FINANCIAL STATEMENTS for DCH

Year ended 31 March 2014

Financial statements for DCH 2014

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Registered under the Industrial and Provident Societies Act no: 31573R,
and registered with the Homes and Communities Agency no: 4705

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Introduction by the Group Chairman

The past year has seen DCH strengthen our position as a leading regional housing association in the south west, with recognition on the national stage.

We have achieved this through demonstrable results across our work, an ambitious approach to affordable housing development, a substantial and profitable programme for open-market sale and of course through our core focus on consistently high-quality services to our residents. In this respect I would like to thank members of ServiceWatch, our resident scrutiny panel who have actively and very effectively supported us in pursuit of great customer services.

While our strong asset base provides a firm foundation for our activities, we are fundamentally a people business, delivering services to individuals, families, communities and stakeholder partners. Our strategy remains as relevant as previously; great services, investing in communities and growing our business.

These remain difficult times, and the challenges of the economic environment are what make our housing and community investment work so necessary. We know that while the economy is now growing, this does not always benefit communities in the most need, including many of our customers. We take our responsibilities seriously in this regard, including support to vulnerable residents navigating a path through welfare reform. We recognised in this review last year that welfare reform would be a key priority for us, and our support for families and individuals has taken many forms, including helping people find additional support, facilitating transfers to more suitable homes, and enabling people to secure training and work.

Our environment in the south west is challenging; less than two thirds of the homes needed are being built, with this lack of supply pushing up the region's house prices and rents. This leads to a pressing and urgent need for new affordable housing, not least as identified by Local Enterprise Partnerships in supporting the needs of the region's workforce.

At the same time as this, the climate of reduced capital grant for new development makes the task of meeting housing need increasingly difficult. This focuses us still more on getting the best possible value from our resources, as part of our key aim of growing the business in order to meet need. Through efficient and effective use of our assets this year we invested £51m in new affordable homes. We also play a key role in delivering new homes for open-market sale, generating profit to support new affordable homes while also helping to ease the supply-side imbalance in our housing market.

We recognise and promote the economic impact of our activities. Delivery of new homes of all tenures is fundamental to the engine room of economic growth. Every new home we build, whether affordable or for open-market sale, plays a part in generating regional and national prosperity.

Our economic impact goes hand in hand with our social impact. This year I am proud that we have launched our community investment strategy. We want to work with our partners to create and support long-term thriving and sustainable communities, by providing homes people want to live in, and supporting this objective by improving the prospects and opportunities for the people living in those communities. In doing so, we support our social purpose, while simultaneously sustaining our long-term business interests. Over the next year we will be developing the detailed plans that support the community investment strategy, ensuring that we target our resources most effectively, and deliver measurable social and business outcomes.

Strategic growth is important to us as well as growing through new development. During the next year we hope to strengthen further our shared services partnership with West Devon Homes, enabling both organisations to capture the maximum possible benefits for customer services and new homes. Eighteen months into our planned three-year programme, the partnership has been so successful that together with the West Devon Homes board we are now consulting with residents and stakeholders on full amalgamation. Our shared services model has already delivered substantial savings, and amalgamation will increase these to at least £2.4m over the next five years. As well as amalgamation increasing the savings, it also means that the new combined organisation will be able to capture the financial benefits in the business plan to support new development.

We were sorry to see the retirement of non-executive board member Mike Dobel, but I am delighted we have strengthened board skills and are welcoming the treasury and commercial development expertise of Mark Rowan and Jenefer Greenwood respectively.

Our many successes could not have been achieved without the support of the board, strong executive leadership and our dedicated and talented staff team. Our people working across the entire organisation are key to our business, and their engagement and belief in our values and purpose will drive the organisation to further success. I look forward to the continued support and commitment of all these groups in delivering still more in the coming year.

We have firm foundations across DCH to deliver our strategy, further improve our performance, and get the utmost from our assets, and I look forward to telling you next year about how we have achieved this across our region.

Angela Dupont,
Group Chairman

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Introduction by the Group Chief Executive

This year we have achieved great results, with improvements in service delivery to customers in our 20,450 homes being one of our key performance headlines. Customer satisfaction overall, and satisfaction with maintenance, have continued to increase as set out later in the value for money section and our plan is to maintain this gain while we streamline the efficiency of services. Crucial to this is effective implementation of our recently introduced customer services strategy, which will in turn drive decision making on our office infrastructure, technology and service delivery, all as part of ensuring that customers are at the heart of everything we do. This dovetails with our community investment strategy and our wider social purpose objectives.

Despite the challenges of welfare reform our rent arrears have actually decreased to their lowest ever level this year, well within the top 25% of housing associations. We have also strengthened the platform for effective control of our management and maintenance cost base, and as demonstrated in the value for money section of this report we have also reduced void loss. Optimising our income enables us to invest in services, and improved performance generates value that gives us choices in how we can support people and communities, including generating income to fund our community investment strategy, and services helping vulnerable people sustain independent lives and tenancies.

Our financial performance in 2013/14, achieving a net surplus of £18m, puts us in a strong position as we move forward in achieving our strategic aims

We have continued the planned investment in services that we highlighted in last year's report, improving call-centre performance, and strengthening our development staffing to deliver our demanding programmes. We have maintained our operating margin at 26%, leading to a net surplus of £18m that puts us in a strong position as we move forward in achieving our strategic aims.

DCH is a key player in delivering new homes of all tenures, helping to address the housing supply needs of our region. Underlining our position as a leading developer of affordable homes, we delivered 289 rented homes into management during the year, together with 143 homes for shared ownership sale. At the year end, we had a further 930 rented and shared ownership homes under construction. In a region where house prices are around 12 times average incomes, new affordable homes are as crucial as ever.

Open market sales have also continued to contribute significantly to our surplus, cross-subsiding affordable homes as well as meeting housing supply needs in themselves. During the year our open-market and shared ownership sales programme generated profits of £3.2m. Including our 2013/14 performance, over the next five years we plan to develop 2,800 affordable homes, together with building 700 homes for open market sale. During the next year we will also be continuing our work on developing intermediate tenures, developing a range of choices in support of local people accessing the housing market.

Our financial strength is recognised by Moody's in our A1 credit rating which was renewed during the year. In May 2014 we successfully participated in a bond issued by The Housing Finance Corporation (THFC) as part of the Affordable Housing Guarantee Programme (AHGP), achieving financing of £28m in the cheapest transaction in our sector's history of accessing private finance. As well as this we were one of the first associations nationally to obtain European Investment Bank borrowing as part of the AHGP, with a loan of £50m. The funding reduces new borrowing costs significantly, enabling us to maximise new homes delivery in an environment of reducing government grant. Competitively priced money is at the heart of our efficiency strategy and the combined £78m AHGP borrowing will save more than £800k annually compared to previous assumptions over the lifetime of our business plan.

INTRODUCTION BY THE GROUP CHIEF EXECUTIVE

During the year we have completed our major project on restructuring our pensions offer and on harmonising reward structures across the group. The success of this has been recognised by being shortlisted for a major Chartered Institute of Personnel and Development (CIPD) award, and is set out in more detail within the risk management section of this report. This complex project addressed the legacy of previously unamalgamated employers, addressing difficult choices while maintaining the commitment and motivation of our staff team. It has created a benchmarked and competitive reward offer, enabling us to recruit and retain staff as an employer of choice. In addition, this has mitigated future exposure to the liabilities associated with final salary pension schemes, while also enabling us to encourage all staff to participate in a pension scheme that is affordable both to employees and the group going forward.

