North Devon Homes Limited
Financial Statements
for the year ended
31 March 2018

north devon homes

Registered Company No. 03674687

Registered Charity No. 1164142

North Devon Homes Limited
Financial Statements
for the year ended 31 March 2018

Contents

Board Members, Executive Officers, Advisors and Bankers

The Board of Management

Mr Robert Stronge (Chair)
Mrs Dawn Ash
Mr James Barrah
Mr Asad Butt (Vice Chairman)
Ms Debbie Hay
Ms Sabina Goodman
Ms Suzanne Ingman
Ms Delyth Lloyd-Evans
Mr Scott Murray
Mr Paul Oldroyd

Company Secretary

Mrs Philippa Butler

Executive Directors

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

Statutory Independent Auditors

PricewaterhouseCoopers LLP
2 Glasswharf
Bristol
BS2 0FR

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 Regulator of Social Housing (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 2018

Strategic Report

The Board of Management presents its strategic report and audited financial statements for the year ended 31 March 2018.

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 Regulator of Social Housing. 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 21.

Results

The Group's surplus after tax for the year is £333k (2017: £2,055k).

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

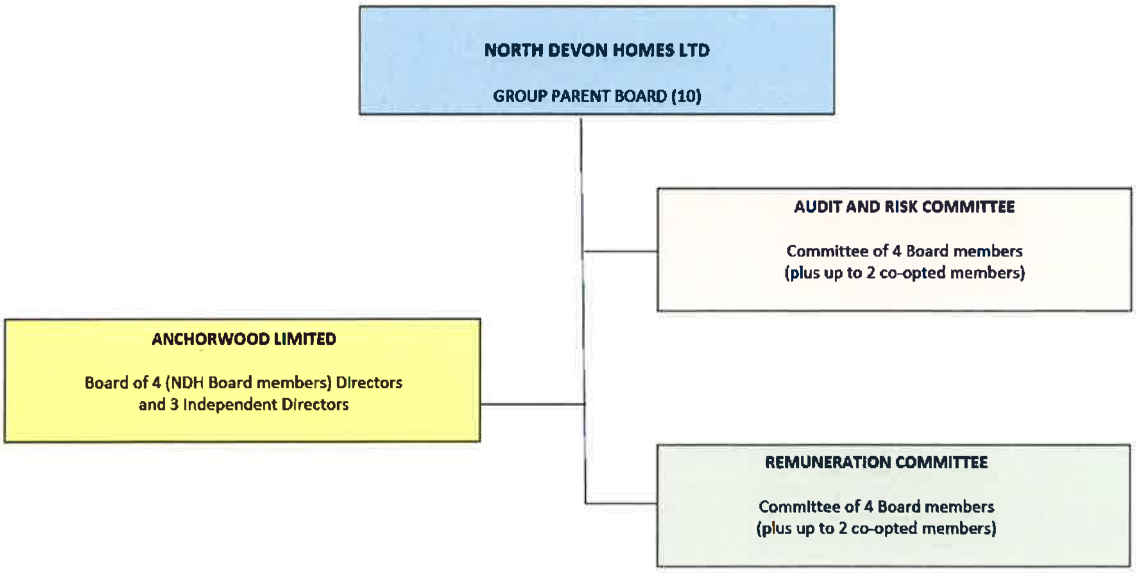
The Board is skills based and consists of up to ten independent members.

For the year ending 31 March 2018, the following members served on the Board:

Board of Management report for the year ended 31 March 2018 (continued)

- Mr Robert Stronge
- Mr Asad Butt
- Mrs Dawn Ash
- Mr Scott Murray
- Mr James Barrah (appointed 22 May 2017)
- Ms Delyth Lloyd-Evans (appointed 22 May 2017)
- Ms Sabina Goodman (appointed 22 May 2017)
- Ms Suzanne Ingman (appointed 22 May 2017)
- Ms Debbie Hay (appointed 22 May 2017)
- Mr Paul Oldroyd (appointed 6 November 2017)
- Cllr Brian Moores (resigned 13 April 2017)
- Cllr Faye Webber (resigned 13 April 2017)
- Cllr Jeremy Yabsley (resigned 13 April 2017)
- Ms Sarah Maylor (resigned 2 October 2017)
- Mr Nick Lewis (co optee to Audit & Risk Committee resigned 27 Aug 2017)

The governance structure for the Group is summarised below:



The Boards of North Devon Homes Limited 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 2018 (continued)

Compliance Statement

North Devon Homes (NDH) has adopted the NHF 2015 Code of Governance and strives to uphold the 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.

The Board confirms that NDH was fully compliant with the Code through the financial year ending 31st March 2018.

Each year our Regulator, the Regulator of Social Housing, requires us to assess our compliance with its Governance and Financial Viability Standard and provide assurance to customers and stakeholders that the specific expectations are being complied with. The Board is pleased to confirm that during the year ended 31 March 2018 it considers that NDH has complied with all applicable outcomes and specific expectations of the Governance and Financial Viability Standard and its accompanying Code of Practice, together with the outcomes and requirements of all the other economic and consumer standards.

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 2018 (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. A provision for payment of Board members (who are also Trustees) has been made in the year, pending formal approval by the Charities Commission.

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
17 September 2018

Strategic Report

Background

North Devon Homes Limited 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 2018, the Association owned 3,241 (2017: 3,223) affordable homes.
All of North Devon Homes Limited's 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:

	2018 No.	2017 No.
North Devon Homes Limited's Affordable Housing		
General Needs		
Social rent	2,271	2,268
Affordable rent	397	360
Intermediate rent	14	14
Shared Ownership	48	48
Older persons Housing		
Social rent	511	533
Total	**3,241**	**3,223**

Other units not included above:		
Market Rented	10	8
Leasehold Properties	95	94
Units managed on behalf of others	24	24
Garages	681	702
Commercial Properties	20	20
Total	**830**	**848**

Governance and Management

During 2017/18 the NDH Board met seven 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 Regulator of Social Housing (the "Regulator") under the Regulatory Framework for Social Housing in England.

Following the in-depth assessment by the Homes and Communities Agency 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 Regulator identified some aspects of the governance arrangements that needed to improve. As a result a comprehensive governance improvement action plan was put into place and following its completion during the year, including moving to a fully skills based Board, the Regulator issued a revised Regulatory Judgement in April 2018 confirming a governance upgrade to G1, with the V1 viability rating maintained.

Corporate Priorities and Strategies

The Association'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 Association 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. 2017/18 was the final year of the Corporate Plan, with most objectives being achieved; any change in direction resulted from the Board's actions to mitigate the impact of the 1% rent reduction which took effect for four years from April 2016. During the year the Board developed its new 2018-2021 Corporate Plan, still based on the four key objectives above and focussing on the provision of high quality services and new affordable housing for North Devon communities.

Performance in the Year

Underpinning the Corporate Objectives, the following specific priorities were delivered in 2017/18:

- **Constitutional change to achieve best practice**

During 2017/18 constitutional changes were implemented to strengthen the Board, providing the right mix of skills to govern the Association in a more commercial and challenging environment. The C90 customer model was introduced to strengthen the customer voice within the Association and provide more opportunities for customers to directly impact service provision. As a result of successfully implementing these Governance changes, NDH was upgraded to the highest Governance grade (G1) by the Regulator of Social Housing in April 2018.

