North Devon Homes Limited
Financial Statements
for the year ended
31 March 2017

Registered Company No. 03674687

Registered Charity No. 1164142

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Financial Statements
for the year ended 31 March 2017

Contents

Board Members, Executive Officers, Advisors and Bankers

The Board of Management

Mr Robert Stronge (Chairman)
Mrs Dawn Ash
Mr James Barrah (appointed 22 May 2017)
Mr Asad Butt (Vice Chairman) (appointed 23 Sept. 2016)
Ms Debbie Hay (appointed 22 May 2017)
Ms Sabina Goodman (appointed 22 May 2017)
Ms Suzanne Ingman (appointed 22 May 2017)
Ms Delyth Lloyd-Evans (appointed 22 May 2017)
Ms Sarah Maylor
Mr Scott Murray (appointed 11 April 2016)

Company Secretary

Mrs Philippa Butler

Executive Directors

Mr Martyn Gimber (Chief Executive)
Mr Marc Rostock (Director of Neighbourhoods)
Mrs Philippa Butler (Finance Director)

Statutory Auditors

PricewaterhouseCoopers LLP
Princess Court
23 Princess Street
Plymouth
PL1 2EX

Solicitors

Trowers & Hamlins
The Senate
Southernhay Gardens
Exeter
Devon EX1 1UG

Tozers
Broadwalk House
Southernhay West
Exeter
Devon EX1 1UA

Principal Funders

Lloyds TSB Bank PLC
Level 6
Bishopsgate Exchange
155 Bishopsgate
London EC2M 3YB

Funding Advisers

Altair Consultancy & Advisory Services Ltd
Tempus Wharf
29a Bermondsey Wall West
London SE16 4SA

Bankers

NatWest plc

Royal Bank of Scotland Group
1st Floor, Trinity Quay 1
Avon Street
Bristol BS2 0PT

North Devon Homes Limited is a company limited by guarantee (Registered in England, Company Number 03674687), registered charity (charity number 1164142) and is registered with the Homes and Communities Agency (Registration Number LH4249).

The registered office is at:
Westacott Road
Barnstaple
Devon
EX32 8TA
www.ndh-ltd.co.uk

Board of Management report for the year ended 31 March 2017

Strategic Report

The Board of Management presents its strategic report and audited financial statements for the year ended 31 March 2017.

Legal Structure

North Devon Homes Limited ('NDH' or 'the Association') was incorporated in November 1998. NDH is an independent social business and registered charity. It has one wholly owned subsidiary Anchorwood Limited which is a development company.

NDH is registered with the Charity Commission as a charitable company and as a provider of social housing with the Homes and Communities Agency. It is also a company limited by guarantee, registered at Companies House. Anchorwood Limited is also registered at Companies House.

The Directors of the Association who have served during the year are listed below and the current directors up to the date of the signing of these financial statements are listed on page 3.

Principal activities

The principal activity of the Association is to provide social housing. Any financial surpluses are reinvested into improving existing homes, communities and services and developing new homes.

The Group also consists of Anchorwood Limited a development company.

Review of the business

A review of the business is discussed in the Strategic Report and Value for Money Statement on pages 8 to 20.

Results

The Group's surplus after tax for the year is £2,055k (2016 restated: £2,504k).

Going concern

The Board has a reasonable expectation that adequate resources will continue in existence for the foreseeable future and for this reason it continues to adopt the going concern basis in preparing the financial statements.

Constitution and Governance

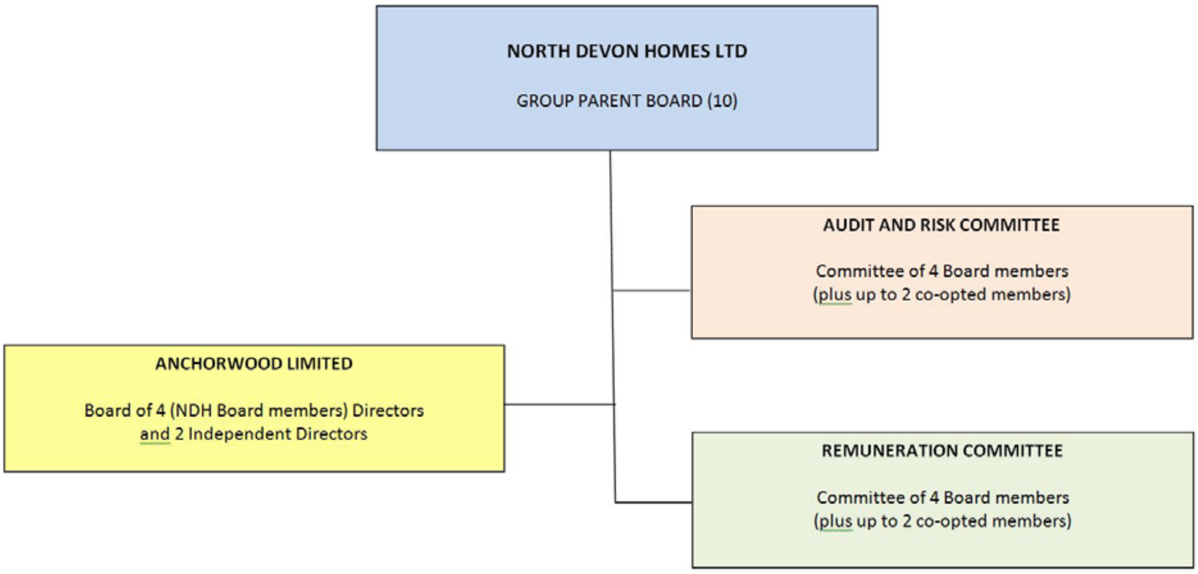
Prior to an Extraordinary General Meeting held on 13 April 2017, the Board of Management comprised three constituencies being three North Devon Council representatives, four Tenant representatives and five Ordinary (or 'Independent') Representatives; members from each constituency making up the main Board of Management. For the year ending 31 March 2017, the following members served on the Board:

Board of Management report for the year ended 31 March 2017 (continued)

Tenant	Independent	North Devon Council
Mrs Dawn Ash	Mr Asad Butt (appointed 23 September 2016)	Cllr Mr Brian Moores (resigned 13 April 2017)
Mr Ian Richard Setter (resigned 27 October 2016)	Mr Adrian Jeffery (resigned 23 September 2016)	Cllr Mrs Faye Webber (resigned 13 April 2017)
	Mr Nick Lewis (co optee to Audit & Risk Committee)	Cllr Mr Jeremy Yabsley (resigned 13 April 2017)
	Ms Sarah Maylor	
	Mr Scott Murray (appointed 11 April 2016)	
	Mr Simon Price (resigned 23 September 2016)	
	Mr Robert Stronge	

At the Extraordinary General Meeting held on 13 April 2017 the Memorandum and Articles were amended to remove the constitutional make up of the Board, to appoint a skills based Board of up to ten independent members.

The governance structure for the Group is summarised below:



The Board's of North Devon Homes and its subsidiary company Anchorwood Limited are committed to upholding and maintaining the highest standard of governance, accountability and probity in effectively leading and managing the business. The Boards continue to work and challenge themselves to ensure that they have the necessary skills, experience and where appropriate, the necessary external advice to support decision making and strategic planning.

Board of Management report for the year ended 31 March 2017 (continued)

Compliance Statement

North Devon Homes (NDH) has adopted the NHF 2015 Code of Governance and strives to uphold the nine principles of good governance as defined by the NHF code of governance. The Board regularly assesses compliance with the code to gain assurance that the organisation remains compliant and identifies any areas for improvement.

Due to a period of transition, which followed a regulatory assessment of G2 for Governance in 2016, the Board has implemented major changes to its structure moving from a constitutional board of 12 to a skills based board of 10. This change was undertaken during the year with five new members appointed to the board in May 2017 with the relevant commercial skills and experience.

The constitutional changes were implemented following consultation with company members and supported by appropriate advice. During the early part of the year the organisation was not fully compliant with the code.

In line with the first requirement of the code; a statement detailing areas of non-compliance is included below.

During 2016/17 NDH was not fully compliant with the code in terms of the requirements on Board composition, recruitment, appraisal and renewal. A detailed improvement plan was developed and implemented to bring the organisation in line with the code requirements and to ensure the highest standards of governance are met. This plan was delivered by March 2017.

This is an exciting time for NDH and the new changes will deliver an excellent governance structure that will be embedded to ensure the organisation continues to provide outstanding services to its customers and stakeholders.

Executive officers

The Board of Management has delegated authority for operational matters to a team of executive officers. The executive officers who held office during the year are:

Mr Martyn Gimber (Chief Executive)
Mr Marc Rostock (Director of Neighbourhoods)
Mrs Philippa Butler (Finance Director)

Board of Management report for the year ended 31 March 2017 (continued)

Financial Risk Management Objectives and Policies

The Association's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The Association has a formal risk management and assurance framework to mitigate the potential adverse effects that such risks may pose which are further detailed in the Strategic Report on pages 8 to 20.

Employees

The strength of the Group lies in the quality and commitment of its employees. Our strong team NDH culture enables us to meet our objectives and deliver a quality service to our customers in an efficient manner. We value highly the continued dedication and professionalism of our employees.

The Group operates a continuous performance management review process which supports the delivery of corporate objectives by identifying any training and development needed to achieve these objectives.

Equal opportunities

The Group is committed to an equal opportunities policy within which it actively encourages applications for employment from all groups in society.

It is our policy that disabled persons should be considered for employment, training, career development and promotion on the basis of their abilities in common with all employees.

Directors' and officers' liability insurance

The Group has maintained directors' and officers' liability insurance throughout the year.

Executive Officers' remuneration

The remuneration of the Chief Executive, Director of Neighbourhoods and Finance Director is determined, when reviewed, by the Board with the aid of external professional advice. No member of the Board receives any remuneration.

Disclosure of information to the auditors

In the case of each person who was a Board member at the time this report was approved:

- so far as that Board member was aware there was no relevant available information of which the auditors were unaware; and
- that Board member had taken all steps that the Board member ought to have taken as a Board member to make himself of herself aware of any relevant audit information and to establish that the auditors were aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

By order of the Board

Robert Stronge, Chair of the Board
11 September 2017

Strategic Report

Background

North Devon Homes is a registered provider of social housing which was formed in February 2000 to accept the transfer of 3,281 homes from North Devon Council. At 31 March 2017, the Association owned 3,223 (2016: 3,234) affordable homes.

All of North Devon Homes' housing stock is located within the local government district of North Devon. The Association operates in an area where there is an acute shortage of existing affordable homes and limited supply of new sites for new housing provision. In addition to this, the area has very low average wages coupled with high property prices.

An analysis of the Association's property assets is as follows:

	2017 No.	2016 No.
North Devon Homes' Affordable Housing Stock:		
General Needs		
Social rent	2,268	2,261
Affordable rent	360	320
Intermediate rent	14	13
Shared Ownership	48	47
Older persons Housing		
Social rent	533	593
Total	**3,223**	**3,234**
Other units not included above:		
Market Rented	8	8
Leasehold Properties	94	95
Units managed on behalf of others	24	24
Garages	702	767
Commercial Properties	20	20
Total	**848**	**914**

Governance and Management

During 2016/17 the NDH Board met ten times to provide effective governance to the business. The Board is supported by its Audit and Risk Committee and also the Remuneration Committee. The Anchorwood Limited Board met six times during the year.