Last year we highlighted plans to strengthen our executive team, and I am delighted that we have made key appointments. Melvyn Garrett was appointed as Group Director of Finance, and Sue Coulson was appointed as Group Director of Housing and Communities. Melvyn and Sue are already making a vital contribution to our continuing programme of change.

During this year we will be delivering a comprehensive programme of strategic projects that will enhance our services, broaden our offering, and support business efficiency. We will be reviewing our rent strategy and energy efficiency programmes to ensure that homes remain affordable for people to live in, and will also be reviewing how we best support vulnerable people in the context of cuts to Supporting People grant. Underpinning this will be investment in modernising information systems and our office strategy, supporting our aim of delivering great services. Running through all of this work will be the continuing theme of using our financial capacity wisely, optimising yields across our portfolio and developing sustainably with little or no grant.

We are a commercial business with a strong social purpose, and each of these aspects supports the other. We know we can no longer rely on government capital and revenue subsidies to support our ambitious plans; it therefore falls to us to maintain our strong finances to enable us to continue as one of the leading social enterprises in the south west. We reinvest profits for the benefit of people across our region to improve services, support residents and develop new homes.

With this comes a clarity that generating profit for a purpose remains pivotal to our success. We believe passionately that this will maximise our social contribution, and we look forward to working with our stakeholders in delivering this.

Paul Crawford,
Group Chief Executive

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Highlights for the year ended 31 March 2014

Turnover increased by 10% to £111m (2013: £101m).

£111m

20,450 homes managed

20,450

£82m

Social housing lettings income increased by 5% to £82m (2013: £78m)

£17m

Turnover on other social housing activities increased by 11% to £17m (2013: £16m)

£12m

Turnover on non-social housing activities increased to £12m (2013: £8m) due to a £4m increase in property sales

We have maintained our operating margin at 26%, leading to a net surplus of £18m

£18m

Open market sales generated profits of £3.2m

£3.2m

432

In 2013/14 a total of 432 new rented and shared ownership homes were developed, representing an increase of 108 properties from the previous year (33%) with an overall customer satisfaction rating with the new home of 97%.

HIGHLIGHTS FOR THE YEAR ENDED 31 MARCH 2014

£31m Spent on existing homes

£30m Net operating cashflow

£51m Spent on new homes

89% Overall customer satisfaction for 2013/14 is 89% (2013: 88%)

2.0% Current rent arrears % – all social housing is 2.0% (2013: 2.2%)

0.96% Rent void loss % – all social housing is 0.96% (2013: 1.15%)

Gearing

2014	32%
2013	31%
2012	31%
2011	31%
2010	33%

Interest cover

2014	356%
2013	310%
2012	295%
2011	310%
2010	197%

A1 Moody's credit-rating among the highest in the sector

6,653

Properties charged = 12,171
Properties uncharged = 6,653

£88m Undrawn secured facilities of £88m

Our DCH strategy integrates value for money (VFM) into our operational and strategic activities

See page 20 for further information

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Operating and financial review

Our strategy

Our current strategy was developed and launched in 2013, and it remains fit for purpose in a changing environment.

One of our highest priorities is maintaining our focus on customer services, at a time when many of our customers continue to struggle with acute economic and social disadvantage. Complementary to this is our community investment strategy, together with meeting the need for affordable housing in an environment of diminishing government grant.

We recognise our role in developing housing of all tenures. The current ratio of incomes to house prices is not sustainable, and housing providers have an important part to play in resolving the nation's overall housing supply and affordability crisis. We continue to make the case for housing's role in the economy, in collaboration with Local Enterprise Partnerships and other stakeholders.

The regulatory environment has also developed, with a focus on managing the interaction between innovation and risk, while maximising opportunities for competitive financing. A key task for us is demonstrating to government the effective use of our assets, in leveraging value to meet need.

Our new environment brings increased financial independence from government, and we no longer primarily rely on public subsidy to grow our business. With this greater financial challenge comes greater independence of decision-making and future planning. We see no conflict between social purpose and a commercial focus on profit; in fact we believe the opposite – maximising our financial returns creates the opportunity to invest even more in our communities.

As we move towards the general election in 2015, and the expectation of continued political evolution, we are confident that our strategy puts us in a strong position. We are a confident and agile organisation that responds effectively to change, with scalable business models that enable us to drive the best possible value from growth.

Our strategy means we are well placed to respond to the continuing change in our sector and beyond. Our ambitious vision, challenging aims and rigorous values are set out on page 9.

We believe in maximising our financial returns to create opportunities to invest even more in our communities

Our vision is of a growing and developing business that is valued by our customers; investing in new and existing homes that people want to live in, strengthening communities that will be sustainable into the future, and improving prospects and opportunities for people across our areas of work.

Our three core aims run through everything that we do

1 delivering great customer services

We will deliver the best possible services and homes that we are proud of, achieving high levels of customer satisfaction with an emphasis on meeting customer needs flexibly. We strongly believe that great customer services are delivered by staff who live our values.

2 investing in communities

We will enable people to improve their own situations, overcoming barriers and enhancing opportunities with support from DCH and other agencies. We will invest in evidence-based long-term outcomes, for example potentially including health, education, training, working with young people and apprenticeships. We will be prioritising the areas of work that will have most effect, and we will target resources where interventions will have the highest impact and deliverability.

3 growing our business

This aim includes our key activity of developing new homes, and is also about wider business growth; we will be an organisation that grows in more than one dimension. The aim links closely to implementation of our value-for-money strategy, including control of our management costs and exploiting our economies of scale. It includes a broader geography, and consideration of new partnerships, new products, new services and markets.

Each of our three core aims is supported by a programme of key projects, action plans and outcome-focused performance measures.

Our values are clear, authentic, and demonstrable

They are integral to how we recruit, induct, inspire, lead and support a team-working culture by our staff:

1 putting customers first

We are proud of the services and homes we deliver. We know the importance of communicating with our customers, and responding to their needs with a friendly and flexible approach.

2 learning and improving

We are always looking for ways to improve our services and how we deliver them. We know that responding effectively to a changing world is essential to deliver our strategy and to increase value for money for our customers. We share ideas and actively seek feedback from others to improve our performance.

3 making things happen

We work collaboratively and in partnership to achieve our objectives. We are accountable for our actions, keep our promises, and have a positive and enabling attitude when faced with challenges.

4 honesty, respect and leadership

We respect our customers, colleagues and stakeholders. We understand that trusting and open working relationships help us deliver great customer service. We work with passion and enthusiasm, and throughout the organisation we encourage, challenge and support others to deliver great service.

Our diverse nature gives us a breadth and depth as a leading housing organisation. We offer a seamless package of housing and support solutions, with the financial strength and efficiency to make a real difference.

Business review

The following table summarises the key financial indicators for the past five years. It demonstrates the continued financial strength of DCH as we successfully maintained the operating surplus % while completing our planned investment in additional resources.