Strategic Report (continued)

Performance in the Year (continued)

- **Deliver Welfare Reform Support**

Current tenant rent arrears figures continued to show excellent performance throughout the year with the year end result at 0.46% of the annual rent debit, maintaining the same level of performance as in the previous year. During the year, we worked with customers to help them build up a rent credit to cover them across the gap in benefit when switching to Universal Credit and also to provide a buffer as they begin to manage their own rent payments, putting customers in a better position to manage the transition to Universal Credit.

- **Corporate Plan**

A new Corporate Plan for the period 2018-21 was developed by the Board, with input from Customers, staff and other stakeholders. This outlines the corporate objectives for the period, including the objectives and targets related to Value for Money (VfM).

- **Anchorwood Bank Development**

During 2017/18, Anchorwood Limited began work on the residential element of the first phase of the Anchorwood Bank development, which will deliver 37 social properties to NDH, and also gift aid to NDH the profit from the sale of market sale units developed and sold.

- **IT Systems**

Our three core IT systems – relating to tenancy management, repairs and asset management – are deemed to be at the end of their useful lives and so procurement has been underway during 2017/18 for a new integrated housing management system to cover all three areas. This will reduce risk related to IT, but is also a key part of our VfM delivery. It will enable more interaction with customers where they transact online, but will also deliver efficiencies as we refine processes and take advantage of new IT capabilities.

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 personal objectives for each member of staff. Both the SEPs and the staff objectives are regularly monitored through a continuous performance review process to ensure operational delivery.

Key Performance Indicators (KPIs)

The North Devon Homes Limited Board and Executive Team monitor the Group's KPIs 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 2018 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 2016/17

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 period 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	93.9%	92.1%	88.1%	⇩
Complaints received	29	25	No Target	n/a
Complaints upheld	13	11	No Target	n/a
Compliments received	74	50	No Target	n/a
RESPONSIVE REPAIRS				
Customer satisfaction with the repairs service - overall	97.5%	98.2%	95.5%	⇧
Emergency repairs completed **within 24 hours**	99.2%	98.5%	99.0%	⇩
Urgent repairs completed **within 7 calendar days**	98.1%	97.5%	97.3%	⇩
Routine repairs completed **within 28 calendar days**	95.4%	95.3%	95.0%	⇩
CUSTOMER CARE TEAM				
Call Quality Overall % Score	83.1%	88.3%	70.0%	⇧
Neighbour disputes handled	187	197	No Target	n/a
PLANNED MAINTENANCE				
% Planned Maintenance Programme Delivery ☆		105.9%	100.0%	
Customer satisfaction with Planned Maintenance service received	96.0%	95.7%	96%	⇩
GAS SAFETY				
Properties with a gas safety certificate	100.00%	100.00%	100%	⇔
ANTISOCIAL BEHAVIOUR				
Number of new antisocial behaviour cases	63	70	No Target	n/a
Number of closed antisocial behaviour cases	64	67	No Target	n/a
RE-LET PROPERTIES				
Number of properties re-let	194	181	No Target	n/a
Rent loss due to empty properties (as a % of rental due) ☆		0.57%	0.55%	
Average time to complete void works and re-let properties (in c/days)	42.0	36.2	31.0	⇧
Number of mutual exchanges completed	43	40	No Target	n/a
RENT COLLECTION				
Outstanding rent (current customers)	0.49%	0.46%	0.80%	⇧
Outstanding rent (former customers)	0.53%	0.53%	0.59%	⇔
INDEPENDENT LIVING SERVICES				
Customers likely to recommend the Devon Homelink alarm service	97%	92%	95%	⇩
FINANCE				
Liquidity	4.41	3.34	0.95	⇩
Quick Liquidity ratio (excluding stock)	3.11	2.02	0.65	⇩
Interest cover (inc. capitalised major repairs)	206.6%	147.10	110%	⇩

☆ *Previous performance data not included due to change in method of measurement*

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 97.5% to 98.2%. Despite a minor drop in performance, repairs on time performance remained above target (urgent, routine) or very close to achieving target (emergency).

- **Rent Collection**: The performance of rent collection for current customers continued to be extremely strong in 2017/18. The arrears figure of 0.46% is comfortably better than target and sector leading (Peer Group median in 2016/17 was 1.97%). Former tenant arrears remain better than target and unchanged at 0.53%. This rent collection performance gives NDH a strong foundation to address the challenges of welfare reform, particularly the introduction of Universal Credit in July 2018.

- **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 2017/18. However, performance improved again in comparison to the previous year as the end-to-end voids processes were reviewed and improved; average time to turn around voids fell from 42 to 36 days. Further improvement is anticipated in 2018/19 as more process and IT changes are implemented.

- **Complaints:** There were only 25 complaints in 2017/18, down from 29 the previous year. Of the 25 complaints received, just under half (11) were upheld. We received 50 compliments in the year (a reduction from 74 in 2016/17).

- **Finance:** Financial performance during the year was in line with the budget for the year. Through the addition of new units and acquisition of 19 units of stock from another registered provider, total fixed assets increased by £5.1m from the previous year. There was a corresponding decrease in cash balances but liquidity remained strong at the end of the year, with £4.955m of stock value attributable to the investment in the Anchorwood Bank development site. Further detail on financial performance is provided on pages 19-20.

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 again 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 four to six 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 2018-21 and new 2018-2021 Plan establishes VfM priorities. VFM Strategy 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	Action Plan worked through during 2017/18 to prepare customers for Universal Credit roll out in July 2018. 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 with new facilities introduced in the year.
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 regularly reviewed and updated as the Brexit negotiations progress, 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 regularly reviewed and updated as the Brexit negotiations progress, and will continue to be, as there is likely to be ongoing uncertainty affecting the economic environment.
Non Compliant with General Data Protection Regulation (in force from 25th May 2018)	Compliance action plan in place and being monitored every quarter by the Audi and Risk Committee. Finance Director appointed as Data Protection Officer in place to ensure compliance progress monitored at a senior level. Information Security Compliance Group (ISCG) in place to support compliance and delivery of the action plan. Member of South West GDPR group, sharing resources and materials. Programme of data protection e-learning and other awareness activities in place for all staff.

Strategic Report (continued)

Risk Management (continued)

Risk	Key controls
Failure of the Board to exercise good governance	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.
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 and delivery against anticipated profit. Controls in place to ensure Health and Safety on site. Anchorwood Limited business plan scenario and stress tested to understand impact of risks crystallising. 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. Work is underway to procure a new integrated housing management IT system. Data protection policies and procedures are in place.

Strategic Report (continued)

Value for Money Statement 2018

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 2015-2018 and our new 2018-2021 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.

This VfM statement outlines our key areas of achievement during the year as well as highlighting those areas where we could have performed better.

Benchmarked data is contained in the report to show how well we are performing compared to our peers, and the sector as a whole. In line with the new VfM Standard which came into operation in April 2018, our statement is focused on the seven key metrics that the Regulator of Social Housing (RSH) uses to compare providers. Wider benchmarked data for operational areas is used in addition to demonstrate the VfM we provide.

Value for Money performance
Performance against the seven VfM metrics used by the RSH for 2016/17 is shown below alongside sector performance. NDH performance for 2017/18 is also shown to see how our absolute performance has changed (no comparative sector data is yet available).