The NDH Board has formally adopted the 2015 National Housing Federation Code of Governance "promoting Board excellence for housing associations". This code not only underpins the way the board operates but also forms the basis of an ongoing commitment to governance excellence and continuous strengthening of its governance arrangements.

Further details are provided within the Board of Management Report on pages 4-7.

Strategic Report (continued)

Regulatory Status

The Association is a Registered Provider (RP) of Social Housing and is regulated by the Homes & Communities Agency (HCA) under the Regulatory Framework for Social Housing in England.

Following the in-depth assessment by the HCA in May 2016, the Regulatory Judgement published on 31 August 2016 showed that whilst the Association maintained its V1 viability rating, its governance rating was downgraded to G2; a compliant grading but the HCA identified some aspects of the governance arrangements that needed to improve. The Regulatory Judgement required improvement in two specific areas, which have been subject to an action plan which is now complete, with the notable event of the EGM in April 2017 to change from a constitutional Board to a skills based Board. The full Regulatory Judgement can be found on the HCA's website.

Corporate Priorities and Strategies

The Company's vision, objectives and strategies are set out in our 2015-2018 Corporate Plan, following the key themes of *Me, My Home, My Neighbourhood, My Landlord*. Through this plan, the organisation has set out four clear corporate objectives through which to deliver our vision of "*working together to create communities where people want to live*". These are:

1. Me: Put the customers at the heart of all we do

2. My Home: Maintain and build quality affordable homes

3. My Neighbourhood: Improve, support and develop our neighbourhoods

4. My Landlord: Deliver Value for Money

The full Corporate Plan document (which can be obtained from our registered office and is on our website), sets out detailed outcomes and targets for each objective. 2016/17 was the second year of the Corporate Plan and highlights of progress and achievements against the Plan are also included in the Value for Money Section of this Strategic Report.

Performance in the Year

Underpinning the Corporate Objectives, the following specific priorities were delivered in 2016/17:

1. Constitutional change to achieve best practice

During 2016/17 constitutional changes were designed, and then discussed and refined by the Board and Customer Forum. These were designed to strengthen the Board, providing the right mix of skills to govern the Association in a more commercial environment, and also to strengthen the customer voice within the Association, and provide more opportunities to directly impact service provision. The changes were agreed at an EGM in April 2017 as part of the constitutional changes agreed by members.

Strategic Report (continued)

Performance in the Year (continued)

2. Deliver Welfare Reform Support

Current tenant rent arrears figures continued to show excellent performance throughout the year with the year end result at 0.5%, maintaining the same level of performance as in the previous year. During the year, work has continued to understand the impacts of the introduction of Universal Credit (UC) on customers. We are working with customers so they build up a rent credit to cover them across the gap in benefit when switching to UC and also to provide a buffer as they begin to manage their own rent payments. In addition, Housing Hub software has been implemented to give the Association a clearer view of the finances of tenants and help target staff intervention where it can have the most impact.

3. Increase efficiency

A revised Value for Money (VfM) Strategy was agreed by the Board, incorporating the Procurement Strategy, and setting out how VfM objectives are set and then delivered throughout the business.

4. Deliver Home 2 Home resourcing and structure changes to deliver efficiencies

An external review of Home 2 Home (our internal repairs and maintenance service), was carried out to assess the efficiency of the business and identify opportunities to achieve optimal performance. The review identified several different options, and the Board agreed to restructure and grow the service to provide increased efficiencies, greater resilience and improved performance.

5. Complete Refinancing

The Association completed refinancing on its most significant loans, restructuring facilities and fixing interest rates at a relatively low level to mitigate against the potential negative impacts of interest rate rises.

Performance Management

The Company has a robust Performance Management Framework in place. The Corporate Objectives set by the Board are cascaded into Service Excellence Plans (SEPs) for each service area. The SEPs inform the Performance Development Framework (PDFs) for each member of staff. Both the SEPs and the PDFs are regularly monitored through a continuous performance review process to ensure operational delivery.

Key Performance Indicators (KPIs)

The North Devon Homes Board and Executive Team monitor the Group's key performance indicators, through quarterly performance reporting, regular meetings of the Executive Team and of the Strategic Performance Group. Performance information is widely available in customer newsletters, on our website and in our offices.

A web based performance management system is in place to monitor and manage performance and delivery across the business including our corporate plan, service excellence plans and quarterly performance reports.

Performance across the organisation as at 31 March 2017 is summarised on the following page:

Strategic Report (continued)

Key Performance Indicators (KPIs) (continued)

Here is how we are performing in some of our key areas compared to the same period 2015/16

The background colour tells us if we are on, close to, or some way below target.
The arrow indicates if our performance has improved, decreased or is unchanged since the same time last year.

⇧ performance improved
⇔ performance unchanged
⇩ performance decreased

● we are on target
● we are close to target
● we are some way below target

	PREVIOUS PERFORMANCE	CURRENT PERFORMANCE	TARGET	POSITION
CUSTOMER SATISFACTION				
Satisfaction with overall service provided by ndh*	94%	92%	88%	⇩
Complaints received	38	29	No Target	n/a
Complaints upheld	22	13	No Target	n/a
Compliments received	61	74	No Target	n/a
RESPONSIVE REPAIRS				
Customer satisfaction with the repairs service - overall	97.1%	97.5%	96.3%	⇧
Emergency repairs completed **within 24 hours**	97.5%	99.2%	99.0%	⇧
Urgent repairs completed **within 7 calendar days**	97.8%	98.1%	97.3%	⇧
Routine repairs completed **within 28 calendar days**	95.0%	95.4%	95.0%	⇧
CUSTOMER CARE TEAM				
Call Quality Overall % Score	n/a	83.1%	60.0%	
Neighbour disputes handled	n/a	187	No Target	n/a
PLANNED MAINTENANCE				
% Planned Maintenance Programme Delivery	87.5%	89.5%	100.0%	⇧
Customer satisfaction with Planned Maintenance service received	n/a	96%	96%	
GAS SAFETY				
Properties with a gas safety certificate	100%	100%	100%	⇔
ANTISOCIAL BEHAVIOUR				
Number of new antisocial behaviour cases	73	63	No Target	n/a
Number of closed antisocial behaviour cases	89	64	No Target	n/a
RE-LET PROPERTIES				
Number of properties re-let	229	200	No Target	n/a
Average time to re-let properties (in calendar days)	45.5	42.0	26.3	⇧
Rent loss due to empty properties (as a % of rental due)	n/a	0.79%	0.55%	
Number of mutual exchanges completed	31	43	No Target	n/a
RENT COLLECTION				
Outstanding rent (current customers)	0.50%	0.49%	1.00%	⇧
Outstanding rent (former customers)	0.40%	0.53%	0.51%	⇩
INDEPENDENT LIVING SERVICES				
Customers likely to recommend the Devon Homelink alarm service	n/a	96.9%	95.0%	
FINANCE				
Liquidity ratio	1.52	4.41	0.95	⇧
Quick Liquidity ratio (excluding stock)	1.23	3.11	0.65	⇧
Interest cover (inc. capitalised major repairs)	218.6%	206.6%	110.0%	

Strategic Report (continued)

Key Performance Indicators (KPIs) (continued)

Some further commentary on performance in the year is provided below:

- **Repairs:** Customer satisfaction with our repairs service improved on the strong performance in the previous year, from 97.1% to 97.5%. Urgent, routine and emergency repairs also improved in terms of on-time performance, and achieved targets.

- **Rent Collection**: The performance of rent collection for current customers continued to be extremely strong in 2016/17. The arrears figure of 0.49% is comfortably better than target and sector leading (Peer Group median in 2015/16 was 3.68%). Whilst the former tenant arrears is slightly worse than target at 0.53%, this still represents strong performance compared to the 2015/16 Peer Group median of 0.88%. This rent collection performance gives NDH a strong foundation to address the challenges of welfare reform, particularly the introduction of Universal Credit.

- **Gas Safety**: At the end of the year all properties had a valid gas certificate.

- **Re-let times:** Re-let times for properties, and consequently void rent loss, did not achieve target in 2016/17. However, performance improved in comparison to the previous year as the end-to-end voids processes were reviewed and improved. Further improvement is anticipated in 2017/18 as changes are embedded.

- **Complaints:** There were only 29 complaints in 2016/17, down from 38 the previous year. Most complaints were resolved at the initial stage, with only 4 going forward to stage 2 and two to the final stage. Of the 29 complaints received, just under half (13) were upheld. We received 74 compliments in the year, increasing from 61 in 2015/16.

- **Finance:** Financial performance during the year was strong with year end liquidity well above the target level. This was primarily due to the value of stock as a result of the investment in the Anchorwood Bank market sale site, and a cash balance of over £10.6m. Further detail on financial performance is provided on pages 18-19.

Risk Management

The Group has a clear framework for managing risk and during the year, an external review of Risk Management was carried out which concluded that the Risk Management was 'very good'.

The risks are recorded in the Risk Register and are assessed in terms of impact and probability, both in terms of inherent risk (i.e. if all controls failed / worst case scenario) and residual risk (i.e. controls in place and working as expected). Each risk has an underlying plan which includes details of controls in place, time-specific assurances against those controls, as well as actions planned to further improve controls. The full risk register is reviewed by the Audit and Risk Committee on a quarterly basis as well as every 4-6 weeks by the Strategic Performance Group.

The Board considers risk in all of its decision making and the Executive Team and the Board have an open dialogue regarding the key and emerging risks to the business. This ensures that the Board understands the risks and receives assurance regarding the systems of internal control.
The Board has established a programme of internal audit work designed to provide additional assurance on the Group's areas of greatest risk. The internal auditors provide an independent view on the design and operation of the Group's controls which informs the Board's assessment.

Some of the key risks to successful achievement of the Group's objectives are summarised below. These risks are actively monitored by the Board and the Executive Team.

Strategic Report (continued)

Risk Management (continued)

Risk	Key controls
Failure to achieve and deliver Value for Money (VfM)	• Budgetary control policy and procedures in place. • Corporate Plan for 2015-18 establishes VfM priorities. • VFM Strategy for 2015-18 outlines how value will be delivered. • Procurement strategy embedded in VfM Strategy. • VfM link through strategy, departmental service excellence plans, performance and Board decision making. • Use of benchmarking tools to monitor performance, informing programme of continuous improvement activity.
Higher arrears than anticipated as a result of welfare reform	• Close arrears monitoring. • Income management service tailored to support customers. • Close monitoring of changes to the welfare system and communication with customers. • Identification of customers most at risk of higher arrears in order to target interventions towards them. • Promote Direct Debits and basic bank accounts. • Wide range of payment facilities available.
Poor financial control or business planning threatens financial viability	• Budgetary control through monthly review of management accounts. • Annual review of business plan, and the financial assumptions contained within it. • External validation of business plan. • Key controls are reviewed annually as part of internal audit programme. • Regular business plan updates to Boards. • Comprehensive stress testing and scenario testing of business plan.
Failure to effectively monitor, anticipate and respond to changes in the economic environment	• Interest rate exposures carefully monitored and Treasury strategy regularly reviewed. • Prudent business plan assumptions made around inflation and interest rates and sensitivity analysis carried out. • Regular review by senior management of external sources of information and attendance at events. • Emerging risks discussed at Strategic Performance Group and Audit & Risk Committee. • Risk is being regularly reviewed and updated throughout the Brexit negotiations and will continue to be, as there is likely to be ongoing uncertainty affecting the economic environment.
Failure to effectively monitor and respond to changes in the external political environment	• Key information sources monitored. • Key emerging / potential issues and their implications are discussed at Strategic Performance Group. • Senior staff engaged with local political networks. • Environmental scanning to be aware of potential emerging issues. • Risk is being regularly reviewed and updated throughout the Brexit negotiations and will continue to be, as there is likely to be ongoing uncertainty affecting the political environment.
Failure of the Board to exercise good governance	• Constitutional changes made, with a skills-based Board in place. • Assurance Framework developed and implemented to ensure Board receives information needed to govern effectively. • Board attendance monitored through KPI. • Robust recruitment procedure for Board members. • Coaching, training and support available to Board members. • Skills mix of Board reviewed annually and / or when membership changes.