Gearing and interest rate cover remain well within lender covenants and our internal targets and compare very favourably with other Moody's-rated housing associations.

As expected total debt per dwelling increased from the previous years reflecting the level of loan financing required for the development programme.

	2014	2013	2012	2011	2010
Operating surplus as % of turnover	26%	26%	28%	31%	19%
Operating cashflow after net interest payments (£m)	30	33	25	18	20
Gearing	32%	31%	31%	31%	33%
Interest cover	356%	310%	295%	310%	197%
Debt as a multiple of turnover	3.2	3.3	3.5	3.4	3.4
Total debt per dwelling owned	£18,483	£18,057	£17,918	£16,858	£15,957

(2010 figures have not been restated for component accounting)

Gearing and interest rate cover remain well within lender covenants and our internal targets, comparing very favourably with other Moody's-rated housing associations

Our financial performance in 2013/14 puts us in a strong position. This financial strength is recognised by Moody's in our A1 credit rating which was renewed during the year.

Group structure

Devon and Cornwall Housing Limited (DCH) is the parent company of our group, providing strong, clear leadership and directing our resources across the 20,450 properties we own or manage. It is registered under the Industrial and Provident Societies Act 1965 and as a registered provider of social housing.

In May 2013 we rebranded with the single trading identity of DCH across our group (with the exception of Call24). This marked an important stage in our growth, building on what has gone before.

Our single DCH identity is fundamental to supporting our strategy, gives clarity to stakeholders, and delivers substantial value for money benefits through our unified website, publications and other communications. We retain our specialist companies in the background within our group structure.

Companies within the group are listed on page 65.

Managing our risks

In a changing sector, with volatile economic trends, we are alert to how the emerging new environment for housing associations impacts on the risks we face.

Risk management strategy

As a dynamic business, during the year we have adapted to these changes, by implementing a new risk management strategy. The outcome of this was to consolidate the number of previous risks into fewer risks, benchmarked against sector exposures. This has enabled a more concentrated management focus on controls, mitigation, and the completion of risk actions designed to further reduce the overall exposure.

The strategy introduces a framework whereby individual committees and boards within the DCH governance framework regularly report to the audit and risk committee on designated risks, embedding risk management, accountability and assurance throughout the business.

Key risk management themes are set out below. These are in addition to the wider themes of political, social and regulatory risk that are also regularly reviewed by the group management team and senior managers.

Employment and pensions

The most significant project to be undertaken during the year was the harmonisation of staff terms and conditions, including pensions. The outcome from the project has been the successful transition from five legacy terms and conditions into a single, benchmarked and competitive reward offer, enabling us to recruit and retain staff as an employer of choice.

As a responsible employer DCH wants to encourage all staff to participate in a pension scheme by providing options that are affordable both to employees and the group going forward. The implementation of significant changes to our pension arrangements has mitigated future exposure to the liabilities associated with final salary pension schemes. This has included closing the final salary Social Housing Pension Scheme to new service, and replacing it with the choice between career average revalued earnings (CARE) and defined contribution schemes. We are also in discussion on closing our historic local government pension scheme (LGPS). The pension changes have increased take-up by all employees, including the lower paid, supporting our staff in planning for their future.

Rents

In April 2014 we increased our rents in line with the current government RPI+0.5% rent formula, based on the September 2013 RPI of 3.2%. However, the board recognised the affordability issue that could be caused by the additional +£2 increase within the formula, and agreed to cap all individual increases at a maximum of 6% for general needs and 4% for sheltered tenants, resulting in an average 2014/15 increase of 3.8%.

This decision capped the increase at a reasonable amount, while also generating capacity to contribute to the funding of new affordable homes in the final year of the rent restructuring formula.

Our business plan incorporates the effect of the government's move to a CPI+1% formula, and the removal of the previous £2 weekly upwards convergence, and is resilient to this. During this year we will be reviewing our future rent strategy, ensuring continued long-term affordability for our residents and financial resilience for the organisation.

Development and the housing market

Our greatest market exposures are to short-term increases in interest rates and the effect of a collapse in the housing market on our shared ownership sales and Westco profits. The detailed stress testing undertaken on the business plan demonstrates our ability to withstand short-term to medium-term negative market movements allowing time to adapt to a changed world if interest rates remained high and/or house prices remained low.

In respect of new development, we have also carried out scenario planning on our rate of growth, to ensure that we manage financial capacity at sustainable levels.

On wider government funding, we have modelled for future low-grant and no-grant environments. The current business plan includes the homes to be built within the 2011/15 HCA programme, together with our 2015/18 HCA bid proposal. Our bid has been based on a competitive and sustainable approach, leveraging value from the business. In addition to the bid there are self-funded developments and a significant Cornwall Council funded programme which combined with the above will deliver 2,800 new homes for 2013/19. Over the same period we also plan to develop over 700 open market homes through Westco, delivering substantial gift aid to support the development programme.

Risks on open market sales are mitigated by our strong track record of achievement in this area, focused geographical area of development, detailed understanding of local housing markets, and a closely monitored cap on key internal metrics. These include value at risk (measured by the group's ability to withstand a 15% fall in sales prices), together with the maximum levels of exposure on work in progress at project level and in total.

In terms of diversification, the board has carefully considered the new development of market rent properties at scale, as a means of bringing additional cross-subsidy for affordable housing. We have currently discarded this as being capital-hungry with variable yields, at a time when our existing strategy of building for open-market sale achieves a higher return on capital, with more acceptable risk. We are retaining our existing small portfolio of market rent properties.

Regenerating Devonport is just one example of our extensive work with local communities, where physical regeneration is complemented by working with local people to support and generate confidence, economic growth, jobs and community well-being.

Funding risks and accounting changes

Funding risks exist as described under the funding and treasury management section of this report, together with the longevity risks inherent in pension scheme commitments. Covenant compliance is actively monitored by the treasury committee and board.

FRS102 (Financial Reporting Standard) is due to be implemented for the 2016 accounts with restatement of the 2015 comparatives. The group has responded to both consultations on the draft SORP (Statement of Recommended Practice) which is due to be issued later this year. The key impact for the group will be the reporting of financial instruments and pension liabilities.

Operational costs and welfare reform

Our greatest cost exposure is on maintenance, which is mitigated by prudent business plan assumptions, an active asset management strategy, and a good understanding of our stock condition and the remaining life of key components. Supply chain cost risk has been mitigated through our procurement strategy, delivering annual value for money (VFM) gains of £578k, as well as major repairs components tenders delivering significant VFM gains and risk mitigation through the Advantage South West (ASW) procurement club.

Our operational exposures on collecting rent and letting properties have remained low despite the introduction of elements of welfare reform in April 2013. This was the result of effective preventative planning and mitigation actions, demonstrated by improved arrears and void performance in the year. This work will be continued in preparation for the introduction of Universal Credit.

DCH delivers services to customers in 20,450 homes

20,450

DCH's repair service has improved significantly. By insourcing response and void repairs we are able to deliver improved services to residents.