VfM Metrics 2016/17	2016/17 performance			2017/18 performance	
	North Devon Homes	*Sector Average*	*Sector Median*	North Devon Homes	Performance Change
Reinvestment	**1.80%**	*6.52%*	*5.62%*	5.80%	↑
New Supply - Social Housing Units	**0.20%**	*1.73%*	*1.25%*	1.05%	↑
New Supply - non-Social Housing Units	**0%**	*4.05%*	*0%*	0.06%	↑
Gearing	**55.30%**	*49.70%*	*48.20%*	56.4%	↓
EBITDA MRI	**190%**	*331.80%*	*214.20%*	124.1%	↓
Headline Social Housing Cost per unit	**£3,080**	*£3,700*	*£3,300*	£3,060	↑
Operating Margin - Social Housing Lettings	**30%**	*32.90%*	*34.30%*	23.4%	↓
Operating Margin - Overall	**29%**	*29.80%*	*31.00%*	23.1%	↓
Return on Capital Employed (ROCE)	**3%**	*5.20%*	*4.30%*	2.5%	↓

Headline Social Housing Cost per unit is significantly below the sector average in 2016/17, demonstrating that NDH costs are well controlled and low and the 2017/18 result shows a further improvement, remaining well below the sector average for 2016/17.

Areas of weaker performance against the sector median in 2016/17 are reinvestment and new supply; both of which are low because there were few units developed in 2016/17. 2017/18 shows improved performance with the addition of 34 newly built social housing units and 2 non social housing units. We expect to see continued improvement in the reinvestment and new supply metrics in future years as we progress with our development programme including the open market sale site at Anchorwood Bank.

In terms of other metrics:

- **Gearing** is above the sector average for 2016/17, and remains similar for 2017/18 because, as a Large Scale Voluntary Transfer Association, we carry more debt arising from the stock transfer in February 2000, than traditional providers. There is a slight decline in the 2017/18 performance metric due to the investment in stock at the end of the year, mainly reflecting the Anchorwood Bank market sale scheme.
- **Operating margins** have decreased due to the impact on income of the 1% rent reduction, and there was no income from shared ownership or market sale receipts in 2017/18, which in the

Strategic Report (continued)

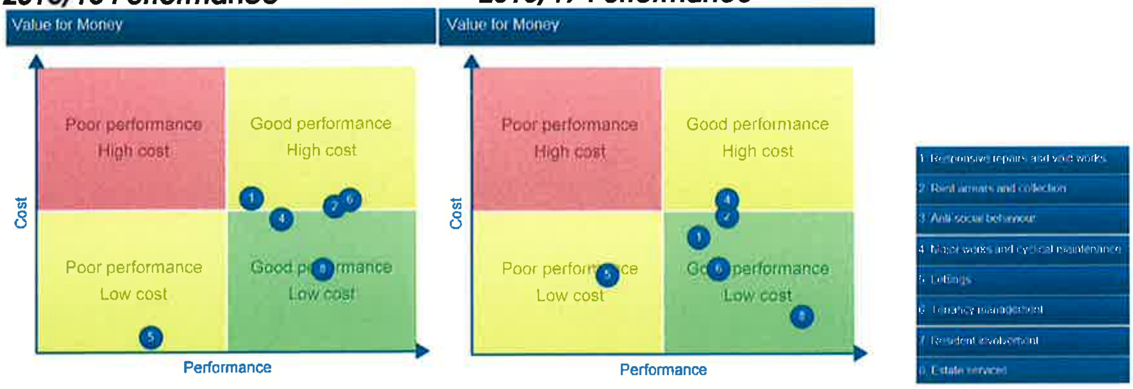
Value for Money Statement 2018 (continued)

previous year had generated a surplus of £202k. Operating costs were £580k higher in 2017/18 as a result of initial investment into our in-house response maintenance service and a higher depreciation charge than in the previous year.

- **EBITDA MRI** has fallen as a result of the reduction in operating margins as mentioned above (excluding depreciation charge) coupled with a much lower interest cost (£936k) in 2016/17 as a large proportion of debt in that year was on a lower variable rate of interest. The Board took a strategic decision in 2016/17 to refinance a significant part of its debt portfolio to take advantage of favourable market conditions and fix long term debt to provide future financial stability and mitigate against interest rate risk.
- **Return on Capital employed (ROCE)** has decreased due to the lower overall operating surplus in 2017/18, although total assets less current liabilities were £2.3m higher than in the previous year.

In addition to the metrics used by the RSH, the two matrices below show VfM performance for 2016/17 compared to 2015/16 for different operational areas of NDH. This data takes into account the cost of the service and the performance of the service – giving a good indicator of VfM. The data has been benchmarked against a peer group of Southern Traditional Housing Associations, rather than the whole sector.

2015/16 Performance ***2016/17 Performance***



The data shown above demonstrates that in comparison to peers, for most areas NDH achieves good performance at low cost. The only outlier was the performance in relation to lettings, which whilst low cost, had longer re-let times than peers for both years. However, performance did improve marginally, with average re-let time falling from 40 days in 2015/16 to 37 days in 2016/17 for a standard re-let (the figure for the peer group median was 22 days in 2016/17). This has been an area of continued focus, and in 2017/18, average standard re-let times improved significantly to 27 days.

Value for Money Targets

There were a number of VfM objectives included in the Financial Statements for 2016/17; brief updates on progress are provided below. Traffic lights denote whether the objective was achieved (green); partly achieved / showing change in the right direction (amber); or, not achieved, and with no positive change (red).

Strategic Report (continued)

Value for Money Statement 2018 (continued)

Reduce central overhead costs to move from lower to mid to lower quartile when compared to our Housemark peer group	In 2015/16, overhead costs as a % of adjusted turnover were 14.8%, above the peer group median of 12.2%. In 2016/17, NDH performance has improved to 13%, closer to the peer group median of 11.6%. This improvement has been largely driven by decreases in proportional costs spent on central overheads (7.5 to 6.1%) and IT / communications (3.4% to 2.5%).	
Improve lettings performance and reduce void rent loss to be within 2016/17 target	As described above, performance in terms of re-let times and rent loss has improved from the previous year, but both remain higher than the peer group median. However, a significant improvement has been seen in 2017/18.	
Review Major Works and Cyclical Maintenance costs to identify areas of improvement to move towards sector median performance in these areas.	2015/16 NDH cost per unit of £1374 was better than the peer group median of £1427. However, in 2016/17, whilst NDH performance has remained similar (£1376), the peer group median has decreased to £1359. The areas where the peer group costs are lower are major works service provision, and cyclical maintenance management.	
Implement Lean Thinking and Great Game methodology to provide tools for all staff to improve VfM	There are groups of staff trained in both approaches. Two Lean reviews have been carried out to date (voids and lettings; recharges), and a programme of reviews will be set up going forward. Great Game approaches to drive performance have been instituted in a number of areas, and the approach will be rolled out across the organisation alongside the targets for the new Corporate Plan 2018-21.	
Trial innovative energy efficient approaches in our properties to save customers money	Tesla battery installation has been carried out in order to trial the approach, and Energiesprong project (zero carbon whole house retrofit) is planned to take place in 2018/19.	
Deliver the clear and measurable VfM priorities agreed to sit alongside the Corporate Plan	VfM objectives in the 2015-18 plan were achieved with three exceptions. **Service Charges** system was not implemented to planned timeline due to difficulties with the supplier; this will be rolled out in Q2 2018/19. The **CRM system** was not implemented, but a system has been specified, and procurement is underway for the three core IT systems to include CRM functionality. Finally, due to start on site delays, anticipated profit received from the **Anchorwood Bank scheme** has not yet materialised. Profits are not expected to materialise until 2019.	