Strategic Report (continued)

Risk Management (continued)

Risk	Key controls
Failure of Anchorwood Bank development	• Local estate agents and valuers engaged to inform the development of homes for sale, sales strategy, and pricing. • Mitigation in place to address potential failure of contractor / joint venture agreement partner. • Exit stages mapped out to ensure Board have choices throughout the development prior to commitment to each build phase. • Contracts in place to set out responsibilities of contractors / partners and to mitigate against cost increases. • Controls in place to ensure VfM. • Controls in place to ensure Health and Safety on site. • The assumptions are being continually reviewed following the Brexit vote to ensure the plan is realistic in the post-Brexit environment (e.g. potential for falling house prices, economic downturn, rising costs of borrowing and materials etc.).
Failure to comply with Health and Safety obligations	• Permanent Health and Safety (H&S) post in place with a H&S budget. • External expertise retained to provide support. • To mitigate the H&S risks as an employer: policy and procedures are in place, reviewed regularly and communicated; monitoring of near misses, incidents, and actions; training provided for all staff; regular briefings / updates on H&S. • To mitigate the risk of H&S risks in our stock we have robust policies and procedures which are monitored and regularly audited in relation to gas, fire safety, electrics, legionella, and asbestos; a cyclical maintenance process / procedure is in place; and, an overall compliance register is maintained. • To mitigate risks as client and developer, there are procedures to ensure Construction Design and Management regulations are followed.
IT systems and security. Failure to comply with data protection legislation	• Firewall and anti-virus software are in place and penetration testing is carried out. • Non-public areas of building are protected by security systems, and devices are protected by passwords. • Training is provided for staff, and regular updates (e.g. regarding ransomware threat). • IT Strategy is in place, with appropriate budget in the business plan, to ensure IT systems that meet business need are in place and maintained. • Data protection policies and procedures are in place. These are being reviewed to ensure General Data Protection Regulation compliance by 25 May 2018.

Strategic Report (continued)

Value for Money Statement 2017

As a community landlord, Value for Money (VfM) is a key driver of our culture and is integral in everything that we do, from setting strategies at Board level through to delivering good value services to our customers. Delivering VfM is one of the four main strategic objectives in our Corporate Plan - maximising the value of the services we provide within available resources. We aim to deliver a high quality service as efficiently and effectively as we can.

Each year we prepare a detailed self assessment on how we have achieved VfM. This is a summary of the key areas of the assessment, highlighting the ways in which we have continued to deliver VfM during the year.

Reducing costs
The Homes and Communities Agency has started to measure VfM based on Headline Social Housing Cost per unit (CPU), which splits out operating costs against each social housing property we own to give an average cost for each property. In 2015/16 the average CPU for all providers was £3,550 and ours was £440 per property cheaper at £3,110. The CPU for the organisation is now one of our 'critical numbers' and is tracked through the year as part of the performance management framework. Our indicative CPU for 2016/17 is £3,080, a reduction of £30 on the previous year.

Whilst we maintain a better than average result, there are still some areas where VfM delivery could be improved. Central overhead costs were higher than average for our benchmarking peer group and we aimed to reduce them in 15/16 but did not manage this, so we will focus on reducing them in the coming year.

Managing repairs and maintenance
An objective in last year's VfM statement was to reduce responsive repairs and void works costs. This was achieved and the benchmarking results for 2015/16 showed that costs fell by £36 to £811 per property, due to reduced employee and overhead costs. Satisfaction with repairs remains high and customers were satisfied with around 98% of jobs carried out.

Investing in our stock
We have invested £5.2m in our stock in 2016/17 as part of our planned and major works maintenance programme and satisfaction with these works is high at 96%. As part of our options appraisal process, we have identified those properties that cost us the most to run, so that we can sell them as they become void and reinvest the proceeds in newer, more efficient properties for our customers. In 2016/17, these sales generated £665k to invest into new properties.

An objective in last year's VfM statement was to improve the energy efficiency of properties. In March 2015, there were 199 properties rated less efficient than our target level; by the end March 2017 this had been reduced to 122 properties. We will continue with our ongoing strategic work to improve the ratings of these properties.

Managing rents and income
Arrears collection rates (both current and former tenants) based on benchmarking results for 2015/16, at 0.89% continued to significantly surpass the performance of our peers. Cost per property of rent collection increased marginally from £134 to £143 due to increased transactions costs as we promoted more ways for customers to pay ahead of welfare reform changes impacting. Software has also been implemented that allows us to better understand the financial circumstances of customers and deliver targeted support as government welfare reform policies are implemented.

Strategic Report (continued)

Value for Money Statement 2017 (continued)

Letting properties
Lettings performance has been an area of relative weakness as we have not managed to get properties ready to let within the anticipated timescale. Based on benchmarking results for 2015/16, average re-let times excluding major works, increased from 32 to 40 days and void rent loss increased as a result. This is an area where significant activity to improve performance has been undertaken throughout 2016/17; this work will continue into 2017/18.

Involving residents
Results from our most recent survey of customers shows that 75% are satisfied that their views are taken into account. A new approach to customer involvement is being implemented in 2017/18, which will strengthen the voice of customers.

Managing estates
Our most recent survey of customers demonstrated that 90% were satisfied with their neighbourhood. The total cost per property of estate management at £116, based on 2015/16 benchmarking results, represents very good VfM compared to our peers. An objective in last year's VfM statement was to implement service charges software to ensure the process for administering them was efficient and we were collecting what was owed and maximising our income recovery. This project is ongoing and continues to be implemented in 2017/18.

Development and regeneration
In 2016/17 we completed our refinancing strategy and whilst this was ongoing, only a small number of new homes were developed in the year. We delivered six new homes and concluded the £40m programme of repair, redevelopment and large scale regeneration relating to ex Pre-cast Reinforced Concrete properties. The Development Strategy was revised taking us up to 2020/21; this strategy delivers 204 new affordable homes over the next three years. We have also invested £4.5m into the Anchorwood Bank scheme, which will deliver 135 open market sale and 37 affordable properties delivered through our trading subsidiary Anchorwood Limited.

Procurement
Procurement is a key area where organisations can ensure they are delivering value for money. In 2016/17 through our membership of Advantage South West, we saved £216k and avoided a further £90k through framework price increases being set lower than the retail price index. Other specific savings were made in key areas through renegotiating contracts, including 22% reduction in waste management costs; 18% saving on lift maintenance; and 50% ongoing savings on asbestos removal (£93k in 2016/17).

Social value
The value that North Devon Homes provides to its customers includes a social return to communities. We invested £154k in our Independent Living Service to support older customers in their homes and are additionally using these staff out in the community to identify and resolve wider issues that some of these vulnerable customers have (e.g. repairs, planned works, neighbourhood issues etc.).

Our Big Lottery funded youth project continues to deliver significant value for young people and their communities. The project actively engages with 256 young people on a weekly basis. In addition, 25 parents consult with youth workers on a regular basis some of whom have received intensive support over a number of months.

Strategic Report (continued)

Value for Money Statement 2017 (continued)

Objectives for the coming year to further improve VfM delivery

- Reduce central overhead costs to move from lower to mid to lower quartile when compared to our Housemark peer group.
- Improve lettings performance and reduce void rent loss to be within 2016/17 target.
- Review Major Works and Cyclical Maintenance costs to identify areas of improvement to move towards sector median performance in these areas.
- Implement Lean Thinking and Great Game methodology to provide tools for all staff to improve VfM.
- Trial innovative energy efficient approaches in our properties to save customers money.
- Deliver the clear and measurable VfM priorities agreed to sit alongside the Corporate Plan.
- Implement a new approach to customer involvement (C90) to bring customers, Board members and staff together to review performance and identify service delivery options that will deliver VfM.

This is an abbreviated version of our VfM statement. The full detailed report on VfM, providing a detailed breakdown of costs compared to our peers and looking at performance compared to previous years, is available on our website at www.ndh-ltd.co.uk

Strategic Report (continued)

Operating and Financial Review

Financial Review
Despite the government policy to implement a 1% rent reduction from 1 April 2016, income from lettings increased in the year by 3.2% (2016: 6.7%) from £14,625k in 2016 to £15,087k in 2017. This was largely due to an increase in the number of properties let at affordable rent levels (up to 80% of market rent).

There was a decrease in turnover within other social housing activities of £153k to £883k in 2017 (2016: £1,036k) which was due to a lower level of shared ownership properties being developed and sold than in the previous year. There was a decrease in turnover of £2,097k to £1,057k (2016: £3,154k) within non social housing activity. This was due to a much lower volume of outright property sales in the current year with just one property sale, this being the final property to be sold at the Pill Gardens, Braunton, with the majority being sold in the previous two years. The £49k surplus on the sale represents the 50% of profits retained under the joint venture agreement that was in place with a local contractor to enable development of the scheme.

The operating surplus for the year was £4,861k (2016: £5,349k), a decrease of £488k from the previous year. This was largely attributable to the decrease in outright property sale activity. During the year £1,846k (2016: £2,444k) of major repairs expenditure was written off to the Income and Expenditure Account and in addition £2,191k of works were capitalised (2016: £1,659k).

The Group's surplus before tax was £2,062k (2016 restated: £2,764k). There was an actuarial loss in the year of £1,124k (2016: £423k gain) in relation to the Devon County Council Pension Scheme and so the Group's surplus after tax and actuarial loss for the year was £931k (2016 restated: surplus after tax and actuarial gain £2,927k). This amount was transferred to revenue reserves.

Debt Profile
During the year the Association successfully completed its refinancing strategy, taking advantage of market conditions to obtain long term fixed rate debt, almost completely removing interest rate risk from its long term financial plan. The previously existing £84.2m facility with Lloyds was restructured to allow repayment of £32.9m of variable rate debt which was refinanced with a new loan from GB Social Housing. As part of this restructuring with Lloyds a new five year £5,000k revolving credit facility was put in place, to allow additional flexibility over the next few years.

The GB Social Housing loan was an additional tap to its existing 2038 bond which has an interest rate of 5.193%. A loan premium was received at draw down in March 2017 which brought the effective interest rate down to 3.842%.

A summary of loan facilities as at the year end is below:

Lender	Amount £'000	Description
Lloyds	51,300	Fixed
Lloyds	5,000	Revolving credit facility
Affordable Housing Finance	8,000	Fixed
GB Social Housing	27,638	Fixed
TOTAL	**91,938**	

Each individual lender specifies its own covenant requirements. For Lloyds and GB Social Housing these are interest cover, asset cover and debt per unit. The two Affordable Housing Finance covenants are net annual income and asset cover. There were no covenant breaches during the year.