Financial and operational performance

Surplus

The following table summarises the group's results for the last five years:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Social housing lettings	82	78	71	66	64
Other turnover	29	23	23	22	16
Total turnover	**111**	**101**	**94**	**88**	**80**
Operating costs	(83)	(75)	(68)	(62)	(65)
Exceptional item	0	0	0	2	0
OPERATING SURPLUS	**28**	**26**	**26**	**28**	**15**
Profits on asset disposals	1	1	1	2	1
Net interest payable	(11)	(12)	(12)	(12)	(10)
SURPLUS	**18**	**15**	**15**	**18**	**6**

(2010 figures have not been restated for component accounting)

Turnover

Turnover increased by 10% to £111m (2013: £101m).

Social housing lettings income increased by 5% to £82m (2013: £78m) and continues to be the group's most significant income stream accounting for 74% of group turnover (2013: 77%). The overall increase reflects a 2.4% increase in average units and a general rent increase of 3.1% (RPI plus 0.5%) in April 2013 in order to utilise more of the target rent tolerance. The maximum increase for any tenant in April 2013 was limited to 4.5% resulting in an average 2013/14 increase of 3.5%.

Turnover on other social housing activities increased by 11% to £17m (2013: £16m). First tranche shared ownership sales income increased by £1.3m. This was the first full year of trading by PHASE, our cost-sharing vehicle for the West Devon Homes partnership. Together with Call24 this increased maintenance and alarm call service income by £0.8m.

Turnover on non-social housing activities increased to £12m (2013: £8m) due to a £4m increase in property sales.

Operating costs

Total operating costs increased by 10% to £83m (2013: £75m) in line with the increase in turnover.

Operating costs on social housing lettings increased by 5% to £57m (2013: £54m) also in line with the increase in social housing lettings income.

Maintenance spend on responsive, cyclical and major repairs decreased by 3% in total with responsive maintenance expenditure remaining static despite the 2.4% increase in average units.

Management costs increased by 12% as the group completed its planned investment in additional resources to deliver the 2013-16 group strategy.

Operating costs on other social housing activities increased by 7% compared to the 11% increase in turnover due to increased profitability on shared ownership initial sales.

Operating surplus

The operating surplus increased by 9% to £28m (2013: £26m) maintaining an operating surplus % of 26%.

The operating surplus % on social housing lettings activities, which accounts for 89% of the overall operating surplus was also consistent with the previous year at 31%.

The operating surplus % on other social housing activities increased to 7% (2013: 4%) reflecting increased profitability on shared ownership initial sales. Housing support and care and repair services continue to operate at broadly a break-even level.

The operating surplus on non social housing activities showed a small increase although the % decreased to 15% (2013: 19%) reflecting a lower profit margin on open market sales.

Interest

Interest payable, net of interest receivable, decreased by 6% to £11m (2013: £12m). Although loan finance net of cash balances increased by £24m, savings on variable rate interest payable and an increase in capitalised interest resulted in a reduction in the net interest payable charge for the year.

Surplus for the year

The surplus for the year increased by 22% to £18m (2013: £15m) increasing the surplus to 17% of turnover (2013:15%).

Reserves

The group utilised £2m from reserves set up in earlier years for major repairs and other purposes and set aside a further amount of £12m from the current year's surplus. Total reserves increased during the year by £17m to £223m (2013: £206m).

Competitively priced money is at the heart of our efficiency strategy and the combined £78m AHGP borrowing will save more than £800k annually compared to previous business assumptions over the lifetime of our business plan

Balance sheet

The following table summarises the group balance sheet for the last five years:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Housing properties	552	510	488	462	392
Other fixed assets	11	11	11	10	9
Net current assets/(liabilities)	18	26	25	7	(4)
	581	**547**	**524**	**479**	**397**
Loans (due over one year)	351	335	327	299	275
Provisions	7	6	5	3	8
Revenue reserves	151	143	132	140	49
Other reserves	72	63	60	37	65
	581	**547**	**524**	**479**	**397**

(2010 figures have not been restated for component accounting)

Housing properties

The group continues to have a substantial development programme, with an increase of £51m in housing properties during the year bringing the total cost to £1.07bn. Social Housing Grant (SHG) increased by £5m to £438m and remains the most significant element of the group funding of its property portfolio.

Funding for the year's development programme came from the £5m increase in SHG, a £16m increase in loan finance (see right), an £8m decrease in cash deposits and operational cash flows.

Loans

Group loans are all long term facilities of which 76% are repayable in more than 10 years time. Further details are shown in the funding and treasury management section of this report and note 18 to the financial statements.

Cash flow

The group increased its borrowings by £16m during the year to £351m (2013: £335m). Operational cash flows after interest costs were £3m lower at £30m. Capital expenditure and financial investment was £16m higher at £54m.

We are a commercial business with a strong social ethos. Surplus generated from our activities is used to build more homes and reinvested into our communities.

Value for money and benchmarking

Our DCH strategy integrates value for money (VFM) into our operational and strategic activities, and the culture and decision making of our business. The way that DCH structures and reports its VFM activities for differing stakeholder groups can be found on our website at **www.dchgroup.com/vfm**

The board maintains a robust and transparent assessment of the performance of all assets and resources, which enables stakeholders to judge us on our performance. In doing this we:

- compare ourselves with others by using HouseMark data (see following) and Moody's benchmark data (as set out on our website)
- compare our current performance to the past two years results
- set targets as part of our stated aim of continuous improvement.

The principal focus of existing and future VFM activities within DCH is:

- generating additional financial capacity to maximise the provision of new affordable housing
- ensuring that the upward trend in improving customer satisfaction is maintained and accelerated where specifically targeted.

Fundamental to this is understanding the return on our assets, and this is closely integrated in our overall strategy and in our operational decision making.

2013/14 performance and targets for 2014/15

The overall group financial out-turn performance for 2013/14 was better than budgeted, at the same time as we delivered key operational targets.

Two key improvement actions identified in last year's report relating to cash-generating service performance have already delivered the anticipated improvements as planned. These were for rent arrears performance, where the improvement took place in the environment of welfare reform introduction, and a significant improvement in void rent loss in supported housing. The remaining actions from last year's report on delivery of VFM through strategic projects have resulted principally in qualitative indicator improvements (for example the customer access project resulting in 11% improvement in calls answered).

Activities generated from the procurement strategy have delivered annual VFM gains of £578k. In addition to the direct procurement savings, DCH is a member of the Advantage South West (ASW) consortium procurement club which has negotiated a series of major repairs components tenders delivering significant VFM gains. The scope of the procurement activities in the following year is being extended to cover central service costs, including legal fees.

Our shared services partnership with West Devon Homes (WDH) generated VFM savings for DCH of £104k during the year. Together with West Devon Homes we are now consulting with residents and stakeholders on full amalgamation. This is intended to increase the combined savings achieved for WDH and DCH, and will enable us to project them into the future to support new development. In total, amalgamation will deliver five-year savings of £2.4m.

VFM improvements are supported by a strong framework of performance management and scrutiny. During the year, our strategic customer panel ServiceWatch has carried out several reviews of customer service activities, with a particular focus on value for money from a customer perspective. During the year ServiceWatch will be reviewing its own effectiveness, with the intention of producing quantified customer service outcomes and impact assessments from its work.