Strategic Report (continued)

Value for Money Statement 2018 (continued)

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 has been fully implemented.

We are developing a new VfM Strategy in line with the revised VfM Standard set by the Regulator of Social Housing (RSH) from April 2018. Our VfM targets going forward will take into account the seven metrics that the RSH is using to judge efficiency across the sector, and will also include specific targets set as part of our Corporate Plan. The targeted outcomes for the seven metrics in our Business Plan for the next three years are set out in the table below.

VfM Targets 2018-21	2018/19	2019/20	2020/21
Reinvestment	5.42%	2.21%	2.05%
New Supply - Social Housing Units	2.50%	2.20%	0.60%
New Supply - non-Social Housing Units	0.40%	1.00%	1.40%
Gearing	60.00%	59.00%	59.00%
EBITDA MRI	143.00%	182.00%	155.00%
Headline Social Housing Cost per unit	£2,945	£2,753	£2,980
Operating Margin - Social Housing Lettings	25.10%	27.90%	28.10%
Operating Margin - Overall	22.90%	22.50%	21.80%
Return on Capital Employed (ROCE)	2.70%	3.60%	3.20%

Further detailed operational targets are being set by the Board in light of the 2018-21 Corporate Plan and the revised VfM Standard. These will be agreed at a Board away day in October 2018. Reporting will be developed to allow staff / teams to be aware of their performance against these targets, to report progress to Board, and then to report the outcomes in the VfM Statement for 2018/19.

Strategic Report (continued)

Operating and Financial Review

Financial Review
Income from lettings decreased in the year by 3.3% (2017: 3.2% increase) from £15,087k in 2017 to £14,591k in 2018. The 1% rent reduction effective from April 2016, along with a higher number of properties held strategically void pending disposal and 21 properties demolished in the year as part of the redevelopment of the Lamaton Park older person's scheme in South Molton, were all contributory factors in the reduction in income.

There was a decrease in turnover within other social housing activities of £818k to £65k in 2018 (2017: £883k) as there were no shared ownership properties developed and sold in the previous year. There was a decrease in turnover of £121k to £936k (2017: £1,057k) within non social housing activity as there were no open market property sales in the year, whereas there was one sale in the previous year.

The operating surplus for the year was £3,622k (2017: £4,861k), a decrease of £1,239k from the previous year. This was largely attributable to the decrease in turnover rather than an increase in overall operating costs. During the year £1,737k (2017: £1,846k) of major repairs expenditure was written off to the Income and Expenditure Account and in addition £1,695k of works were capitalised (2017: £2,191k).

Surplus on property disposals was £598k, an increase of £320k from 2016/17. This was as a result of the delivery of the strategic disposals programme during the year which resulted in the sale of two properties, for a total of £400k. Two garage sites were also disposed of generating a sale receipt of £65k. Receipts from these disposals have been reinvested into the development programme for the provision of new social housing in the area.

The Group's surplus before tax was £333k (2017: £2,055k). There was an actuarial gain in the year of £310k (2017: £1,124k loss) in relation to the Devon County Council Pension Scheme and so the Group's surplus after tax and actuarial gain / (loss) for the year was £643k (2017: £931k). This amount was transferred to revenue reserves.

Debt Profile
Having carried out a refinancing exercise during 2016/17 there was no change in facilities for the Association. However, in order to fund the phase 1 Anchorwood Bank development, Anchorwood Limited secured a new facility with Natwest for £5.172m; none of this had been drawn as at the year end.

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
Natwest	5,173	Variable
TOTAL	**97,111**	

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	2018	2017
Fixed Rate Loans £'000	£86,938	£86,938
Variable Rate Loans £'000	-	-
Total Loans Drawn	**£86,938**	**£86,938**
% unhedged	5.3%	0%
Average cost of funds	4.83%	4.59%
Undrawn facility £'000	10,173	5,000
Total Facility £'000	**£97,111**	**£91,938**

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 30. 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.

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. Based on this valuation the value of the stock charged to GB Social Housing was £33.250m at the year end. In respect of property charged to Lloyds Bank the valuation was updated in June 2017 at a value of £65.750m. The value of stock charged to the Affordable Housing Finance is £8.650m arising from the valuation that was concluded in January 2015.

Devon County Council Pension Scheme
The Association has a potential unprovided liability for additional pension costs for the Devon County Council Pension Scheme of £1.307m. During the year a jointly controlled bank account was set up with Devon County Council as the administering authority, to provide this indemnity as a cash deposit. Previously the indemnity had been provided by a guarantee from Lloyds Bank plc. Further detail is provided in note 21 (page 59).

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
Chair of the Board
17 September 2018

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 the Association financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the Board must not approve the financial statements unless it is 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the 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. It is also responsible for safeguarding the assets of the Group and the 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 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
Chair of the Board
17 September 2018

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 Corporate 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 Board receives an update on key risks facing the Group at each meeting and the Audit and Risk Committee receives a detailed report on risk at each quarterly meeting focussing not only on reviewing current risks but also emerging risks. 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 risk appetite and further develop its approach to 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 identify emerging risks, review risk triggers 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 scenario modelling is carried out to model different events 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 and Financial Regulations and are 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 Policy
- Board Member Code of Conduct & Disciplinary
- Board Members' Responsibilities
- Probity
- Integrity at Work
- Computer Security
- Data Protection

Report of the Board on Internal Control (continued)

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

North Devon Homes Limited 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 and completion of the Governance Improvement Action Plan.

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. A full report on Internal Controls Assurance was provided to the Audit and Risk Committee on 12 March 2018 and the results of the Board's review are the basis of this statement.

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
Chair of the Board
17 September 2018

Independent Auditors' report to the members of North Devon Homes Limited
Annual report and financial statements

Our opinion
In our opinion, North Devon Homes Limited's group financial statements and parent financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent's affairs as at 31 March 2018 and of the group's and parent's surplus, and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- 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.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the consolidated and association statements of financial position as at 31 March 2018; the consolidated and association statements of comprehensive income; the consolidated and association statements of changes in reserves; the consolidated cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Independence
We remained independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent's ability to continue as a going concern.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and parent and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of the Board of Management's Responsibilities set out on page 22, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the parent registered provider's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Section 128 of 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.

