited for the year ended 31 March 2016 which comprise the balance sheet, the statement of comprehensive income and retained earnings, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

NHF PROPERTY & SERVICES LIMITED

For the year ended 31 March 2016

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Directors' Report.

Grant Thornton UK LLP

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

6 JULY

2016

PRINCIPAL ACCOUNTING POLICIES

Status

NHF Property & Services Limited is a wholly owned subsidiary of the National Housing Federation Limited.

Basis of Preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102- 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102) and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention except for the modification to market value of investment properties.

The functional currency of the Financial Statements is Pounds Sterling.

The company's transition date for FRS 102 was 1 April 2014. This is the first year in which the financial statements have been prepared under FRS102, an explanation of the transition adjustments are shown in note 19.

NHF Property & Services Limited has taken advantage of the following disclosure exception in preparing these financial statements, as permitted by FRS102 – the requirement to present a statement of cash flows and related notes.

The directors have assessed the company's future activities and commitments against the working capital in place and access to funds. The directors view the level of working capital as sufficient to ensure future operations. Accordingly, the directors are satisfied that it is appropriate to apply the going concern principle and that there are no material uncertainties that may cast significant doubt of the ability of the company to continue as a going concern.

Significant Judgements and estimates

Preparation of the financial statements requires management to make judgements and estimates. These are evaluated continually and based on historical performance and any other relevant factors. The only judgement or estimate in these accounts which are considered significant is the valuation of investment properties - the company has re-valued its investment property to fair value based on advice from independent experts as detailed in note 6.

Turnover

Turnover is the total amount receivable by the company for services provided, excluding VAT and trade discounts.

All income is accounted for on a receivable basis.

PRINCIPAL ACCOUNTING POLICIES

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provisions for impairment.

Depreciation is provided at rates which are calculated to write off the cost of tangible fixed assets by equal annual instalments over the following estimated useful lives.

Plant and machinery	14 - 20 years
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No depreciation is provided on investment properties. Depreciation is charged monthly from the period of acquisition or commencement of use, up until the period of disposal.

Investment Properties

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

Investment properties are stated at valuation; the basis of which was market value of the freehold interest in the property subject to any tenancies.

Taxation

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

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

VAT recovery is accrued on the basis of a partial exemption formula agreed with HM Customs and Excise on 23 August 2004 which was effective from 28 January 2004. Amounts are included in the income and expenditure account and in the balance sheet gross of VAT where the VAT is reclaimable under this formula. The company is in a VAT grouping with its parent company, National Housing Federation Limited.

PRINCIPAL ACCOUNTING POLICIES

Financial Instruments

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

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

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

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

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

STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS

	Note	2016 £'000	2015 £'000
Turnover	1	<u>1,708</u>	<u>1,708</u>
Administrative expenses	2	<u>(818)</u>	<u>(812)</u>
Other operating Income	3	<u>4,480</u>	<u>1,500</u>
Operating profit		5,370	2,396
Interest payable	4	<u>(220)</u>	<u>(288)</u>
Profit on ordinary activities before taxation		5,150	2,108
Tax on profit on ordinary activities	5	<u>861</u>	<u>261</u>
Retained profit transferred from reserves		<u>4,289</u>	<u>1,847</u>

All transactions arise from continuing operations.

The notes on pages 11 to 18 form part of the Financial Statements.

BALANCE SHEET

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	6	26,234	21,786
Current assets			
Cash at bank and in hand		46	46
		<u>46</u>	<u>46</u>
Creditors: amounts falling due within one year	7	<u>(7,188)</u>	<u>(7,204)</u>
Net current liabilities		<u>(7,142)</u>	<u>(7,158)</u>
Total assets less current liabilities		<u>19,092</u>	<u>14,628</u>
Creditors: amounts falling due after more than one year	8	<u>(10,026)</u>	<u>(9,851)</u>
Net assets		<u><u>9,066</u></u>	<u><u>4,777</u></u>
Reserves			
Issued share capital	12	-	-
Profit and Loss reserve		9,066	4,777
Shareholders' funds		<u><u>9,066</u></u>	<u><u>4,777</u></u>

The financial statements were approved by the Board of Directors on 6 July 2016 and signed on their behalf on 6 July 2016.