In order to assess overall VFM performance in the year, we have used the following criteria to measure whether additional value has been delivered:

A SERVICE OUTCOMES THAT REFLECT CUSTOMER PERCEPTIONS

B SERVICE OUTCOMES THAT DELIVER CASH BENEFITS

C PROVIDING NEW AFFORDABLE HOMES TO MEET NEED

A – Service outcomes that reflect customer perceptions

Customer satisfaction and management costs:

Indicator	2014/15 Target	2013/14	2012/13	HouseMark English HA average 2012/13	2011/12
Overall customer satisfaction %	90	89	88	88	89
Management cost per unit (£)	973	944	867	-	797

The DCH annual budget for 2013/14 reflected a further phase of planned investment in additional resources for management costs (£79 per unit) needed to address risks, modernise systems and improve long-term performance.

The underlying management cost per unit is targeted to decrease year on year which represents a significant VFM gain. The cost of harmonisation combined with the underlying decrease results in management costs increasing in line with inflation. The benefits of harmonisation in terms of recruitment and retention of staff are built into our medium term efficiency targets.

The 2014/15 target for overall satisfaction is set at a slight increase in 2013/14 performance, which is better than the benchmarked national average.

Repairs satisfaction and repair costs:

Indicator	2014/15 Target	2013/14	2012/13	HouseMark English HA average 2012/13	2011/12
Tenant satisfaction with repairs %	86	82	80	82	80
Responsive, cyclical and major repair cost per unit (£)	1,873	1,803	1,868	-	1,626

In the last year, as a result of a series of targeted actions, there has been an improvement in repairs satisfaction of 2%. This took place at the same time as a reduction in the absolute maintenance cost per unit, representing a significant VFM gain.

During 2014/15 actions are in place to further improve satisfaction levels by an additional 4% to achieve the increased target of 86%. Combined with maintenance cost per unit budgeted to increase by less than 1% in real terms year-on-year and remaining in line with 2012/13 levels, this represents a VFM gain.

B – Service outcomes that deliver cash benefits

Indicator	2014/15 Target	2013/14	2012/13	HouseMark English HA average 2012/13	2011/12
Current rent arrears % - all social housing	2.0	2.0	2.2	3.4	3.1
Rent void loss % - all social housing	0.89	0.96	1.15	1.1	1.19
Bad debt loss % - all social housing	0.4	0.5	0.3	0.4	0.6

*arrears measured at lowest week in HB payment cycle

The investment in management costs during the year has resulted in improved year-on-year performance for two of the three indicators. Performance better than the benchmarked national average has translated into VFM monetary gains:

- current rent arrears reduction of 0.2% equating to £0.2m of improvement in operating cashflow
- void loss improvement of 0.19% generating an efficiency gain of £0.19m.

The bad debt indicator reflects both the debts written off and the movement in the bad debt provision, with the increase from the previous year resulting from a more detailed process of identifying and providing for potential bad debts. This led to a bad debt loss deterioration of 0.2%, resulting in an efficiency loss of £0.2m.

The 2014/15 targets will continue or consolidate the improvement trend and deliver additional VFM gains.

C – Providing new affordable homes to meet need

DCH continued to have a substantial social housing development programme supported by social housing grant and local authority funding. Our development of new units is funded principally by a mixture of private debt, internal subsidy and government grant. This demonstrates significant value for money to the public purse.

In 2013/14 a total of 432 new rented and shared ownership homes were developed, representing an increase of 108 properties from the previous year (33%) with an overall customer satisfaction rating with the new home of 97%.

The current development programme for 2014/15 included within the DCH business plan is for the provision of around 600 affordable homes. The increase over 2013/14 is due to the initial phasing of the Affordable Housing Programme, exceptional weather moving some handovers from March 2014 into April 2014, and the addition of the Cornwall Council funded programme (see the section on property development and sales later in this report).

Our shared services partnership with West Devon Homes (WDH) generated VFM savings for DCH of £104k during the year

Overall customer satisfaction for 2013/14 is 89%

Activities generated from the procurement strategy have delivered annual VFM gains of £578k

Five years to 2019/20, actions to increase value for money returns

The actions below will further the objectives of the group strategy, with the focus being to increase financial capacity to provide additional units of affordable housing. They are split into operational financial actions and return on assets, as set out below.

Operational financial actions

A) Cost control

The DCH 5-year operational and financial plan starting in 2014/15 is based on setting a series of annual VFM targets focused on driving financial capacity from the business.

Challenging future targets for both maintenance and management costs per unit have been set below inflation resulting in real reductions in both measures, increasing the already planned DCH financial surpluses for the next five years by a further £6.7m. This will guarantee additional cash to build 54 affordable homes with no increase in borrowing, or a substantially larger number if we were to treat this in the same way as grant, leveraging the support of private finance.

B) Return from open market sales

The DCH board has approved the Westco (our open market development company) 5-year business plan that will return £13.7m as gift aid to DCH. This will generate 110 affordable new homes on a cash-funded basis, or substantially more if supported by loans as set out left.

In total the DCH board has approved a 5-year development programme of 2,800 affordable homes starting in 2013/14, far greater than would have been achieved without our value for money actions.

Economic, social and environmental returns on assets

A) Economic return on assets
In last year's report it was highlighted that a pilot disposal programme aimed at generating cash for increasing housing provision would be undertaken leading to a project to evaluate the whole portfolio.

In the pilot, 1,000 properties (6% of rented stock) have been individually evaluated against the following framework of disposal factors:
- energy rating
- property type
- demand
- geographical proximity to other stock
- current occupancy status
- covenants on title
- political and reputational.

In addition a 30-year NPV cash flow has been calculated for each property which when incorporated with the disposal factors and a potential sales disposal value enables the properties to be ranked in priority order.

The output from the pilot has been used to compile a disposal programme of 235 properties. The increased financial capacity from 105 of these is being utilised on the 2015-18 HCA bid, with the remainder being available for continuous market engagement bidding. The levels of disposal and financial capacity generated will be monitored to ensure they are consistent with our strategic objectives.

The pilot has confirmed that overall we have a high-quality stock portfolio, with strong yields. The project will be extended from 2014/15 to cover the whole asset portfolio. It will enable us to assess the efficiency of our properties with the aim of assisting our decision around whether to invest, sell or remodel our stock to ensure we maximise our return on assets.

B) Social return on assets
The majority of the cash generated from the surplus in any year is used to fund borrowing to build more affordable homes, while part of the cash generated is used as a "social dividend" to be reinvested into communities where DCH operates.

During the year a community investment strategy and implementation plan has been agreed as highlighted in last year's report. The purpose of the strategy is to maximise the VFM output through creating communities where people want to live and contribute through a combination of:
- support for individuals to enable them to successfully sustain their tenancies and develop skills to widen the opportunities and choices available to them
- development of a range of services to address identified gaps and accessibility issues, build capacity, resilience, skills and create opportunities within communities
- support for economic and social regeneration.

This will be achieved by focusing the strategy under the following work streams:
- financial inclusion
- worklessness and skills development
- social exclusion
- social enterprise
- community sustainability
- health and well being.

We will annually review the implementation of the community investment strategy, measuring the impacts and outcomes we have achieved. A key part of this is researching and implementing effective assessment of the social and business return on our community investment.

A full copy of the DCH approach to community investment can be found on our website at **www.dchgroup.com**

Together with West Devon Homes we are now consulting with residents and stakeholders on full amalgamation. This is intended to increase the combined savings achieved for WDH and DCH, and will enable us to project them into the future to support new development. In total, amalgamation will deliver five-year savings of £2.4m.