Other required reporting

Companies Act 2006 exception reporting

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 parent registered provider; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Heather Ancient

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

19 September 2018

Consolidated and Association Statements of Comprehensive Income for the year ended 31 March 2018

	Note	Group 2018 £'000	Association 2018 £'000	Group 2017 £'000	Association 2017 £'000
Turnover	2	15,651	15,632	17,027	17,027
Operating Expenditure	2	(12,029)	(11,975)	(12,166)	(12,165)
Operating Surplus	**2**	**3,622**	**3,657**	**4,861**	**4,862**
Gain on disposal of property, plant and equipment	3	598	598	278	278
Share of operating surplus in associate	11	2	-	9	-
Interest receivable	4	90	90	65	65
Interest and Financing Costs	5	(4,026)	(4,026)	(3,090)	(3,090)
Surplus/(deficit) on revaluation of investment properties	10c	40	40	(61)	(61)
Surplus before taxation	6	**326**	**359**	**2,062**	**2,054**
Taxation	9	7	7	(7)	(7)
Surplus for the year		**333**	**366**	**2,055**	**2,047**
Actuarial gain/(loss) in respect of pension schemes	21	310	310	(1,124)	(1,124)
Total Comprehensive Income for the year		**643**	**676**	**931**	**923**

Consolidated and Association Statements of Financial Position as at 31 March 2018

Registered number 03674687

	Note	Group 2018 £'000	Association 2018 £'000	Group 2017 £'000	Association 2017 £'000
Fixed assets					
Intangible Assets	10a	256	256	127	127
Tangible fixed assets – Housing Properties	10b	152,897	152,897	147,933	147,933
Other property, plant & equipment	10c	1,958	1,844	1,903	1,784
Total fixed assets		**155,111**	**154,997**	**149,963**	**149,844**
Investments					
Investment Properties	10c	2,499	2,499	2,292	2,292
Investment in Subsidiary	11	-	2,300	-	2,300
Investment in Associates	11	106	5	108	5
Other investments	11	317	317	317	317
		2,922	**5,121**	**2,717**	**4,914**
Debtors due after more than one year	12	-	**2,451**	-	**2,251**
Total investments and debtors due after more than one year		**2,922**	**7,572**	**2,717**	**7,165**
Current assets					
Debtors	12	1,918	1,676	478	271
Stock	13	5,156	201	4,632	84
Cash and cash equivalents		5,960	5,153	10,656	10,633
Total current assets		**13,034**	**7,030**	**15,766**	**10,988**
Creditors: amounts falling due within one year	14	(3,903)	(3,805)	(3,576)	(3,228)
Net current assets		**9,131**	**3,225**	**12,190**	**7,760**
Total assets less current liabilities		**167,164**	**165,794**	**164,870**	**164,769**
Creditors: amounts falling due after more than one year	15	(107,041)	(105,739)	(105,057)	(105,057)
Defined Benefit pension liability	21	(4,328)	(4,328)	(4,598)	(4,598)
Net assets		**55,795**	**55,727**	**55,215**	**55,114**
Capital and Reserves					
Income & Expenditure reserve		11,547	11,479	10,904	10,803
Revaluation reserve		44,238	44,238	44,238	44,238
Restricted reserve		10	10	73	73
		55,795	**55,727**	**55,215**	**55,114**

These financial statements together with the associated notes on pages 32 to 66 were approved and authorised for issue by the Board on 17 September 2018 and were signed on its behalf by:

Robert Stronge
Chair

Philippa Butler
Company Secretary

Consolidated Statement of Cash flows for the year ended 31 March 2018

	Note	Group 2018 £'000	Group 2017 £'000
Net cash generated from operating activities	16	**6,444**	**6,579**
Cash flows from Investing Activities:			
Purchase of tangible fixed assets		(9,327)	(5,608)
Proceeds from sale of tangible fixed assets		1,620	1,328
RTB Sharing Agreement		(386)	(253)
Grant received		1,057	517
Interest received		25	66
Net cash used in investing activities		**(7,011)**	**(3,950)**
Cash flows from Financing Activities:			
Interest paid		(4,129)	(2,955)
New secured Loans		-	32,930
Repayment of Borrowings		-	(32,917)
Net cash used in financing activities		**(4,129)**	**(2,942)**
Net decrease in cash and cash equivalents		(4,696)	(313)
Cash and cash equivalents at beginning of year		10,656	10,969
Cash and cash equivalents at end of year		**5,960**	**10,656**

Consolidated Statement of Changes in Reserves for the year ended 31 March 2018

Group	Income and Expenditure Reserve £'000	Revaluation Reserve £'000	Restricted Reserve £'000	Total £'000
Balance as at 1 April 2016	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 restricted reserve	-	-	43	43
Balance as at 31 March 2017	**10,904**	**44,238**	**73**	**55,215**
Surplus from Statement of Comprehensive Income for the year	333	-	-	333
Actuarial gain in respect of pension schemes	310	-	-	310
Transfer of restricted expenditure from restricted reserve	-	-	(63)	(63)
Balance as at 31 March 2018	**11,547**	**44,238**	**10**	**55,795**

Association Statement of Changes in Reserves for the year ended 31 March 2018

Association	**Income and Expenditure Reserve £'000**	**Revaluation Reserve £'000**	**Restricted Reserve £'000**	**Total £'000**
Balance as at 1 April 2016	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 restricted reserve	-	-	43	43
Balance as at 31 March 2017	**10,803**	**44,238**	**73**	**55,114**
Surplus from Statement of Comprehensive Income for the year	366	-	-	366
Actuarial gain in respect of pension schemes	310	-	-	310
Transfer of restricted expenditure from restricted reserve	-	-	(63)	(63)
Balance as at 31 March 2018	**11,479**	**44,238**	**10**	**55,727**

Notes to the financial statements for the year ended 31 March 2018

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 Limited 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 Limited 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 Limited (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 and 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 have had the most significant effect on amounts recognised in the financial statements:

Notes to the financial statements for the year ended 31 March 2018 (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 2018. 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 21.

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 2018 (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 has 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 Homes England, 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 2018 (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 and ground source heating	20
Electrics/rewires	30	Lifts	25
Gas boilers	15	Roofs	75
Biomass boilers	25		

Notes to the financial statements for the year ended 31 March 2018 (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 2018 (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 2018 (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 2018 (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 21. 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 2018 (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 2018 (continued)

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

Income and expenditure from general needs lettings	2018			2017		
	Turnover	Operating Costs	Operating Surplus /(Deficit)	Turnover	Operating Costs	Operating Surplus /(Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings (note 2b)	14,591	(11,166)	3,425	15,087	(10,586)	4,501
Other social housing activities:						
Current asset property sales	-	-	-	785	(632)	153
Charges for support services	65	(282)	(217)	98	(298)	(200)
Non Social housing activities						
Other activities	781	(456)	325	804	(443)	361
Outright property sales	-	-	-	155	(106)	49
Restricted fund (Big Lottery)	155	(125)	30	98	(101)	(3)
Other grants	59	-	59	-	-	-
Total	15,651	(12,029)	3,622	17,027	(12,166)	4,861

Particulars of turnover, operating costs and operating surplus – Association

Income and expenditure from general needs lettings	2018			2017		
	Turnover	Operating Costs	Operating Surplus /(Deficit)	Turnover	Operating Costs	Operating Surplus /(Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings (note 2b)	14,591	(11,166)	3,425	15,087	(10,586)	4,501
Other social housing activities:						
Current asset property sales	-	-	-	785	(632)	153
Charges for support services	65	(282)	(217)	98	(298)	(200)
Non Social housing activities						
Other activities	762	(403)	359	804	(443)	361
Outright property sales*	-	-	-	155	(106)	49
Restricted fund (Big Lottery)	155	(124)	31	98	(101)	(3)
Other grants	59	-	59	-	-	-
Total	15,632	(11,975)	3,657	17,027	(12,166)	4,861

Notes to the financial statements for the year ended 31 March 2018 (continued)