Strategic Report (continued)

Operating and Financial Review

Financial Review (continued)

At 31 March the debt profile was as follows:

Loan Facility	2017	2016
Fixed Rate Loans £'000	£86,938	£59,300
Variable Rate Loans £'000	-	£32,917
Total Loans	**£86,938**	**£92,217**
% unhedged	0%	36%
Average cost of funds	4.59%	3.29%
Undrawn facility £'000	5,000	0
Total Facility £'000	**£91,938**	**£92,217**

The average maturity of net debt was over five years (see note 15).

Treasury operations are managed by the Finance Director within parameters set down by the Board of Management through its Treasury Management Strategy and Policy. This activity is regularly reported to and monitored by the Board. External advice is sought in relation to policy, strategy and training in this area.

Cash Flows
Cash inflows and outflows for the year under review are contained in the Statement of Cash Flows on page 29. The main net cash inflows from operating activities are from housing management activities. The net cash outflow from investing activities is the net expenditure (after grant) on regeneration projects, development properties and planned maintenance improvements, including the replacement of components of housing properties.

Prior period adjustment
A prior period adjustment relates to an error on transition to FRS102 in 2015/2016. £207k of deferred property sale income and £212k of recycled Disposals Proceeds Funds receipts were incorrectly included in Social Housing Grant received in advance in creditors due after more than one year. This had the effect of increasing both the Group and Association surplus in 2015/16 by £419k. Further detail is disclosed in note 21.

The primary statements and affected notes to the financial statements have been restated to reflect this adjustment.

Market value of land and buildings
The most recent valuation was concluded by Bruton Knowles in June 2015 based on March 2015 data. Using the existing use value social housing (vacant units re-let) methodology, Bruton Knowles provided a valuation of £120.750m (2014 £112.542m) in respect of the whole social rented housing stock. In respect of property charged to Lloyds Bank the valuation was £107.450m (2014: £99.020m). The value of stock charged to the Affordable Housing Finance is £8.650m arising from the valuation that was concluded in January 2015.

Strategic Report (continued)

Operating and Financial Review (continued)

Statement of compliance
The Board of Management confirms that the Strategic Report has been prepared in accordance with the principles set out in the SORP 2014.

By order of the Board

Robert Stronge
Chairman of the Board
11 September 2017

Statement of the Board of Management's Responsibilities

The Board of Management is responsible for preparing the Board of Management Report, the Strategic Report, the Report of the Board on Internal Control and the financial statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year. Under that law the Board has prepared the Group and Association financial statements in accordance with FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Association and of the surplus or deficit of the Group and the Association for that period.

In preparing these financial statements, the Board is 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 2015. The Board is also responsible for safeguarding the assets of the Group and Association 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 corporate and financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Robert Stronge
Chairman of the Board
11 September 2017

Report of the Board on Internal Control

The Board acknowledges that it has overall responsibility for establishing and maintaining the internal control systems and for reviewing their effectiveness. This responsibility applies to all organisations within the Group. The systems in place focus on

- the significant risks that threaten the Group's ability to meet its objectives as described in its business plan;
- the prevention of fraud and safeguarding of assets against unauthorised use or disposition.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute, assurance against material misstatement or loss.

The Group's assurance framework aligns the assurance monitoring process from Board through to operational level and clearly sets out the reporting framework. This framework supports the robust culture of internal controls within the Group.

The process for identifying, evaluating and managing the risks faced by the Group is ongoing and part of its Risk Management Framework that has been in place throughout the period, up to the date of approval of the annual report and financial statements. The framework is externally reviewed at least annually. The Audit and Risk Committee receives a report on the key risks at each meeting. Board agendas are structured so that key risk issues are discussed as early agenda items and are clearly identified at the start of reports. The Board had a dedicated risk workshop during the year to review risk, the risk management framework and further develop its risk appetite and scenario testing. Risk is incorporated into the 4-6 weekly Strategy and Performance Group meetings to ensure that it is embedded within the culture and operating environment. This group, comprising senior members of management across all areas of the business, meets to not only review performance but to review the Group's risk register, ensure that risk management is embedded within the business, to improve the early identification of emerging risks and to track progress against delivery of key Corporate Plan projects. As a result of these controls the risk register has been updated regularly throughout the year and risks realigned or developed in response to the many changes that the sector has faced.

The Group produces a three year Corporate Plan and 30 year financial business plan which is updated on at least an annual basis and which is supported by detailed financial budgets and forecasts. This plan identifies the threats and opportunities in the environment which may prevent the achievement of objectives and sensitivity and 'perfect storm' analysis is carried out to model different scenarios and develop contingency plans. A key area of focus during the year has been scenario testing and contingency actions in respect of the Anchorwood Bank scheme.

The day-to-day operation of internal control is delegated to the Executive Officers. The Group has a clearly defined organisational structure based upon an approved system of delegation and authorisation that includes members of the Board of Management and the Officers. The levels of authority are set out in Standing Orders, Financial Regulations and an Authorities Schedule that has been adopted by the Board of Management and is subject to periodic review.

Some of the key policies that are established to ensure effective internal control are shown below.

- Anti Fraud and Anti Bribery
- Board Member Code of Conduct & Disciplinary
- Board Members' Responsibilities
- Probity
- Integrity at Work
- Computer Security
- Data Protection
- Disciplinary
- Money laundering

Report of the Board on Internal Control (continued)

- Rent Collection and Arrears
- Treasury Management (subject to external review annually)
- Whistleblowing
- Health and Safety Policy statement and associated policies

North Devon Homes has suitably qualified and experienced staff who are responsible for its business functions. Recruitment, induction and training processes are comprehensive and are designed to ensure that staff entering the organisation are both qualified and committed to working with the Group and the achievement of its objectives.

The Group has an ongoing internal audit plan and Mazars were employed as internal auditors during the year. The Group also employs consultants, where necessary, who provide specialist support, advice and training where appropriate. Hargreaves Risk and Strategy consultants are also engaged to provide specialist advice on risk and Altair are engaged to provide funding and treasury advice. Altair also provided governance support during the year during the transition to a fully skills based Board.

The Group has an anti-fraud policy in place covering prevention, detection and reporting of fraud and mitigation of fraud risk has been incorporated into the performance review process. The Board reviews the fraud register at each Board meeting and can confirm that no frauds against the Group have been identified during the year.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can and has appointed an Audit and Risk Committee to oversee risk and internal control.

The Audit and Risk Committee approves an annual internal audit plan, reviews the effectiveness of internal control systems and has an active role in the promotion and monitoring of standards. The Audit and Risk Committee achieves this by considering risk reports, recommendations on internal audit reports and agreeing appropriate responses and actions with the Executive Officers; reviewing the external auditors' management letter; and can undertake specialist reviews on areas such as health and safety. The internal and external auditors are guaranteed a right of direct access to the Board of Management and the Audit and Risk Committee should they identify any material internal control concerns.

By order of the Board

Robert Stronge, Chairman of the Board
11 September 2017

Independent Auditors' report to the members of North Devon Homes Limited

Report on the financial statements

Our opinion

In our opinion, North Devon Homes' 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 2017 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 United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 2015.

What we have audited

The financial statements comprise:

- the consolidated and Association's statements of financial position as at 31 March 2017;
- the consolidated and Association's statement of comprehensive income for the year then ended;
- the consolidated statement of changes in reserves and the association's statement of changes in reserves for the year then ended;
- the consolidated statement of cashflows 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 United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Board of Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the registered provider, or returns adequate for our audit have not been received from branches not visited by us; or
- the registered provider financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent Auditors' report to the members of North Devon Homes Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit.

Our responsibilities and those of the directors

As explained more fully in the Statement of Board of Management's Responsibilities set out on page 21, 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 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 Chapter 3 of Part 16 of the Companies Act 2006 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 directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' 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 Financial Statements 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.

Independent Auditor's report to the members of North Devon Homes Limited (continued)

Heather Ancient

Heather Ancient (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Plymouth

14 September 2017

Consolidated and Association Statements of Comprehensive Income for the year ended 31 March 2017

	Note	Group 2017 £'000	Association 2017 £'000	Group 2016 Restated £'000	Association 2016 Restated £'000
Turnover	2	17,027	17,027	18,815	18,815
Operating Expenditure	2	(12,166)	(12,165)	(13,466)	(13,465)
Operating Surplus	**2**	**4,861**	**4,862**	**5,349**	**5,350**
Gain on disposal of property, plant and equipment	3	278	278	468	468
Share of operating surplus/(deficit) in associate	11	9	-	(7)	-
Interest receivable	4	65	65	67	67
Interest and Financing Costs	5	(3,090)	(3,090)	(2,898)	(2,898)
Deficit on revaluation of investment properties	10c	(61)	(61)	(215)	(215)
Surplus before taxation	6	**2,062**	**2,054**	**2,764**	**2,772**
Taxation	9	(7)	(7)	(260)	(260)
Surplus for the year		**2,055**	**2,047**	**2,504**	**2,512**
Unrealised surplus on revaluation of housing properties		-	-	-	-
Actuarial (loss)/gain in respect of pension schemes	22	(1,124)	(1,124)	423	423
Total Comprehensive income for the year		**931**	**923**	**2,927**	**2,935**

Consolidated and Association Statements of Financial Position as at 31 March 2017

Registered number 03674687

	Note	Group 2017 £'000	Association 2017 £'000	Group 2016 Restated £'000	Association 2016 Restated £'000
Fixed assets					
Intangible Assets	10a	127	127	38	38
Tangible fixed assets – Housing Properties	10b	147,933	147,933	147,613	147,613
Other property, plant & equipment	10c	1,903	1,784	2,030	2,030
Total fixed assets		**149,963**	**149,844**	**149,681**	**149,681**
Investments					
Investment Properties	10c	2,292	2,292	2,353	2,353
Investment in Subsidiary	11	-	2,300	-	2,300
Investment in Associates	11	108	5	99	5
Other investments	11	317	317	314	314
		2,717	**4,914**	**2,766**	**4,972**
Debtors due after more than one year	12	**-**	**2,251**	**-**	**158**
Total investments and debtors due after more than one year		**2,717**	**7,165**	**2,766**	**5,130**
Current assets					
Debtors	12	478	271	1,049	931
Stock	13	4,632	84	2,899	654
Cash and cash equivalents		10,656	10,633	10,969	10,626
Total current assets		**15,766**	**10,988**	**14,917**	**12,211**
Creditors: amounts falling due within one year	14	(3,576)	(3,228)	(9,785)	(9,536)
Net current assets		**12,190**	**7,760**	**5,132**	**2,675**
Total assets less current liabilities		**164,870**	**164,769**	**157,579**	**157,486**
Creditors: amounts falling due after more than one year	15	(105,057)	(105,057)	(99,986)	(99,986)
Defined Benefit pension liability	22	(4,598)	(4,598)	(3,352)	(3,352)
Net assets		**55,215**	**55,114**	**54,241**	**54,148**
Capital and Reserves					
Income & Expenditure reserve		10,904	10,803	9,973	9,880
Revaluation reserve		44,238	44,238	44,238	44,238
Restricted reserve		73	73	30	30
		55,215	**55,114**	**54,241**	**54,148**

These financial statements together with the associated notes on pages 32 to 66 were approved and authorised for issue by the Board on 11 September 2017 and were signed on its behalf by:

Robert Stronge
Chairman

Philippa Butler
Company Secretary

Consolidated Statement of Cash flows for the year ended 31 March 2017

	Note	Group 2017 £'000	Group 2016 Restated £'000
Net cash generated from operating activities	16	**6,579**	**5,676**
Cash flows from Investing Activities:			
Purchase of tangible fixed assets		(5,608)	(6,875)
Proceeds from sale of tangible fixed assets		1,328	784
RTB Sharing Agreement		(253)	(246)
Investments		-	8,355
Grant received		517	212
Interest received		66	25
Net cash from investing activities		**(3,950)**	**2,255**
Cash flows from Financing Activities:			
Interest paid		(2,955)	(3,121)
New secured Loans		32,930	-
Repayment of Borrowings		(32,917)	(783)
Net cash from financing activities		**(2,942)**	**(3,904)**
Net (decrease)/increase in cash and cash equivalents		(313)	4,027
Cash and cash equivalents at beginning of year		10,969	6,942
Cash and cash equivalents at end of year		**10,656**	**10,969**

Consolidated Statement of Changes in Reserves for the year ended 31 March 2017

Group	**Income and Expenditure Reserve £'000**	**Revaluation Reserve £'000**	**Restricted Reserve £'000**	**Total £'000**
Balance as at 1 April 2015	7,046	44,053	14	51,113
Surplus from Statement of Comprehensive Income for the year	2,504	-	-	2,504
Unrealised surplus on revaluation of Fixed Assets	-	185	-	185
Actuarial gain in respect of pension schemes	423	-	-	423
Transfer of restricted expenditure to/from restricted reserve	-	-	16	16
Balance as at 31 March 2016 (restated)	**9,973**	**44,238**	**30**	**54,241**
Surplus from Statement of Comprehensive Income for the year	2,055	-	-	2,055
Actuarial loss in respect of pension schemes	(1,124)	-	-	(1,124)
Transfer of restricted expenditure to/from restricted reserve	-	-	43	43
Balance as at 31 March 2017	**10,904**	**44,238**	**73**	**55,215**

Association Statement of Changes in Reserves for the year ended 31 March 2017

Association	Income and Expenditure Reserve £'000	Revaluation Reserve £'000	Restricted Reserve £'000	Total £'000
Balance as at 1 April 2015	6,945	44,053	14	51,012
Surplus from Statement of Comprehensive Income for the year	2,512	-	-	2,512
Unrealised surplus on revaluation of Fixed Assets	-	185	-	185
Actuarial gain in respect of pension schemes	423	-	-	423
Transfer of restricted expenditure to/from restricted reserve	-	-	16	16
Balance as at 31 March 2016 (restated)	**9,880**	**44,238**	**30**	**54,148**
Surplus from Statement of Comprehensive Income for the year	2,047	-	-	2,047
Actuarial loss in respect of pension schemes	(1,124)	-	-	(1,124)
Transfer of restricted expenditure to/from restricted reserve	-	-	43	43
Balance as at 31 March 2017	**10,803**	**44,238**	**73**	**55,114**

Notes to the financial statements for the year ended 31 March 2017

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

General Information

North Devon Homes is a registered charity and is a registered provider of social housing. It is a public benefit entity.

Basis of preparation

The Group's financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102), the Housing and Regeneration Act 2008, the Statement of Recommended Practice for Registered Social Housing Providers 2014 ('SORP 2014') and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain housing properties at the date of transition under the 'deemed cost' option of FRS102.

North Devon Homes meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside these consolidated financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of North Devon Homes (the "Association") and its subsidiary undertaking Anchorwood Limited.

Going concern

The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The Government's announcements in July 2015 impacting on the future income of the Group led to a reassessment of the Group's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns have been noted. The Association also completed a refinancing exercise during the year, securing the majority of its loans on a fixed rate basis, therefore negating the risk of interest rate rises and providing long term certainty. We therefore consider it appropriate to continue to prepare the financial statements on a going concern basis.

Significant Judgements and key sources of estimation uncertainty

The preparation of financial statements in conforming with generally accepted accounting practice requires management to make judgements, estimates and assumptions that affect the reported amounts for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates.

The following Management Judgements that have had the most significant effect on amounts recognised in the financial statements:

Notes to the financial statements for the year ended 31 March 2017 (continued)

1 Accounting Policies (continued)

Significant Judgements and key sources of estimation uncertainty (continued)

Development expenditure
The Group capitalises development expenditure in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed, usually when Board approval has taken place including that there is access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

Categorisation of housing properties
The Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that market rented properties are investment properties.

Impairment
The Group has identified a cash generating unit for impairment assessment purposes by area and property type. In carrying out the assessment, management has considered the detailed criteria set out in the SORP.

Bank Loan
Where loan agreements contain two way break clauses in respect of early repayment, these loans have been treated as basic financial instruments, within section 11 of FRS102.

Other key sources of estimation uncertainty:

Tangible fixed assets
Other than investment properties, tangible fixed assets are depreciated over their useful lives, which are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

Revaluation of investment properties
Investment properties are carried at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Group engaged an independent valuer to determine fair value at 31 March 2017. The valuer used a valuation technique based on a discounted cash flow model. Estimated fair values may vary from the actual price that would be achievable in an arm's length transaction at the reporting date.

Defined benefit pension scheme
The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Further details are given in note 22.

Impairment of non-financial assets
Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is

Notes to the financial statements for the year ended 31 March 2017 (continued)

1 Accounting Policies (continued)

Significant Judgements and key sources of estimation uncertainty (continued)

Impairment of non-financial assets (continued)
normally a group of properties at an area level by property type, or at a scheme level for properties that were non stock transfer properties.

In July 2015 the government announced a change in rent policy which resulted in a material impact on the net income expected to be collected in the future from housing properties, and the Group have assessed that this represents a trigger for impairment review. The Group has carried out an assessment of impairment in accordance with the SORP and no impairment losses were identified in the reporting period.

Associates

An entity is treated as an associated undertaking where the Group has a participating interest and exercises significant influence over its operating and financial policies.

The consolidated income and expenditure account includes the Group's share of the associate's operating results and in the consolidated statement of financial position, the Group's share of the Associate's assets under the equity accounting method. In the results of the Association, associates are accounted for under the cost model.

Turnover

Turnover represents rental income and service charges receivable net of voids, fees and capital grants from local authorities and the Homes and Communities Agency ('HCA'), recognised in income on a systematic basis; income from first tranche shared ownership sales and market sales; revenue grants and income receivable from other sources (excluding VAT).

Rental income is recognised on the basis of the amount receivable for the year. Rental income received in advance is disclosed within creditors in the statement of financial position.

Other income, including service charges, is accounted for on the basis of the value of goods or services supplied during the period. Income from first tranche shared ownership sales and properties developed for outright sale are recognised when legal completion occurs.

Operating Surplus

Operating surplus is defined as turnover less operating expenses prior to adjustments for gains or losses on disposals, share in associate profits or losses, finance income and costs, revaluation and fair value adjustments and taxation.

Shared ownership property sales

Shared ownership properties, including those under construction, are split between fixed assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche sale which is shown on initial recognition as a current asset, with the remainder as a fixed asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or fixed assets.

Proceeds from first tranche sales are accounted for as turnover in the Statement of Comprehensive Income for the period in which the sale occurs and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

Notes to the financial statements for the year ended 31 March 2017 (continued)

1 Accounting Policies (continued)

Housing Properties

Tangible fixed assets are stated at cost, less accumulated depreciation. Development cost includes the cost of acquiring land and buildings, the cost of contracted works completed to date, directly attributable development costs and attributable interest charges incurred during the development period. Housing properties in the course of construction and those subject to shared ownership are stated at cost. All costs relating to capital expenditure incurred in the year are included in the financial statements at gross value before retentions.

Expenditure on items not separately identified as components is capitalised if the expenditure results in an increase in the net rental stream over the life of the property, over the standard originally assessed when the property was first acquired or constructed.

On transition to FRS102 in 2015/16, the Association took the transitional relief to include stock transfer housing properties at their Existing Use Value for Social Housing (EUV-SH) at the date of transition, known as deemed cost.

Capitalisation of development costs

Development costs which arise directly from the construction or acquisition of a property are capitalised to housing properties in the course of construction.

Capital expenditure on schemes which are aborted is charged to the Statement of Comprehensive Income in the year in which it is recognised that the schemes will not be developed to completion.

Capitalised interest

Interest on borrowings, to the extent that they are financing developments, is capitalised up to the date of practical completion of the scheme.

Depreciation

Freehold land and housing properties under construction are not depreciated.

Housing properties

The Association separately identifies the major components which comprise its housing properties and depreciates components over their individual useful economic lives. The components identified, with their respective economic lives are as follows:

Component	Years	Component	Years
Structure	100	Pre-cast reinforced concrete existing wall refurbishments	20
Bathrooms	30	Electric heating	20
Kitchens	20	Gas heating	30
Doors	30	Solid fuel heating	25
Windows	30	Air source heating	20
Electrics/rewires	30	Lifts	25
Gas boilers	15	Roofs	75

Notes to the financial statements for the year ended 31 March 2017 (continued)

1 Accounting Policies (continued)

Depreciation (continued)

Housing properties (continued)
Where a separately identified and depreciated component of an existing property is replaced, the carrying value of the component is expensed within accelerated depreciation and the cost of the replacement component capitalised.

Properties held on long leases are depreciated over the shorter of their estimated useful economic lives and the unexpired term of the lease.

Other tangible fixed assets
Depreciation on other fixed assets is provided for on the following straight line basis:

Asset	Years
Freehold office buildings	50
Photovoltaic panels	30
Freehold office improvements	15
Leasehold office improvements	15 years or over the unexpired term of the lease
Plant and machinery	10
Furniture, equipment fixtures and fittings	5
Computer equipment	3
Motor vehicles	3

Social Housing and other Government Grants

Social Housing Grant ('SHG') or other government grant received to subsidise the cost of housing properties is included in creditors. Grants due or received in advance are included as a current asset or liability. SHG received in excess of the cost of housing properties in the course of construction is shown as SHG received in advance and included as a current liability. SHG may be repayable on the sale, change of use or demolition of housing properties. If there is no requirement to repay the grant on disposal, any unamortised grant remaining in creditors is released and recognised as income.

Government Grants received for housing properties are recognised in income over the useful life of the housing property structure. The unamortised element of the grant is recognised as deferred income in creditors.

Grants relating to revenue are recognised in Statement of Comprehensive Income over the same period as the expenditure to which they relate. Until the revenue grants are recognised as income they are recorded as liabilities.

Non-Government Grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as turnover. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Notes to the financial statements for the year ended 31 March 2017 (continued)

1 Accounting Policies (continued)

Impairment
Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined using depreciated replacement cost.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in the Statement of Comprehensive Income.

Sale of social housing properties
Surpluses on sales of housing accommodation comprise proceeds from property sales, which are recognised at the date of completion, less the following amounts:
(a) the net book value of the properties; and
(b) any liabilities under Right to Buy sharing agreements with the local authority.

Demolition
Where properties are demolished for development, the cost (net of depreciation) of the property, excluding land, is written off to operating costs. The cost of demolition is capitalised as part of the cost of redevelopment. An impairment review is carried out at the point a decision is made to demolish.