£2.4m

C) Environmental return on assets

An environmental strategy and associated policy was adopted by DCH during 2013/14 which has achieved the certification under British Standard EN ISO 14001 (the international standard for environmental management systems). The standard requires that the environmental impacts of our business are identified, monitored and are subject to continual improvement.

The methods DCH will use for measuring performance are:

- energy and CO_2 profiling of existing stock
- Code for Sustainable Homes ratings and SAP ratings of new stock
- energy ratings (EPCs) for offices
- energy and water use monitoring of offices
- tenant and staff surveys.

The most readily accessible and reportable of the above performance measures is the SAP rating with the following table demonstrating the impact that previous DCH actions have had.

Indicator	2013/14	2012/13	HouseMark English HA average 2012/13	2011/12
SAP rating	70	68	69	68

The improvement in SAP rating during 2013/14 has been achieved through the impact of new more energy efficient homes being brought in to the stock and the on-going programme of retrofit work to existing properties. In 2013/14 DCH undertook replacements/upgrades to 731 heating systems, implementing highly efficient systems which reduce both CO_2 emissions and costs for residents.

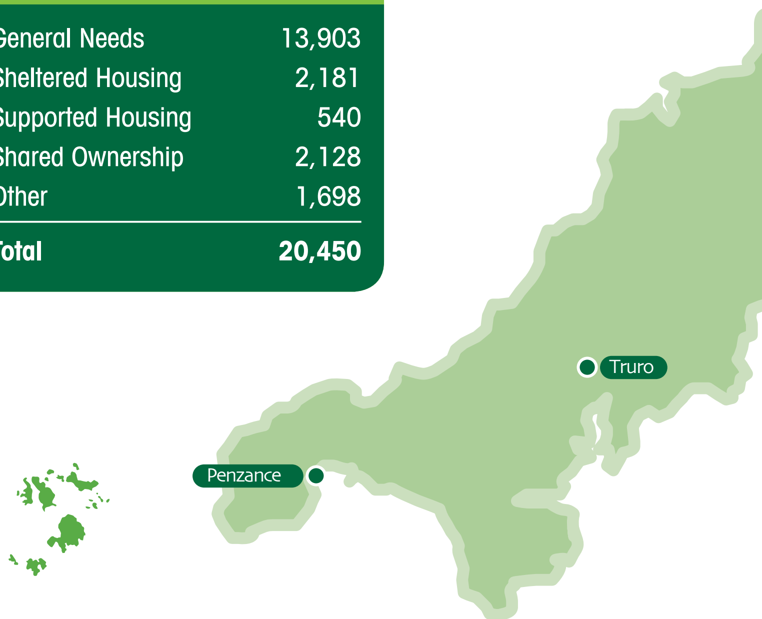
Our target for 2014/15 is to increase the SAP rating of the lowest performing 300 properties where this is cost effective, and we will report on progress with this in next year's report.

Our employment harmonisation project is also achieving both environmental and financial returns. Our revised mileage expense rates encourage and reward car sharing by staff, and together with the use of teleconferencing, are contributing to carbon savings as well as a targeted 20% reduction on business travel in 2014/15 (already reflected in projected management costs above.)

A full copy of the DCH environmental strategy and performance data can be found on our website at **www.dchgroup.com**

DCH current housing stock

DCH	Homes
General Needs	13,903
Sheltered Housing	2,181
Supported Housing	540
Shared Ownership	2,128
Other	1,698
Total	**20,450**



Property development and sales

We are a highly-regarded developer with a strong track record of delivery, and our leadership of the nine-member Partnership South West development consortium places us in a strong position for 2015/18 bidding and continuous market engagement by the Homes and Communities Agency (HCA).

DCH has contracted with the HCA to develop a total of 546 new homes under the government's Affordable Rent programme for 2011/15 of which 379 will be for letting at affordable rent levels and 167 for sale on a shared ownership basis.

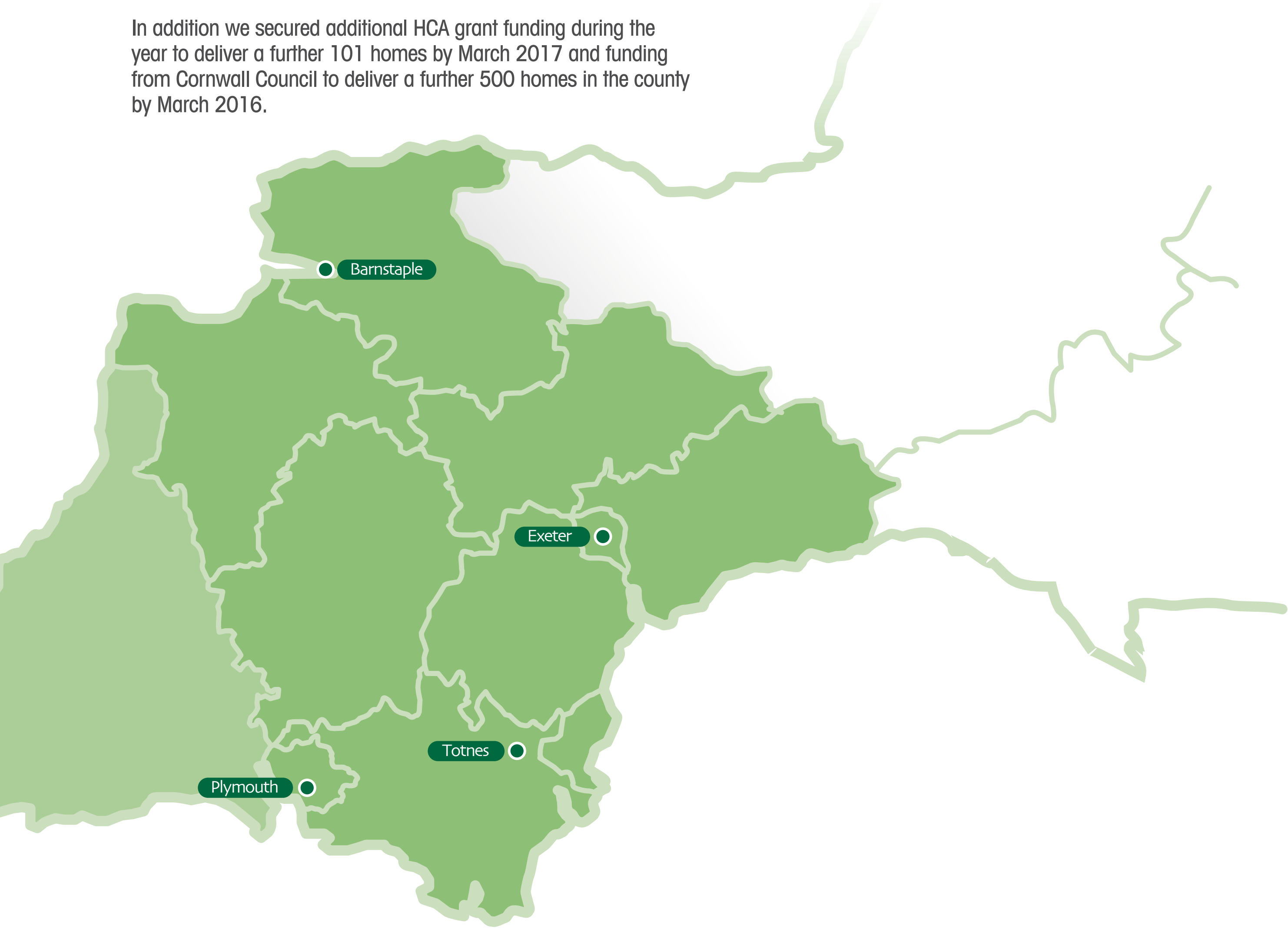
At 31 March 2014 we had delivered 266 of these homes and the remainder are on track to be delivered by March 2015. As at 31 March 2014 we had exceeded the HCA targets for grant drawdown and starts on site on the programme.