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

	General needs	Supported Housing	2018 Total	2017 Total
	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	12,005	1,964	**13,969**	14,108
Service charge income	110	382	**492**	515
Amortised Government Grants	130	-	**130**	464
Turnover from social housing lettings	**12,245**	**2,346**	**14,591**	15,087
Expenditure on lettings:				
Management	(1,317)	(294)	**(1,611)**	(1,546)
Service charge costs	(362)	(380)	**(742)**	(671)
Routine maintenance	(2,087)	(508)	**(2,595)**	(2,211)
Planned maintenance	(1,012)	(231)	**(1,243)**	(1,170)
Major repairs expenditure	(992)	(745)	**(1,737)**	(1,846)
Bad debts	(17)	(11)	**(28)**	(49)
Depreciation of housing properties	(2,694)	(445)	**(3,139)**	(3,037)
Other costs	(71)	-	**(71)**	(56)
Operating expenditure on Social Housing Lettings	**(8,552)**	**(2,614)**	**(11,166)**	(10,586)
Operating surplus/(deficit) on social housing lettings	**3,693**	**(268)**	**3,425**	4,501
Void losses	(25)	(53)	**(78)**	(97)

Notes to the financial statements for the year ended 31 March 2018 (continued)

3 Gain on disposal of property, plant and equipment

Group and Association	Right to Buy Sales	Right to Acquire Sales	Strategic Sales	Stair-casing	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Proceeds of sales (gross)	746	375	465	34	1,620	1,328
Less costs of sales	(351)	(81)	(99)	(27)	(558)	(664)
	395	294	366	7	1,062	664
NDC sharing of proceeds agreement	(464)	-	-	-	(464)	(386)
(Deficit)/Surplus on disposal	(69)	294	366	7	598	278

4 Interest receivable

Group and Association

	2018 £'000	2017 £'000
Interest receivable	90	65

5 Interest and financing costs

Group and Association	2018 £'000	2017 £'000
Net Interest on defined benefit liability pension (see note 21)	107	103
Interest payable	3,903	2,975
Funding Management Charge	133	15
	4,143	3,093
Borrowing costs capitalised	(117)	(3)
	4,026	3,090

Notes to the financial statements for the year ended 31 March 2018 (continued)

6 Surplus before taxation

Group and Association	**2018 £'000**	2017 £'000
Surplus on ordinary activities before taxation is stated after charging:		
Depreciation on tangible fixed assets	**3,255**	3,596
Auditors' remuneration:		
- Statutory Audit	**26**	26
- Taxation compliance services	**5**	4
- Other services	**9**	4
Rent of office accommodation	**-**	5
Other operating lease rentals	**76**	27

7 Directors' remuneration and transactions

Group and Association

Members of the Board of Directors and Executive Team are deemed to be key management personnel.

Provision for the payment of Non- Executive Directors remuneration of £34k (2017: £nil) has been made pending formal approval by the Charities Commission for the payment of members of the Board of Directors.

Emoluments for the Executive Team for the year are as follows:

Directors who are executive staff members	**2018 £**	2017 £
Wages and salaries (including benefits in kind)	**315,768**	294,901
Pension contributions – in respect of services as a director	**22,211**	23,223
Total emoluments	**337,979**	318,124

Notes to the financial statements for the year ended 31 March 2018 (continued)

7 Directors' remuneration and transactions (continued)

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

	2018 £	2017 £
Salary	**123,101**	121,882
Car Allowance	**4,800**	4,800
Other taxable allowances	**101**	299
Total emoluments	**128,002**	126,981

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:

	2018 No.	2017 No.
Office staff	**74**	75
Maintenance staff	**19**	16
Wardens, caretakers and cleaners	**13**	13
	106	104

Staff costs for the above employees	2018 £'000	2017 £'000
Wages and salaries	**3,091**	3,024
Social security costs	**295**	285
Pension costs	**255**	340
	3,641	3,649

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

	2018 No.	2017 No.
Remuneration between £70k and £80k	**-**	1
Remuneration between £80k and £90k	**-**	1
Remuneration between £90k and £100k	**2**	-
Remuneration between £110k and £120k	**-**	-
Remuneration between £120k and £130k	**1**	1

Notes to the financial statements for the year ended 31 March 2018 (continued)

9 Taxation

The tax charge comprises:

Association

Current Tax on surplus on ordinary activities	**2018 £'000**	2017 £'000
United Kingdom corporation tax on profits for the period	**-**	10
Adjustment in respect of previous periods	**(7)**	(3)
Total current tax	**(7)**	7

The charge for the year can be reconciled to the profit per the income statement as follows:

	2018 £'000	2017 £'000
Profit for the period	**359**	2,062
Tax on profit at standard UK tax rate of 19% (2017: 20%)	**68**	412
Effects of:		
Expenses not deductible	**3,016**	3,084
Income not taxable	**(3,084)**	(3,486)
Adjustment from previous periods	**(7)**	(3)
Tax for the period	**(7)**	7

Notes to the financial statements for the year ended 31 March 2018 (continued)

10a Intangible assets

Group and Association

	Computer Software £'000	Total £'000
Cost		
As at 1 April 2017	127	**127**
Additions	129	**129**
As at 31 March 2018	256	**256**
Accumulated amortisation		
As at 1 April 2017	-	**-**
Charge for the year	-	**-**
As at 31 March 2018	-	**-**
Net book value as at 31 March 2018	256	**256**
Net book value as at 31 March 2017	127	**127**

Intangible assets are software projects still in progress at 31 March 2018 and will be amortised on completion in accordance with the accounting policy in note 1 (page 33).

Notes to the financial statements for the year ended 31 March 2018 (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 2017	1,903	153,699	2,942	158,544
Additions	4,463	2,702	-	7,165
Component additions/replacements	-	1,677	18	1,695
Disposals	-	(1,441)	(26)	(1,467)
Transfers	(1,754)	1,754	-	-
As at 31 March 2018	**4,612**	**158,391**	**2,934**	**165,937**
Accumulated depreciation				
As at 1 April 2017	-	10,384	50	10,434
Charge for the year (including accelerated depreciation)	-	3,118	21	3,139
Disposals	-	(710)	-	(710)
As at 31 March 2018	**-**	**12,792**	**71**	**12,863**
Accumulated impairment				
As at 1 April 2017	-	177	-	177
Charge for the year	-	-	-	-
As at 31 March 2018	**-**	**177**	**-**	**177**
Net book value as at 31 March 2018	**4,612**	**145,423**	**2,863**	**152,897**
Net book value as at 31 March 2017	1,903	143,138	2,892	147,933

Notes to the financial statements for the year ended 31 March 2018 (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 2017	2,292	1,870	174	834	275	5,445
Additions	167	9	33	127	-	336
Revaluation	40	-	-	-	-	40
Disposals	-	-	-	-	-	-
As at 31 March 2018	**2,499**	**1,879**	**207**	**961**	**275**	**5,821**
Accumulated depreciation						
As at 1 April 2017	-	387	82	529	252	1,250
Charge for the year	-	33	-	61	20	114
Disposals	-	-	-	-	-	-
As at 31 March 2018	**-**	**420**	**82**	**590**	**272**	**1,364**
Net book value as at 31 March 2018	**2,499**	**1,459**	**125**	**371**	**3**	**4,457**
Net book value as at 31 March 2017	2,292	1,483	92	305	23	4,195

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 2018 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 2018 by both Webbers and Vickery Holman Limited, 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 2018 (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 2018 £'000**	**Association 2018 £'000**	Group 2017 £'000	Association 2017 £'000
Investment in Advantage South West LLP	**106**	**5**	108	5
Investment in Plough and Share Credit Union	**10**	**10**	10	10
Investment in Anchorwood Limited	**-**	**2,300**	-	2,300
Investment in Affordable Housing Finance PLC	**307**	**307**	307	307
	423	**2,622**	425	2,622

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 2018 was £106k (2017: £108k) and share of surpluses for the year was £2k (2017: £9k surplus).