Valuation of Investments
Investments are shown at cost less any amounts written off. Provisions are made for reductions in value.

Investment properties
Investment property includes commercial and other properties not held for the social benefit of the Group. Investment property is measured at cost on initial recognition, which includes purchase costs and any directly attributable expenditure and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

Intangible assets
Intangible assets are stated at historic cost, less accumulated amortisation and any provision for impairment. Amortisation is provided on all intangible assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life as follows:

- computer software 5 years

Intangible assets in the process of development are not amortised.

Notes to the financial statements for the year ended 31 March 2017 (continued)

1 Accounting Policies (continued)

Stock
Stock and work in progress is stated at the lower of cost and net realisable value. Properties developed for outright sale and shared ownership first tranche sales are included in current assets as they are intended to be sold. At each reporting date stock and properties held for sale are assessed for impairment. Any impairment losses are recognised in the Statement of Comprehensive Income.

Operating Leases
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Corporation Tax
The Association is a registered charity and is not subject to Corporation Tax on its charitable activities but is subject to tax on any non-charitable activities. Anchorwood Limited is subject to Corporation Tax.

The tax expense for the period comprises current and deferred tax.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable surpluses and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable surpluses from which the underlying timing differences can be deducted.

Value Added Tax ('VAT')
The Association is registered for VAT but a large proportion of its income, including its rents, is exempt for VAT purposes. The majority of its expenditure is subject to VAT which cannot be reclaimed, and expenditure is therefore shown inclusive of irrecoverable VAT.

Anchorwood Limited is separately registered for VAT and is able to reclaim VAT. Its expenditure is shown exclusive of VAT.

Interest Received
Interest earned on short term investments is accounted for when receivable.

Notes to the financial statements for the year ended 31 March 2017 (continued)

1 Accounting Policies (continued)

Pensions

Retirement benefits to employees are provided by the Social Housing Pension Scheme ("SHPS") and the Local Government Pension Scheme ("LGPS") (administered by Devon County Council Pensions) defined benefit pension scheme, details of which are given in note 22. Pension costs accounted for as a defined benefit scheme are in accordance with FRS102 (section 28).

SHPS

Defined benefit schemes

The Association contributes to the Social Housing Pension Scheme ("SHPS"), a funded multi-employer scheme. It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers and therefore the scheme is accounted for as a defined contribution scheme. For this multi-employer scheme, there is a contractual arrangement between the scheme and the Association that determines how the deficit will be funded and a liability is recognised in the Statement of Financial Position and the resulting expense in surplus or deficit in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

Defined contribution scheme

The Association participated in the defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

LGPS

The Association participates in the LGPS which is a multi-employer scheme where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined liability is charged to revenue and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) is recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Association, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained triennially and are updated at each Statement of Financial Position date.

Revaluation Reserve

The revaluation reserve represents the difference on transition where deemed cost transitional relief was taken, between the fair value of social housing properties and other assets, or those assets that are remeasured annually and the historical cost carrying value.

Notes to the financial statements for the year ended 31 March 2017 (continued)

1 Accounting Policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Restricted Reserves

The restricted reserves are needed to meet the requirements of the Big Lottery for the duration of the project. Income and expenditure for the year is included under other operating activities within the Statement of Comprehensive Income and any surplus of funds is transferred to the restricted reserve at the year end.

Financial Instruments

Financial assets and financial liabilities are measured at transaction price initially plus directly attributable transaction costs and are recognised in the statement of financial position when the Association becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus of deficit.

Notes to the financial statements for the year ended 31 March 2017 (continued)

2a) Particulars of turnover, operating costs and operating surplus – Group & Association

Income and expenditure from general needs lettings	2017			2016		
	Turnover	**Operating Costs**	**Operating Surplus**	Turnover	Operating Costs	Operating Surplus
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Social Housing Lettings (note 2b)	**15,087**	**(10,586)**	**4,501**	14,625	(10,539)	4,086
Other social housing activities:						
Current asset property sales	**785**	**(632)**	**153**	935	(825)	110
Charges for support services	**98**	**(298)**	**(200)**	101	(486)	(385)
Non Social housing activities						
Other activities	**804**	**(443)**	**361**	752	(338)	414
Outright property sales*	**155**	**(106)**	**49**	2,300	(1,176)	1,124
Restricted fund (Big Lottery)	**98**	**(101)**	**(3)**	102	(102)	-
Total	**17,027**	**(12,166)**	**4,861**	18,815	(13,466)	5,349

*includes £1k operating loss from Anchorwood Limited

2b) Particulars of Income and Expenditure from social housing lettings – Group & Association

	General needs	**Supported Housing**	**2017 Total**	2016 Total
	£'000	**£'000**	**£'000**	£'000
Rent receivable net of identifiable service charges	11,851	2,257	**14,108**	14,042
Service charge income	160	355	**515**	498
Amortised Government Grants	464	-	**464**	85
Turnover from social housing lettings	**12,475**	**2,612**	**15,087**	14,625
Expenditure on lettings:				
Management	(1,261)	(285)	**(1,546)**	(1,599)
Service charge costs	(326)	(345)	**(671)**	(430)
Routine maintenance	(1,853)	(358)	**(2,211)**	(2,298)
Planned maintenance	(889)	(281)	**(1,170)**	(1,533)
Major repairs expenditure	(1,421)	(425)	**(1,846)**	(2,444)
Bad debts	(30)	(19)	**(49)**	(38)
Depreciation of housing properties	(2,457)	(580)	**(3,037)**	(2,529)
Other costs	(56)	-	**(56)**	332
Operating expenditure on Social Housing Lettings	**(8,293)**	**(2,293)**	**(10,586)**	(10,539)
Operating surplus on social housing lettings	**4,182**	**319**	**4,501**	4,086
Void losses	(54)	(43)	**(97)**	(158)

Notes to the financial statements for the year ended 31 March 2017 (continued)

3 Gain on disposal of property, plant and equipment

Group and Association

	2017 £'000	2016 Restated £'000
Proceeds of sales (gross)	**1,328**	784
Less costs of sales	**(664)**	(275)
	664	509
NDC sharing of proceeds agreement	**(386)**	(253)
Transfers from Disposals Proceeds Fund (note 21)	**-**	212
Surplus on disposal	**278**	**468**

4 Interest receivable

Group and Association

	2017 £'000	2016 £'000
Interest receivable	**65**	67

5 Interest and financing costs

Group and Association	2017 £'000	2016 £'000
Net Interest on defined benefit liability pension (see note 22)	**103**	97
Interest payable	**2,975**	2,964
Funding Management Charge	**15**	7
	3,093	3,068
Borrowing costs capitalised	**(3)**	(170)
	3,090	2,898

Notes to the financial statements for the year ended 31 March 2017 (continued)

6 Surplus before taxation

Group and Association	**2017 £'000**	2016 £'000
Surplus on ordinary activities before taxation is stated after charging:		
Depreciation on tangible fixed assets	**3,596**	2,733
Auditors' remuneration:		
- Statutory Audit	**26**	27
- Taxation compliance services	**4**	5
- Other services	**4**	5
Rent of office accommodation	**5**	9
Other operating lease rentals	**27**	17

7 Directors' remuneration and transactions

Group and Association

Members of the Board of Directors and Executive Team are deemed to be key management personnel. None of the Board members received emoluments in the year (2016: nil). Emoluments for the Executive Team for the year are as follows:

Directors who are executive staff members	**2017 £**	2016 £
Wages and salaries (including benefits in kind)	**294,901**	299,042
Pension contributions – in respect of services as a director	**23,223**	23,223
Total emoluments	**318,124**	322,265

Notes to the financial statements for the year ended 31 March 2017 (continued)

7 Directors' remuneration and transactions (continued)

Emoluments (excluding pension contributions) paid to the highest paid Director (the Chief Executive)

	2017	2016
	£	£
Salary	**121,882**	121,882
Holiday pay accrual	**-**	1,740
Car Allowance	**4,800**	4,800
Other taxable allowances	**299**	429
Total emoluments	**126,981**	128,851

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply.

8 Employee Information

Group and Association

The average number of persons employed during the year expressed in full-time equivalents was:

	2017	2016
	No.	No.
Office staff	**75**	75
Maintenance staff	**16**	15
Wardens, caretakers and cleaners	**13**	16
	104	106

Staff costs for the above employees	**2017**	2016
	£'000	£'000
Wages and salaries	**3,024**	2,933
Social security costs	**285**	251
Pension costs	**340**	582
	3,649	3,766

The number of employees during the year, expressed in full time equivalents whose remuneration exceeded £60k:

	2017	2016
	No.	No.
Remuneration between £70k and £80k	**1**	1
Remuneration between £80k and £90k	**1**	1
Remuneration between £120k and £130k	**1**	1

Notes to the financial statements for the year ended 31 March 2017 (continued)

9 Taxation

The tax charge comprises:

Association

Current Tax on surplus on ordinary activities	**2017 £'000**	2016 £'000
United Kingdom Corporation Tax at 20% (2016: 20.25%)	**10**	347
Adjustments in respect of prior periods	**(3)**	(87)
Total current tax	**7**	260

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (20%). The differences are explained below:

	2017 £'000	2016 Restated £'000
Surplus on ordinary activities before tax	**2,062**	2,764
Profit/(Loss) on ordinary activities multiplied by standard rate in the UK of 20% (2016: 20.25%)	**412**	469
Effects of:		
Expenses not deductible for tax purposes	**3,084**	51
Depreciation in excess of capital allowances	**-**	(10)
Income not taxable	**(3,486)**	(383)
Other timing differences	**-**	137
Other amounts	**-**	83
Adjustments in respect of prior periods	**(3)**	(87)
Total tax charge for the year	**7**	260

Deferred taxation

Potential deferred taxation balance not recognised in the financial statements is as follows:

	2017 £'000	2016 £'000
Origination and reversal of timing differences	**-**	50
Effect of increase in tax rate on opening liability	**-**	43
Total deferred tax	**-**	93

Notes to the financial statements for the year ended 31 March 2017 (continued)

10a Intangible assets

Group and Association

	Computer Software £'000	Total £'000
Cost		
As at 1 April 2016	38	**38**
Additions	89	**89**
At 31 March 2017	127	**127**
Amortisation		
As at 1 April 2016	-	**-**
Charge for the year	-	**-**
At 31 March 2017	-	**-**
Net book value at 31 March 2017	127	**127**
Net book value at 31 March 2016	38	38

Notes to the financial statements for the year ended 31 March 2017 (continued)

10b Tangible fixed assets - Housing Properties

Group and Association

	Housing property under construction £'000	Social housing property for letting completed £'000	Shared Ownership £'000	Total £'000
Cost or deemed cost				
As at 1 April 2016	225	152,806	2,145	155,176
Additions	1,747	299	157	2,203
Component additions/replacements	-	2,191	-	2,191
Disposals	-	(1,026)	-	(1,026)
Transfers	(69)	(571)	640	-
At 31 March 2017	**1,903**	**153,699**	**2,942**	**158,544**
Depreciation				
As at 1 April 2016	**-**	**7,359**	**27**	**7,386**
Charge for the year (inc accelerated depreciation)	-	3,432	23	3,455
Disposal	-	(407)	-	(407)
At 31 March 2017	**-**	**10,384**	**50**	**10,434**
Impairment				
As at 1 April 2016	-	177	-	177
Charge for the year	-	-	-	-
At 31 March 2017	**-**	**177**	**-**	**177**
Net book value at 31 March 2017	**1,903**	**143,138**	**2,892**	**147,933**
Net book value at 31 March 2016	225	145,270	2,118	147,613