In addition we secured additional HCA grant funding during the year to deliver a further 101 homes by March 2017 and funding from Cornwall Council to deliver a further 500 homes in the county by March 2016.

During the year we invested £51m in developing new homes funded by £5m of grant income, £24m of loan finance and deposits and the balance from the investment of operating cashflows generated during the year.

A total of 289 rented units were brought into management during the year and a further 669 were in development at the year end. In addition 7 units were developed for discounted sale.

Sales performance remained strong with 143 homes completed for first tranche shared ownership sale, and 103 open market sales generating profits of £3.2m during the year. In total 35 homes were available for sale on either a shared ownership or open market basis at the year end and a further 261 shared ownership and 85 open market homes were under construction.



Funding and treasury management

Our operations expose us to a variety of financial risks that include the effects of changes in liquidity risk, interest rate risk, credit risk and debt market prices. The treasury function operates within a framework of clearly defined board approved policies, procedures and delegated authorities that seek to limit the adverse effects on the financial performance of the group. Covenant compliance is actively monitored by the treasury committee and board.

- £351m - Drawn loans
- £88m - Undrawn facilities
- £28m - Cash deposits and gilts

LIQUIDITY

The group maintains adequate debt funding facilities to cover its operations and planned developments. At 31 March the group had £439m of long term committed debt funding of which £351m had been drawn. £28m was secured and available for immediate drawdown. The group also had £125m of properties secured with its security trustee available for immediate allocation to lenders. In total 12,171 properties are charged to the security trustee or directly to lenders with full details held on our housing management system. A further 6,653 properties are uncharged and available to secure future borrowings.

The group actively monitors the cashflow requirements of its operating and development activities. We maintain a minimum of three months' cash requirement in cash deposits or gilts and during periods of perceived liquidity risks we increase our holdings to up to six months requirement.

Overdraft facilities of £1.5m provide further flexibility.

- £21m - Due <5 years
- £63m - Due <10 years
- £161m - Due <20 years
- £106m - Due >20 years

REFINANCING

The group has limited refinancing risk in the next 5 years. Less than 24% of our drawn loans are repayable within the next 10 years.

- 32% - Fixed <5 years
- 27% - Fixed >5 years
- 16% - Index linked
- 25% - Variable

INTEREST RATES

The group's approach to interest rate management is to maintain a balanced portfolio of fixed, variable and index linked debt. At 31 March 2014 £337m of group borrowings are variable rate loans which have been hedged with £249m free-standing fixed interest rate and inflation differential swaps.

The group also has an indirect exposure to bond rates through our pension scheme commitments.

CREDIT RISK
The group operates within clearly defined limits on the credit exposure to any one counterparty. The group's policy is to make long-term investments in gilts or bonds with a minimum rating of AA- or A1 and short-term investments with a minimum rating of at least A or A1. In view of concerns about bank security, the group maintains a range of approved deposit-takers.

MARKET PRICES
The group is exposed to price risks on fixed interest investments of £10m on a long-dated gilt which is hedged by a matching fixed interest swap. The group has no direct exposure to equity securities price risk in our business. We do have an indirect exposure in respect of our obligations as a member of the Social Housing Pension Scheme and Cornwall and Devon County Council Superannuation Funds.

MARGIN CALL
The group has free-standing derivatives which can give rise to margin calls. This risk has been managed by charging additional properties as security.
The group's approach in this area is cautious, and during the year a project was completed to charge sufficient properties to cover margin calls in the event of a fall in long term interest rates to 1.5%.

OFF BALANCE SHEET FUNDING
The group has no off balance sheet funding.

Angela Dupont,
Group Chairman
7 August 2014

Royal Barham House, Truro is an award winning development highlighting one of our many successful partnerships to build high quality homes.

5

Corporate governance

The group has adopted the National Housing Federation's code of excellence in governance and complies with the latest version of the code.

The section below sets out details of our corporate governance, including:

1 Our board

Devon and Cornwall Housing Limited (DCH) is the parent body in the group. It is governed by the board, which is ultimately responsible for the control of the group, including the determination of its overall objectives and strategy.

The DCH board has the power to direct the use of the group's financial resources in order to deliver the group's strategy. Its role is to direct and control the group's work; to determine strategic direction and policies, to establish and oversee the framework of delegation and systems of internal control including group performance and risk management. The DCH board monitors the performance of all organisations within the group to ensure that they remain financially viable and conduct their affairs properly.

The board met six times during the year. It consists of non-executive members from a wide variety of disciplines and backgrounds, and the Group Chief Executive and the Group Director of Finance. All non-executive board members are required to be shareholders of DCH.

The current board members are shown in the company information section of this report. Tony MacGregor retired as Group Director of Finance and a board member on 30 June 2013 and Mike Dobel resigned as a board member on 8 February 2014. Melvyn Garrett joined the board as Group Director of Finance on 1 July 2013, Mark Rowan joined on 16 April 2014 and Jenefer Greenwood joined on 1 August 2014.

Members of the board are required to direct the affairs of the company in accordance with its rules. In addition board members are required to exhibit the highest standards of probity and in particular to:

- have no financial interest either personally or through a related party in any contract or transaction with the group except as permitted under the DCH rules
- act only in the interests of the group whilst undertaking its business.

2 Board skills, recruitment and training

Direction of the group requires a wide set of skills, qualities and experience. No one board member is expected to exhibit all skills that are needed but collectively, the board should have from amongst its membership a range of skills, experience and understanding of corporate governance, general business strategy and management, finance, property investment and neighbourhood development and management.

Board members are paid for their services, with pay levels set following an independent assessment of comparable organisations. Board pay is accompanied by clear expectations of individual and collective board member performance, with appropriate frameworks in place to manage this.

3 Our committees

The board has three committees; audit and risk, treasury, and remuneration. In addition, DCH and each of its subsidiaries have separate governance panels for appointments to their boards.

AUDIT AND RISK COMMITTEE

The audit and risk committee has the task of ensuring that all organisations in the group place appropriate emphasis on their responsibilities for financial reporting, audit (both internal and external), internal control, risk management and regulatory compliance.

It consists of up to five non-executive board members appointed from across the group, based on skills and experience, including at least one member with recent and relevant financial experience suited to reviewing the work of audit. The committee met six times during the year.

TREASURY COMMITTEE

The treasury committee is responsible for the governance of all treasury activities within the group and for proactively monitoring treasury risks and related matters.