Simon Charlick

Company registration no: 4904686

The notes on pages 11 to 18 form part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Turnover and loss on ordinary activities before taxation

	2016	2015
	£'000	£'000
Rental income	<u>1,708</u>	<u>1,708</u>
	<u>1,708</u>	<u>1,708</u>

2 Administrative expenses

	2016	2015
	£'000	£'000
Depreciation	28	29
Loss on disposal	5	-
Management charge	785	789
Other operating charges	-	(6)
	<u>818</u>	<u>812</u>

The company's audit fee is borne by its holding company the National Housing Federation Limited.

3 Other Income

	2016	2015
	£'000	£'000
Gain on revaluation	<u>4,480</u>	<u>1,500</u>
	<u>4,480</u>	<u>1,500</u>

4 Interest payable

	2016	2015
	£'000	£'000
On bank loans	<u>220</u>	<u>288</u>

NOTES TO THE FINANCIAL STATEMENTS

5 Taxation

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

	2016	2015
	£'000	£'000
UK Corporation tax	-	-
Deferred tax	861	261
	<u>861</u>	<u>261</u>
Current tax charge for the period		

The tax assessed for the period is lower than the standard rate of corporation tax in the United Kingdom of 20% (2015-21%) The differences are explained as follows:

Profit/(loss) on ordinary activities before taxation	<u>5,150</u>	<u>2,108</u>
Tax on profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 20% (2015-21%)	1,030	443
Effect of:		
Capital allowances for the period in excess of depreciation	-	6
Difference in deferred tax rate	(104)	(32)
Income not taxable for tax purposes	(896)	(315)
Chargeable gain on property revaluation	831	159
Current tax charge for the period	<u>861</u>	<u>261</u>

NOTES TO THE FINANCIAL STATEMENTS

6 Tangible fixed assets

	Investment property £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 April 2015	21,500	624	22,124
Revaluation	4,480	-	4,480
Disposals	-	(9)	(9)
At 31 March 2016	<u>25,980</u>	<u>615</u>	<u>26,595</u>
Depreciation			
At 1 April 2015	-	338	338
Provided in the year	-	28	28
Disposals	-	(5)	(5)
At 31 March 2016	<u>-</u>	<u>361</u>	<u>361</u>
Net book amount at 31 March 2016	<u>25,980</u>	<u>254</u>	<u>26,234</u>
Net book amount at 31 March 2015	<u>21,500</u>	<u>286</u>	<u>21,786</u>

On 27 February 2014 three floors of the freehold property Lion Court were let on a ten year commercial lease, the other two floors are leased to the company's ultimate parent undertaking (National Housing Federation Limited).

The whole property was independently valued at 31 March 2016 to £25.98m by Strutt & Parker LLP, acting as an independent valuer as defined by Professional Standard 2 of the RICS Valuation Professional Standards, January 2014.

The basis of valuation was market value of the freehold interest in the property (as defined in the RICS Valuation Professional Standards), subject to any external tenancies.

NOTES TO THE FINANCIAL STATEMENTS

7 Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Bank loan (note 9)	687	667
Amounts owed to group undertakings	6,482	6,513
Accruals and deferred income	19	24
	<u>7,188</u>	<u>7,204</u>

The parent company has agreed not to recall the intercompany balance of £6,482k for twelve months from the date of signing these accounts unless the company has the available funds to make the payment.

8 Creditors: amounts falling due after more than one year

	2016	2015
	£'000	£'000
Amounts owed to group undertakings (note 11)	3,500	3,500
Bank loan (note 9)	5,587	6,273
Deferred Taxation	939	78
	<u>10,026</u>	<u>9,851</u>

9 Creditors: capital borrowings

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

	2016	2015
	£'000	£'000
Amounts repayable:		
In one year or less or on demand	687	667
In more than one year, but not more than two years	708	686
In more than two years, but not more than five years	2,239	2,190
In more than five years	2,639	3,397
	<u>6,273</u>	<u>6,940</u>

NOTES TO THE FINANCIAL STATEMENTS

10 Deferred Tax

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

	2016 £'000	2015 £'000
Property revaluation	733	151
Accelerated capital allowances	(13)	(5)
Trading losses	141	115
	<u>861</u>	<u>261</u>