Plough and Share Credit Union (in administration): 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 2018 were £2.265m and loss for the year ended 31 March 2018 was £33k.

Registered office addresses for investment companies are:

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

Plough and 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 2018 (continued)

12 Debtors

	Group	Association	Group	Association
	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Amounts falling due within one year:				
Rental arrears	135	135	142	142
Less provisions for bad debts	(101)	(101)	(108)	(108)
	34	34	34	34
Prepayments and accrued income	168	168	152	152
Other debtors	1,714	1,473	292	85
	1,916	1,675	478	271

Included in other debtors is £1.307m being the value of the Local Government Pension Scheme indemnity that is held in a jointly controlled bank account with Devon County Council as the administering authority.

	Group	Association	Group	Association
Amounts falling due after one year:	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Amounts owed by subsidiary company	-	2,451	-	2,251

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 £2.308m. The loan facility at the end of the year was £3.538m and is repayable in August 2020. Interest is payable at base rate plus 2.25%.

13 Stock

	Group	Association	Group	Association
	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Work in progress	4,955	-	4,548	-
Properties Under Construction	201	201	84	84
	5,156	201	4,632	84

Notes to the financial statements for the year ended 31 March 2018 (continued)

14 Creditors: amounts falling due within one year

	Group	**Association**	Group	Association
	2018 **£'000**	**2018** **£'000**	2017 £'000	2017 £'000
Rent and other receipts in advance	**423**	**423**	315	315
Trade creditors	**286**	**207**	266	215
Amounts due under Right to Buy sharing agreement	**467**	**467**	386	386
Corporation tax creditor	**-**	**-**	10	10
Other taxation and social security	**132**	**132**	67	67
Interest accruals	**647**	**647**	44	44
Other creditors	**-**	**-**	297	-
Accruals and deferred income	**1,948**	**1,929**	2,191	2,191
	3,903	**3,805**	**3,576**	**3,228**

Notes to the financial statements for the year ended 31 March 2018 (continued)

15 Creditors: amounts falling due after more than one year

Group and association

	Group 2018 £'000	Association 2018 £'000	Group 2017 £'000	Association 2017 £'000
Loans	92,252	92,252	92,507	92,507
Social Housing Grant Received in advance	13,487	13,487	12,550	12,550
Other creditors	1,302	-	-	-
	107,041	105,739	105,057	105,057
Defined Benefit Pension Schemes	4,328	4,328	4,598	4,598
	111,369	110,067	109,655	109,655

Debt Analysis

Group and association

Loans	Group 2018 £'000	Association 2018 £'000	Group 2017 £'000	Association 2017 £'000
Expiring in more than one year but less than 2 years	-	-	-	-
Expiring in two years or more but less than 5 years	-	-	-	-
Expiring in more than 5 years	92,252	92,252	92,507	92,507
	92,252	92,252	92,507	92,507

The weighted average period for which interest rates are fixed is 22 years. All loans are repayable at the end of their fixed rate term. The weighted average total interest rate for all loans was 4.83% (2017: 4.59%). Loan values include £430k capitalised fees which are amortised on a straight line basis and £6,059k of loan premium amortised on a discounted cashflow basis.

Deferred Income – Government Grants	Group 2018 £'000	Association 2018 £'000	Group 2017 £'000	Association 2017 £'000
At 1 April	12,550	12,550	12,497	12,497
Grants receivable	1,067	1,067	517	517
Amortisation to Statement of Comprehensive Income	(130)	(130)	(464)	(464)
At 31 March	13,487	13,487	12,550	12,550

Notes to the financial statements for the year ended 31 March 2018 (continued)

16 Statement of Cash flows

Cash flow from operating activities

	Group 2018 £'000	Group 2017 £'000
Surplus for the year	333	2,055
Adjustment for non-cash items:		
Depreciation of tangible fixed assets	3,255	3,152
(Increase)/decrease in stock	(524)	1,733
(Increase)/decrease in trade and other debtors	(1,438)	366
Increase/(decrease) in trade and other creditors	1,548	(3,052)
Pensions costs less contributions payable	(40)	(19)
Abortive costs written off	71	2
Share of operating deficit in associate	(2)	(9)
Adjustments for investing or financing activities		
Proceeds from sale of property plant and equipment	(598)	(278)
Decrease in fair value of investment property	40	61
Government Grants utilised in the year	(130)	(464)
Interest Payable	4,026	3,090
Interest Received	(90)	(65)
Taxation	(7)	7
Net cash generated from operating activities	**6,444**	**6,579**

Notes to the financial statements for the year ended 31 March 2018 (continued)

17 Financial Commitments

Capital commitments are as follows:

	Group	**Association**	Group	Association
	2018	**2018**	2017	2017
	£'000	**£'000**	£'000	£'000
Contracted for but not provided for in the financial statements	**12,396**	**9,405**	4,387	4,387
Future expenditure approved by Directors but not contracted for at the year end	**18,694**	**7,373**	40	40

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
	2018	**2018**	2017	2017
	£'000	**£'000**	£'000	£'000
Payments due:-				
- Within one year	**51**	**51**	27	27
- Between one and five years	**76**	**76**	11	11
	127	**127**	**38**	**38**

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	**2018**	**2018**	2017	2017
	£'000	**£'000**	£'000	£'000
Cash & Cash equivalents	**5,960**	**5,153**	10,656	10,633
Debtors	**3,193**	**1,651**	470	262
	9,153	**6,804**	11,126	10,895

Notes to the financial statements for the year ended 31 March 2018 (continued)

18 Financial Instruments (continued)

Financial liabilities:	Group 2018 £'000	Association 2018 £'000	Group 2017 £'000	Association 2017 £'000
Borrowings:				
Housing Loans at amortised cost	**92,252**	**92,252**	92,507	92,507
Total Borrowings	**92,252**	**92,252**	92,507	92,507
Creditors:				
Trade creditors	**429**	**207**	266	215
Accruals and other creditors	**4,441**	**3,120**	2,622	2,622
Total creditors	**4,870**	**3,327**	2,888	2,837

Interest income and expense

	Group 2018 £'000	Association 2018 £'000	Group 2017 £'000	Association 2017 £'000
Total interest income for financial assets at amortised cost	**90**	**90**	65	65
Total interest expense for financial liabilities at amortised cost	**4,026**	**4,026**	3,090	3,090

19 Housing Stock

Group and Association

	2018 Units	2017 Units
Owned and managed		
General needs housing accommodation	**2,271**	2,268
Housing accommodation at affordable rent	**397**	360
Housing accommodation at intermediate rent	**14**	14
Housing for older persons	**511**	533
Shared ownership accommodation	**48**	48
Housing accommodation let at market rent	**10**	8
Units managed on behalf of others	**24**	24
	3,275	3,255
Leaseholders	**95**	94
	3,370	3,349

There were 2,784 (2017: 2,792) properties with a fixed charge as at 31 March 2018.