Net Book Value of housing properties on historic cost basis

Group & Association:

	2017 £'000	2016 £'000
Cost	**131,401**	128,033
Accumulated depreciation	**(25,320)**	(22,437)
Net Book Value	**106,081**	105,596

Notes to the financial statements for the year ended 31 March 2017 (continued)

10c Other Property, Plant & Equipment

Group and Association

	Investment Properties £'000	Office £'000	Other land & buildings £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost or valuation						
As at 1 April 2016	2,353	2,013	174	706	275	5,521
Additions	-	-	-	9	-	9
Revaluation	(61)	-	-	-	-	(61)
Disposals	-	(24)	-	-	-	(24)
Transfers	-	(119)	-	119	-	-
At 31 March 2017	**2,292**	**1,870**	**174**	**834**	**275**	**5,445**
Depreciation						
As at 1 April 2016	-	378	51	478	231	1,138
Charge for the year	-	38	-	82	21	141
Disposals	-	(29)	-	-	-	(29)
At 31 March 2017	**-**	**387**	**51**	**560**	**252**	**1,250**
Net book value at 31 March 2017	**2,292**	**1,483**	**123**	**274**	**23**	**4,195**
Net book value at 31 March 2016	2,353	1,635	123	228	44	4,383

The Westacott Road investment property (long leasehold of 999 years with an option to purchase the freehold after five years), was valued to fair value at 31 March 2017 based on a valuation undertaken by Vickery Holman Limited, Property Consultants. The other investment properties, which are all freehold, were valued to fair value at 31 March 2017 by both Webbers and Vickery Holman, Property Consultants.

Both valuers are independent valuers with recent experience in the location and class of the investment property being valued.

Notes to the financial statements for the year ended 31 March 2017 (continued)

11 Investments

Group companies

The Group includes the following subsidiary, which is registered in England:

Name	Incorporation and ownership	Regulated/non regulated	Nature of business
Anchorwood Limited Westacott Road Barnstaple Devon EX32 8TA	Company 100%	Non regulated	Property development

Investments	Group 2017 £'000	Association 2017 £'000	Group 2016 £'000	Association 2016 £'000
Investment in Advantage South West LLP	**108**	**5**	99	5
Investment in Plough & Share credit union	**10**	**10**	10	10
Investment in Anchorwood Limited	**-**	**2,300**	-	2,300
Investment in Affordable Housing Finance	**307**	**307**	304	304
	425	**2,622**	413	2,619

Advantage South West LLP: The Group's investment represents a 25% shareholding and capital contribution. The Group's share of net assets at 31 March 2017 was £108k (2016: £99k) and share of profits for the year was £9k (2016: £7k loss).

Plough & Share Credit Union: The Group's investment represents £10k of deferred shares.

Anchorwood Limited: The subsidiary company was established in June 2015. The net assets at 31 March 2017 were £2,298k and loss for the year ended 31 March 2017 was £1k.

Registered office addresses for investment companies are:

Advantage South West LLP, Yarlington Housing Group, Lupin Way, Alvington, Yeovil, Somerset BA22 8WN

Plough & Share Credit Union, 1 East Street, South Molton, Devon EX36 3BN

Affordable Housing Finance PLC, 4th Floor, 107 Cannon Street, London EC4N 5AF

Notes to the financial statements for the year ended 31 March 2017 (continued)

12 Debtors

	Group	Association	Group	Association
	2017	**2017**	2016	2016
	£'000	**£'000**	£'000	£'000
Amounts falling due within one year:				
Rental arrears	**142**	**142**	128	128
Less provisions for bad debts	**(108)**	**(108)**	(89)	(89)
	34	**34**	39	39
Prepayments and accrued income	**152**	**152**	437	437
Other debtors	**292**	**85**	558	440
Social Housing Grant receivable	**-**	**-**	15	15
	478	**271**	1,049	931

	Group	Association	Group	Association
Amounts falling due after one year:	**2017**	**2017**	2016	2016
	£'000	**£'000**	£'000	£'000
Amounts owed by subsidiary company	**-**	**2,251**	-	158

Included in amounts falling due after one year is £143k owed to the Association by Anchorwood Limited, relating to the purchase of photovoltaic panels on 31 March 2017, which is held as a long term intercompany debt with no repayment date.

The intercompany loan balance at the end of the year was £2,108k. The loan facility at the end of the year was £2.3m and is repayable in August 2020. Interest is payable at base rate plus 2.25%.

13 Stock

	Group	Association	Group	Association
	2017	**2017**	2016	2016
	£'000	**£'000**	£'000	£'000
Properties held for sale	**-**	**-**	654	654
Work in progress	**4,548**	**-**	2,245	-
Properties Under Construction	**84**	**84**	-	-
	4,632	**84**	2,899	654

Notes to the financial statements for the year ended 31 March 2017 (continued)

14 Creditors: amounts falling due within one year

	Group	**Association**	Group	Association
	2017	**2017**	2016	2016
	£'000	**£'000**	£'000	£'000
Rent and other receipts in advance	**315**	**315**	365	365
Trade creditors	**266**	**215**	566	337
Amounts due under Right to Buy sharing agreement	**386**	**386**	253	253
Corporation tax creditor	**10**	**10**	272	272
Other taxation and social security	**67**	**67**	84	84
Interest accruals	**44**	**44**	502	502
Other creditors	**297**	**-**	-	-
Loan Repayment	**-**	**-**	5,365	5,365
Accruals and deferred income	**2,191**	**2,191**	2,378	2,358
	3,576	**3,228**	**9,785**	**9,536**

14a Disposals Proceeds Fund

Disposals Proceeds Fund	**2017**	2016 Restated
	£'000	£'000
At 1 April	**-**	212
Transfer from Right to Acquire Sales	**-**	-
Recycled during the year	**-**	(212)
At 31 March	**-**	**-**

Notes to the financial statements for the year ended 31 March 2017 (continued)

15 Creditors: amounts falling due after more than one year

Group and association

	Group 2017 £'000	**Association 2017 £'000**	Group 2016 Restated £'000	Association 2016 Restated £'000
Loans	**92,507**	**92,507**	87,489	87,489
Social Housing Grant Received in advance	**12,550**	**12,550**	12,497	12,497
	105,057	**105,057**	99,986	99,986
Defined Benefit Pension Schemes	**4,598**	**4,598**	3,352	3,352
	109,655	**109,655**	103,338	103,338

Debt Analysis

Group and association

Loans	**Group 2017 £'000**	**Association 2017 £'000**	Group 2016 £'000	Association 2016 £'000
Expiring in more than one year but less than 2 years	**-**	**-**	3,018	3,018
Expiring in two years or more but less than 5 years	**-**	**-**	6,123	6,123
Expiring in more than 5 years	**92,507**	**92,507**	78,348	78,348
	92,507	**92,507**	87,489	87,489

The weighted average period for which interest rates are fixed is 22 years, and the weighted average fixed interest rate is 4.59%. All loans are repayable at the end of their fixed rate term. The weighted average total interest rate for all loans was 4.59% (2016: 3.29%). Loan values include £430k capitalised fees which are amortised on a straight line basis and £6,000k of loan premium amortised on a discounted cashflow basis.

Deferred Income – Government Grants	**Group 2017 £'000**	**Association 2017 £'000**	Group 2016 Restated £'000	Association 2016 Restated £'000
At 1 April	**12,497**	**12,497**	12,542	12,542
Grants receivable	**517**	**517**	252	252
Amortisation to Statement of Comprehensive Income	**(464)**	**(464)**	(85)	(85)
Transfers from Disposals Proceeds Fund	**-**	**-**	(212)	(212)
At 31 March	**12,550**	**12,550**	12,497	12,497

Notes to the financial statements for the year ended 31 March 2017 (continued)

16 Statement of Cashflows

Cashflow from operating activities

	Group 2017 £'000	Group 2016 Restated £'000
Surplus/(Deficit) for the year	2,055	2,504
Adjustment for non-cash items:		
Depreciation of tangible fixed assets	3,152	2,733
Decrease/(increase) in stock	1,733	(1,303)
Decrease/(increase) in trade and other debtors	366	(325)
Decrease in trade and other creditors	(3,052)	(596)
Pensions costs less contributions payable	(19)	(102)
Abortive costs written off	2	5
Share of operating (deficit)/surplus in associate	(9)	7
Adjustments for investing or financing activities		
Proceeds from sale of property plant and equipment	(278)	(468)
Decrease in fair value of investment property	61	215
Government Grants utilised in the year	(464)	(85)
Interest Payable	3,090	2,898
Interest Received	(65)	(67)
Taxation	7	260
Net cash generated from operating activities	**6,579**	**5,676**

Notes to the financial statements for the year ended 31 March 2017 (continued)

17 Financial Commitments

Capital commitments are as follows:

	Group	Association	Group	Association
	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Contracted for but not provided for in the financial statements	4,387	4,387	2,482	532
Future expenditure approved by Directors but not contracted for at the year end	40	40	1,580	1,580

Capital commitments will be funded by a mixture of loan facilities, grants and cash reserves.

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group	Association	Group	Association
	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Payments due:-				
- Within one year	27	27	17	17
- Between one and five years	11	11	23	23
	38	38	40	40

18 Financial Instruments

The Group's financial instruments comprise debtors, creditors, cash and cash equivalents and loans. All the Financial Instruments are considered to be Basic under the criteria specified under FRS102.

The Association's financial instruments comprise debtors, creditors, cash and cash equivalents and loans.

Financial Assets	Group	Association	Group	Association
Debt instruments measured at amortised cost	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Cash & Cash equivalents	10,656	10,633	10,969	10,626
Debtors	470	262	612	494
	11,126	10,895	11,581	11,120

Notes to the financial statements for the year ended 31 March 2017 (continued)

18 Financial Instruments (continued)

Financial liabilities:	Group 2017 £'000	Association 2017 £'000	Group 2016 £'000	Association 2016 £'000
Borrowings:				
Housing Loans at amortised cost	**92,507**	**92,507**	92,853	92,853
Total Borrowings	**92,507**	**92,507**	92,853	92,853
Creditors:				
Trade creditors	**266**	**215**	566	337
Accruals and other creditors	**2,622**	**2,622**	3,135	3,116
Total creditors	**2,888**	**2,837**	3,701	3,453

Interest income and expense

	Group 2017 £'000	Association 2017 £'000	Group 2016 £'000	Association 2016 £'000
Total interest income for financial assets at amortised cost	**65**	**65**	67	67
Total interest expense for financial liabilities at amortised cost	**3,090**	**3,090**	2,898	2,898

19 Housing Stock

Group and Association

	2017 Units	2016 Units
Owned and managed		
General needs housing accommodation	**2,268**	2,261
Housing accommodation at affordable rent	**360**	320
Housing accommodation at intermediate rent	**14**	13
Housing for older persons	**533**	593
Shared ownership accommodation	**48**	47
Housing accommodation let at market rent	**8**	8
Units managed on behalf of others	**24**	24
	3,255	**3,266**
Leaseholders	**94**	95
	3,349	**3,361**

There were 2,792 (2016: 2,936) properties with a fixed charge as at 31 March 2017.