11 Financial commitments

- i On 29 January 2004, the company purchased Lion Court in Holborn for the sum of £13.74m. The purchase was financed by a 25 year loan from the Bank of Scotland of £11.74m at an interest rate of 1.5% plus base. At 31 March 2016 the amount outstanding was £6.273m (2014: £6.94m). On 11 June 2004, the company elected to fix the interest rate on £4m of the loan for 5 years at 7.315%, this then reverted to a base rate loan and on 29 July 2011 the outstanding amount of £2.04m was changed to a LIBOR loan repayable at 1.5% over LIBOR. On 11 June 2004 the interest rate on a further £4m of the loan was fixed for 10 years at 7.295% which reverted back to a base rate loan on 11 June 2015. On 22 February 2010, the company elected a further interest fix at 5.595% for 10 years, £3.32m to run from 11 March 2010 and £0.79m to run from 29 April 2010.
- ii Bank of Scotland holds a first and only debenture over the whole assets and undertakings of NHF Property & Services Limited, and a first legal charge over Lion Court as security against the loan.
- iii The remaining £2m of the purchase price of Lion Court was raised from the sale of 175 Gray's Inn Road, a property owned by the National Housing Federation Limited, the company's parent. Following the sale, a non-interest bearing deferred loan was made to the company by the National Housing Federation Limited in January 2004, to be repaid 20 years from date of issue. At 31 March 2015 the amount outstanding on the loan was £3.5m (2014: £3.5m).

NOTES TO THE FINANCIAL STATEMENTS

12 Called Up Share capital

	2016 £	2015 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid.		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

13 Reserves

Called up share capital – represents the nominal value of shares that have been issued

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

14 Capital commitments

The company had no capital commitments at 31 March 2016 or 31 March 2015.

15 Contingent liabilities

There were no contingent liabilities at 31 March 2016 or 31 March 2015.

16 Ultimate parent undertaking

The company's immediate and ultimate parent undertaking and controlling party is the National Housing Federation Limited, which owns 100% of the allotted, called up and fully paid share capital. The largest and smallest group of undertakings for which group accounts are prepared is that headed by the National Housing Federation Limited. Consolidated financial statements are available from the National Housing Federation Limited's registered address, Lion Court, 25 Procter Street, London, WC1V 6NY.

17 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 from the requirement to disclose transactions with the National Housing Federation Limited on the grounds that consolidated financial statements are prepared by that organisation.

NOTES TO THE FINANCIAL STATEMENTS

18 Financial risk management

The company has exposure to three main areas of risk:

Customer credit exposure

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

Liquidity risk

The company has obtained the support of its parent to ensure that it can meet its cashflow needs for twelve months from date of signing these accounts; the parent has confirmed that it will not demand settlement of the inter-company balance of £6,513k unless the company has the available funds to make the payment.

Interest rate risk

The company financed the purchase of its freehold property by way of a term loan from the Bank of Scotland and is therefore subject to interest rate changes. This is mitigated by fixing the interest on a portion of the loan as disclosed in note 11.

19 Transition to FRS 102

The company's transition date for FRS 102 was 1 April 2014. Accordingly the company has adopted FRS 102 for the year ended 31 March 2015 and has restated the comparative prior year amounts. Set out below are the changes in accounting policies which reconcile the profit for the year ended 31 March 2015 and the total equity as at 1 April 2014 and 31 March 2015 between UK GAAP as previously reported and FRS 102.

Investment Property carried at fair value

Under previous UK GAAP the investment property was carried at open market value with movements recognised in the STRGL revaluation reserve. Deferred tax was not required to be recognised.

FRS 102 requires the movement in value of the investment property to be recognised in the Statement of Comprehensive income and retained earnings where it can be reliably measured. Section 29 requires that deferred tax be recognised on the increased value. On transition an adjustment was made to recognise deferred tax as at 1 April 2014 and a further adjustment was made to recognise the additional deferred tax on the value at 31 March 2015. An adjustment was also required to reclassify the revaluation reserve at 1 April 2014 as profit and loss reserves and the movement in value during the year as profit.

NOTES TO THE FINANCIAL STATEMENTS

Transition to FRS 102 – reconciliations

Restated company statement of financial position

	31 March 2015 £'000	2014 £'000
Original shareholders' funds	1600	129
Investment property restated at valuation	3,194	2,618
Depreciation written back	61	-
Deferred tax adjustment on above adjustments	(78)	183
Restated shareholders' funds	<u>4,777</u>	<u>2,930</u>

Restated profit or loss for the year ended 31 March 2015

	31 March 2015 £'000
Original profit on ordinary activities	547
Add gain on revaluation of investment property	1,500
Depreciation written back	61
Deferred tax adjustment on above adjustments	(261)
Restated shareholders' funds	<u>1,847</u>