Notes to the financial statements for the year ended 31 March 2018 (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 2018. A total of £4,647 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. These local authority nominated Board Members all resigned on 13th April 2017.

During the year one Executive Officer was a Board member of Advantage South West ("ASW") in which the Association has a 25% shareholding. The Group's share of the operating loss in the year was £2k (2017: £9k). The Association paid membership fees to ASW of £15k (2017: £14k) and there were no amounts owed to ASW at 31 March 2018 (2017: £nil).

North Devon Homes Limited 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 2018 its investment was £10k (2017: £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 (2017: £2,300k) in the share capital of its non regulated subsidiary and £2,308k (2017: £2,108k) in loans.

Notes to the financial statements for the year ended 31 March 2018 (continued)

21 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:

	2018	2017
	£'000	£'000
Devon County Council		
Current service cost	74	51
Administration Expenses	2	3
	76	**54**
Social Housing Pension Scheme		
Employer contributions	180	215
Re-measurements	(12)	27
Defined Benefit scheme surcharge	11	45
	179	**287**
Total payments	**255**	**341**

(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.

Notes to the financial statements for the year ended 31 March 2018 (continued)

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

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.

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 2018/19 are £37k.

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

	31 March 2018	31 March 2017
	% pa	% pa
RPI Increases	3.35%	3.50%
CPI Increases	2.35%	2.60%
Salary increases	3.85%	4.10%
Pension increases	2.35%	2.60%
Discount rate	2.55%	2.60%

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 2018	31 March 2017
Males retiring today	**23.5**	23.4
Males retiring in 20 years	**25.7**	25.6
Females retiring today	**25.6**	25.5
Females retiring in 20 years	**27.9**	27.8

Notes to the financial statements for the year ended 31 March 2018 (continued)

21 Pensions (continued)

(a) Devon County Council Pension Scheme (continued)

The estimated asset allocation as at 31 March 2018 is as follows:

Asset breakdown	**31 March 2018 £'000**	**31 March 2018 % pa**	**31 March 2017 £'000**	**31 March 2017 % pa**
Gilts	141	3%	131	3%
UK Equities	958	21%	1,071	24%
Overseas equities	1,654	37%	1,548	35%
Property	416	9%	397	9%
Infrastructure	160	4%	179	4%
Target return portfolio	668	15%	659	15%
Cash	109	2%	107	2%
Other Bonds	91	2%	115	3%
Alternative assets	243	5%	241	5%
Private equity	30	1%	n/a	n/a
Total	**4,470**	**100%**	**4,448**	**100%**

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.

Notes to the financial statements for the year ended 31 March 2018 (continued)

21 Pensions (continued)

(a) Devon County Council Pension Scheme (continued)

The following amounts have been recognised in the financial statements for the year ended 31 March 2018 under the requirements of FRS102:

The amounts recognised in the income and expenditure statement are:	**31 Mar 2018 £'000**	31 Mar 2017 £'000
Service cost	74	51
Net interest on the defined liability (asset)	94	85
Administration expenses	2	3
Total	**170**	**139**

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	**31 Mar 2018 £'000**	31 Mar 2017 £'000
Opening defined benefit obligation	**8,125**	**6,914**
Current Service cost	74	51
Interest current	208	237
Change in financial assumptions	(247)	1,375
Change in demographic assumptions	-	(43)
Experience gain on defined benefit obligation	-	(118)
Estimated benefits paid net of transfers in	(269)	(303)
Contributions by Scheme participants	15	14
Unfunded pension payments	(2)	(2)
Closing defined benefit obligation	**7,904**	**8,125**

Notes to the financial statements for the year ended 31 March 2018 (continued)

21 Pensions (continued)

(a) Devon County Council Pension Scheme (continued)

Net pension asset as at	**31 Mar 2018 £'000**	31 Mar 2017 £'000
Present value of the defined benefit obligation	7,869	8,088
Fair value of Fund assets (bid value)	(4,470)	(4,448)
Deficit	**3,399**	3,640
Present value of unfunded obligation	35	37
Net defined benefit liability	**3,434**	3,677

Remeasurements of the net assets/defined liability	**31 Mar 2018 £'000**	31 Mar 2017 £'000
Return on Fund assets in excess of interest	65	598
Other actuarial losses on assets	-	(508)
Change in financial assumptions	245	(1,375)
Change in demographic assumptions	-	43
Experience gain on defined benefit obligation	-	118
Remeasurement of the net assets/(defined liability)	**310**	**(1,124)**

Notes to the financial statements for the year ended 31 March 2018 (continued)

21 Pensions (continued)

(a) Devon County Council Pension Scheme (continued)

Reconciliation of opening & closing balances of the fair value of Fund assets	**31 Mar 2018 £'000**	31 Mar 2017 £'000
Opening fair value of Fund assets	**4,448**	4,465
Interest on assets	114	152
Return on assets less interest	65	598
Other actuarial losses	-	(508)
Administration expenses	(2)	(3)
Contributions by employer including unfunded	101	35
Contributions by Fund participants	15	14
Estimated benefits paid plus unfunded net of transfers in	(271)	(305)
Closing fair value of Fund assets	**4,470**	4,448

The total return on the fund assets for the year to 31 March 2018 is £179k (2017: £750k)

History of asset values, present value of liabilities and deficit	**2018 £'000**	2017 £'000
Fair value of assets	**4,470**	4,448
Present value of liabilities	**(7,904)**	(8,125)
Scheme deficit at the end of the year	**(3,434)**	(3,677)

Notes to the financial statements for the year ended 31 March 2018 (continued)

21 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 2018 (the latest valuation) as £1,307k. At the year end this amount was deposited in a separate bank account. The amount calculated represents 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 company 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 company 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 company 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 2018 (continued)

21 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 1st 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 1st 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 1st 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 1st 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 company has agreed to a deficit funding arrangement, the company 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.

Notes to the financial statements for the year ended 31 March 2018 (continued)

21 Pensions (continued)

(b) Social Housing Pension Scheme (continued)

Reconciliation of Opening and Closing Provisions

	Period Ending 31 March 2018 (£000s)	**Period Ending** 31 March 2017 (£000s)
Provision at start of period	921	903
Unwinding of the discount factor (interest expense)	13	18
Deficit contribution paid	(28)	(27)
Remeasurements - impact of any change in assumptions	(12)	27
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	894	921

Income and Expenditure Impact

	Period Ending 31 March 2018 (£000s)	**Period Ending** 31 March 2017 (£000s)
Interest expense	13	18
Remeasurements – impact of any change in assumptions	(12)	27

Notes to the financial statements for the year ended 31 March 2018 (continued)

21 Pensions (continued)

(b) Social Housing Pension Scheme (continued)

Assumptions

	31 March 2018 % per annum	31 March 2017 % per annum
Rate of discount	1.72	1.33

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 company must recognise 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 company's balance sheet liability.

22 Group Members

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

23 Legislative provision

The Association is a company limited by guarantee and is registered with the Regulator of Social Housing under the Housing and Regeneration Act 2008.