Notes to the financial statements for the year ended 31 March 2017 (continued)

20 Related Party transactions

The Board members who are also Tenants have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefit as other tenants. There are no rental arrears relating to Tenant board members at 31 March 2017. A total of £9,558 was chargeable rent and service charges to Tenant Board members during the year.

Board members, who were also North Devon Councillors, were required to fulfil the same obligations as the other Board members. Any transactions with the local authority are made at arm's length on normal commercial terms and Board members cannot use their position to their advantage.

During the year two Executive Officers were Board members of Advantage South West ("ASW") in which the Association has a 25% shareholding (one Executive Officer resigning in December 2016). The Group's share of the operating surplus in the year was £9k. The Association paid membership fees to ASW of £14k (2016: £15k) and there were no amounts owed to ASW at 31 March 2017 (2016: £nil).

North Devon Homes works with Plough and Share Credit Union as a strategic partner as part of the Credit Union Sustainability Project to provide access to affordable credit and savings for its customers and the community of North Devon. As at March 2017 its investment was £10k (2016: £10k) of deferred shares. In June 2017 the Plough and Share Credit Union went into liquidation and a provision of £28k has been made in respect of potential losses.

The Association has an investment of £2,300k (2016: £2,300k) in the share capital of its non regulated subsidiary and £2,108k (2016: £158k) in loans.

21 Prior period adjustment

The prior period adjustment relates to an error on transition to FRS102 in 2016. £207k of deferred property sale income and £212k of recycled Disposals Proceeds Funds receipts were incorrectly included in Social Housing Grant received in advance in creditors due after more than one year.

The impact on the income and expenditure reserve is shown below:

	Group £'000	Association £'000
Income and expenditure reserve 1 April 2016		
As previously stated	9,554	9,461
Surplus on disposal adjustment (note 3)	419	419
Income and expenditure reserve 1 April 2016 restated	**9,973**	**9,880**

Notes to the financial statements for the year ended 31 March 2017 (continued)

21 Prior period adjustment (continued)

The impact on creditors – amounts falling due after more than one year is shown below:

	Group	Association
Deferred income – government grants	**2016**	**2016**
	£'000	**£'000**
At 1 April 2016 as previously stated	**12,916**	**12,916**
Historic sale proceeds	**(207)**	**(207)**
Grant adjustment (note 15)	**(212)**	**(212)**
Government grants restated 31 March 2016	**12,497**	**12,497**
Loans	87,489	87,489
Creditors falling due after one year adjusted (note 15)	**99,986**	**99,986**

22 Pensions

Retirement benefits to employees are provided by the Social Housing Pension Scheme (SHPS) and the Local Government Pension Scheme (LGPS) which is administered by Devon County Council Pensions. During the year the following payments were made:

	2017	2016
	£'000	£'000
Devon County Council		
Employer contributions	35	41
Operating costs	16	317
Current service cost	**51**	358
Administration Expenses	3	2
	54	360
Social Housing Pension Scheme		
Employer contributions	215	203
Past service deficit payments	27	6
Defined Benefit scheme surcharge	45	13
	287	222
Total payments	**341**	582

(a) Devon County Council Pension Scheme

The Devon County Council Pension Fund ('DCCPF') is a scheme administered in accordance with the Local Government Pension regulations. The scheme is a funded defined benefit scheme currently providing benefits based on career average revalued salary and length of service on retirement. The Association's actuarial liability is subject to periodic valuation by independent actuaries using a market led actuarial method.

In accordance with FRS102, Section 28, the Association is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes operated for its employees.

The most recent triennial actuarial valuation was carried out on 31 March 2016. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

Notes to the financial statements for the year ended 31 March 2017 (continued)

22 Pensions (continued)

(a) Devon County Council Pension Scheme (continued)

The Association contributes to the DCCPF at a contribution rate set having regard to the liabilities of North Devon Homes Limited. The estimated employer contributions for 2017/18 are £37k.

Financial assumptions
The financial assumptions used to calculate the results are as follows:

	31 March 2017	31 March 2016	31 March 2015
	% pa	% pa	% pa
RPI Increases	3.5%	3.1%	3.1%
CPI Increases	2.6%	2.2%	2.3%
Salary increases	4.1%	4.0%	4.1%
Pension increases	2.6%	2.2%	2.3%
Discount rate	2.6%	3.5%	3.1%

Mortality Assumptions
The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement for current pensioners are:

	31 March 2017	31 March 2016
Males retiring today	**23.4**	22.9
Males retiring in 20 years	**25.6**	25.5
Females retiring today	**25.5**	26.2
Females retiring in 20 years	**27.8**	28.6

Notes to the financial statements for the year ended 31 March 2017 (continued)

22 Pensions (continued)

(a) Devon County Council Pension Scheme (continued)

The expected return on assets and the interest cost has been replaced with a single net interest cost which effectively sets the expected return equal to the discount rate.

Expected return on assets	**31 March 2017 £'000**	**31 March 2017 % pa**	**31 March 2016 £'000**	**31 March 2016 % pa**
Gilts	131	3%	146	3%
UK Equities	1,071	24%	1,074	24%
Overseas equities	1,548	35%	1,450	32%
Property	397	9%	494	11%
Infrastructure	179	4%	186	4%
Target return portfolio	659	15%	647	14%
Cash	107	2%	83	2%
Other Bonds	115	3%	128	3%
Alternative assets	241	5%	257	6%
Total	**4,448**	**100%**	4,465	99%

The assumed rate of return on each asset class is set out within this note.

The following amounts have been recognised in the financial statements for the year ended 31 March 2017 under the requirements of FRS102:

Notes to the financial statements for the year ended 31 March 2017 (continued)

22 Pensions (continued)

(a) Devon County Council Pension Scheme (continued)

The amounts recognised in the income and expenditure statement are:	**31 Mar 2017 £'000**	31 Mar 2016 £'000
Service cost	51	70
Net interest on the defined liability (asset)	85	85
Administration expenses	3	2
Total	**139**	157

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	**31 Mar 2017 £'000**	31 Mar 2016 £'000
Opening defined benefit obligation	**6,914**	7,363
Current Service cost	51	70
Interest current	237	225
Change in financial assumptions	1,375	(524)
Change in demographic assumptions	(43)	-
Experience gain on defined benefit obligation	(118)	(1)
Estimated benefits paid net of transfers in	(303)	(232)
Contributions by Scheme participants	14	15
Unfunded pension payments	(2)	(2)
Closing defined benefit obligation	**8,125**	6,914

Notes to the financial statements for the year ended 31 March 2017 (continued)

22 Pensions (continued)

(a) Devon County Council Pension Scheme (continued)

Net pension asset as at	**31 Mar 2017 £'000**	31 Mar 2016 £'000	31 Mar 2015 £'000
Present value of the defined benefit obligation	8,088	6,882	7,327
Fair value of Fund assets (bid value)	(4,448)	(4,465)	(4,609)
Deficit	**3,640**	2,417	2,718
Present value of unfunded obligation	37	32	36
Net defined benefit liability	**3,677**	2,449	2,754

Remeasurements of the net assets/defined liability	**31 Mar 2017 £'000**	31 Mar 2016 £'000
Return on Fund assets in excess of interest	598	(104)
Other actuarial losses on assets	(508)	-
Change in financial assumptions	(1,375)	524
Change in demographic assumptions	43	-
Experience gain on defined benefit obligation	118	1
Remeasurement of the (defined liability) net assets	**(1,124)**	421

Notes to the financial statements for the year ended 31 March 2017 (continued)

22 Pensions (continued)

(a) Devon County Council Pension Scheme (continued)

Reconciliation of opening & closing balances of the fair value of Fund assets	**31 Mar 2017 £'000**	31 Mar 2016 £'000
Opening fair value of Fund assets	**4,465**	4,609
Interest on assets	152	140
Return on assets less interest	598	(104)
Other actuarial losses	(508)	-
Total actuarial gains/(losses)	n/a	n/a
Administration expenses	(3)	(2)
Contributions by employer including unfunded	35	41
Contributions by Fund participants	14	15
Estimated benefits paid plus unfunded net of transfers in	(305)	(234)
Closing fair value of Fund assets	**4,448**	4,465

The total return on the fund assets for the year to 31 March 2017 is £750k (2016: £36k)

History of asset values, present value of liabilities and deficit	**2017 £'000**	2016 £'000	2015 £'000
Fair value of assets	**4,448**	4,465	4,609
Present value of liabilities	**(8,125)**	(6,914)	(7,363)
Scheme deficit at the end of the year	**(3,677)**	(2,449)	(2,754)

Notes to the financial statements for the year ended 31 March 2017 (continued)

22 Pensions (continued)
(a) Devon County Council Pension Scheme (continued)

The Association also has a potential unprovided liability for additional pension costs. The scheme actuaries have assessed the amount required as indemnity cover at 31 March 2017 (the latest valuation) as £856k. At the year end this amount was guaranteed by way of a guarantee indemnity through Lloyds Bank Plc. The amounts calculated represent the cost of providing immediate unreduced pension and lump sum benefits for each member over the age of 50 at the relevant date, in excess of reserves held for each member.

(b) Social Housing Pension Scheme

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Notes to the financial statements for the year ended 31 March 2017 (continued)

22 Pensions (continued)

(b) Social Housing Pension Scheme (continued)

Deficit contributions

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1 April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1 April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1 April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1 April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement, the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

	31 March 2017 £'000	31 March 2016 £'000	31 March 2015 £'000
Present value of provision	**921**	903	603

Notes to the financial statements for the year ended 31 March 2017 (continued)

22 Pensions (continued)

(b) Social Housing Pension Scheme (continued)

Reconciliation of Opening and Closing Provisions

	31 March 2017 £'000	31 March 2016 £'000
Provision at start of year	**903**	603
Unwinding of the discount factor (interest expense)	18	12
Deficit contribution paid	(27)	-
Remeasurements - impact of any change in assumptions	27	(6)
Remeasurements - amendments to the contribution schedule	-	294
Provision at end of year	**921**	903

Income and Expenditure Impact

	31 March 2017 £'000	31 March 2016 £'000
Interest expense	18	12
Deficit contribution paid	(27)	-
Remeasurements – impact of any change in assumptions	27	(6)
Remeasurements – amendments to the contribution schedule	-	294
Costs recognised in income and expenditure account	**18**	**300**

Assumptions

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	**1.33**	2.06	1.92

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the Association and the scheme at each year end period:

Notes to the financial statements for the year ended 31 March 2017 (continued)

22 Pensions (continued)

(b) Social Housing Pension Scheme (continued)

Deficit Contributions Schedule

Year ending	31 March 2017 £'000	31 March 2016 £'000	31 March 2015 £'000
Year 1	28	27	-
Year 2	151	28	-
Year 3	158	151	-
Year 4	150	158	123
Year 5	115	150	129
Year 6	120	115	120
Year 7	92	120	84
Year 8	62	92	88
Year 9	64	62	59
Year 10	33	64	28
Year 11	-	33	29
Year 12	-	-	15

The Association recognises a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate, as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the Association's balance sheet liability.

23 Group Members

North Devon Homes Limited is the parent undertaking and has one subsidiary being Anchorwood Limited.

24 Legislative provision

The Association is a company limited by guarantee and is registered with the Homes and Communities Agency under the Housing and Regeneration Act 2008.