It consists of up to five non-executive board members appointed from across the group, including at least one member with recent and relevant treasury experience and the Group Director of Finance. The committee met four times during the year.

REMUNERATION COMMITTEE

The remuneration committee is responsible for setting the level of board pay, the remuneration of the Group Chief Executive and the group management team.

It consists of up to five non-executive board members from the main employers within the group and currently comprises two DCH board members and one board member of Independent Futures CIC. The committee met three times during the year.

GOVERNANCE PANELS

Governance panels are established by the parent and each subsidiary board, as appropriate, to facilitate the recruitment of new board members.

The panels are made up of at least three members: the chairman, a non-executive and an executive board member of the recruiting entity.

4 The CICs board

Our Community Interest Companies (CICs) in Cornwall and Devon provide an innovative and effective way of providing governance oversight and accountability for operational services, asset management and the delivery of the DCH community investment strategy.

During the year it was agreed that the CICs will now share a single board, chaired by a non-executive member of the DCH board, providing a streamlined and value-for-money approach that maximises their contribution. The board members are a mix between independent members and residents, appointed on the basis of skills and experience.

5 ServiceWatch scrutiny group

ServiceWatch is our strategic customer panel that scrutinises our work at local levels to ensure we are taking full account of resident views and priorities. As part of our shared services arrangement, ServiceWatch is also working with our partner West Devon Homes.

The DCH ServiceWatch framework has been included as a good practice example in a Housing Quality Network guide to resident scrutiny. ServiceWatch work emphasises value for money, particularly from a customer perspective.

The success of ServiceWatch is of key importance to the DCH approach to managing our services. Effective scrutiny by ServiceWatch is intrinsically important to supporting both strong governance and effective service delivery. It puts residents in the lead, and is supported independently to ensure that it takes a fresh eye to scrutinising our work and delivering results.

ServiceWatch prioritises its areas of review based on performance levels and customer satisfaction, as well as requests from the boards, and on that basis the scheduling of planned reviews flexes according to current issues. Members have agreed a detailed methodology for in-depth scrutiny reviews, with a toolkit of questions designed to elicit evidence-based findings.

During the year ServiceWatch successfully completed reviews of:

- income management – focusing on how we prevent residents getting into arrears
- lettings and void management – focusing on re-let times and the customer experience of the selection process
- development of new homes – researching effective outcomes from the resident involvement and customer feedback processes in this area.

6 Our executive management team, and operational management team

The group executive management team has delegated authority from the DCH board and the boards of the subsidiary organisations for:

- the day-to-day operations of the group
- monitoring the operational performance of the group and reporting appropriately to the DCH board and the boards of the subsidiary organisations
- implementing policies and strategies agreed by the DCH board and the boards of the subsidiary organisations, reviewing those policies and strategies and proposing changes as appropriate.

The members of the executive management team are shown in the company information section of this report.

As the size and complexity of our operations have grown, we have recognised the need to ensure that the executive management team is able to focus on the continuing development and delivery of DCH strategy, while a strong second tier of management focuses on operational performance.

We have therefore created an operational management team of lead senior managers across the business, providing oversight and decision-making across performance, risk, internal audit, value for money, and the approval of development projects for affordable homes.

7 Regulation

The regulator's assessment on compliance with its Governance and Financial Viability Standard is expressed in gradings from G1 to G4 for governance and V1 to V4 for viability. For both governance and viability the first two grades indicate compliance with the standard.

The regulatory judgement for DCH, published by the Homes and Communities Agency in March 2014, states:

- G1 – meets the requirements on governance set out in the Governance and Financial Viability Standard
- V1 – meets the requirements on viability set out in the Governance and Financial Viability Standard and has the capacity to mitigate its exposures effectively.

In 2013/14 the group was in full compliance with the Homes and Communities Agency regulatory standard on value for money.

ServiceWatch, our resident scrutiny panel have actively supported us in pursuit of great customer services. Our DCH ServiceWatch framework has been included as a good practice example in a Housing Quality Network Guide to resident scrutiny.

With less than two thirds of the homes needed being built in the south west there remains an urgent need for new affordable homes for families and local communities.

6

Directors' report

The DCH board presents its report and audited consolidated financial statements of the company and its subsidiaries (the group) for the year ended 31 March 2014.

Internal controls and directors' responsibilities

Internal controls assurance

The board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies for all organisations within the group, including those not registered with the Homes and Communities Agency.

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

In meeting its responsibilities, the board has adopted a risk-based approach to establishing and maintaining internal controls which are embedded within day-to-day management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the group is exposed.

The process for identifying, evaluating and managing the significant risks faced by the group is ongoing. It has been in place throughout the period commencing 1 April 2013 up to the date of approval of the annual report and financial statements.

The arrangements adopted by the board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, include:

- leadership by the board and its subsidiary boards in analysing the strengths, weaknesses, opportunities and threats of the group
- requiring a risk assessment before any board decision is made, and by the audit and risk committee reviewing internal control and major risks of the group
- clear delegation of responsibility for risk management within the organisation as documented in the financial regulations and standing orders, board and committee terms of reference, individual job descriptions and group risk map
- active regular assessment of risks by boards, committees and management and a formal annual review of risks and controls in place to manage them
- accountability for risk management through formal reports by boards, committees and management to the audit and risk committee and to the boards
- embedding risk management into the culture of the group by ensuring that risk is assessed as part of the decision-making process by management and a proactive approach to identifying changes in risks and controls
- using external means of validation through regular risk-based audits and acting on resulting recommendations
- a group anti-fraud policy, covering prevention, detection and reporting of fraud, the recovery of assets and review of entries in the fraud register by the group audit and risk committee.

DIRECTORS REPORT

Statement of directors' responsibilities

The DCH board is responsible for preparing the financial statements in accordance with applicable law and regulations.

The Industrial and Provident Societies Acts 1965 to 2003 require the board to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the surplus or deficit of the company and group 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 group and company will continue in business.

The board is responsible for keeping adequate accounting records that are sufficient to show and explain the transactions of the group and company and disclose with reasonable accuracy at any time the financial position of the company and the group and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2003, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. It is also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Provision of information to auditors

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

Auditors

A resolution to re-appoint KPMG LLP as auditors will be proposed at the forthcoming annual general meeting.

Report of the board

The report of the DCH board was approved on 7 August 2014 and signed on its behalf by:

Angela Dupont,
Group Chairman

Independent auditor's report

Independent auditor's report to the members of Devon and Cornwall Housing Limited
We have audited the group and company financial statements of Devon and Cornwall Housing Limited for the year ended 31 March 2014 set out on pages 35 to 64. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As more fully explained in the statement of directors' responsibilities set out on page 33 the company's directors are responsible for the preparation of financial statements which give a true and fair view.

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

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the group and company as at 31 March 2014 and of the group and company surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969 require us to report to you if, in our opinion:

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

Harry Mears
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Plym House
Plymouth PL6 8LT

Income and expenditure account

FOR THE YEAR ENDED 31 MARCH 2014

		Group		Company	
	Note	**2014 £000**	2013 £000	**2014 £000**	2013 £000
TURNOVER	2	**111,003**	101,086	**94,601**	89,194
Operating costs	2	**(82,682)**	(75,048)	**(66,056)**	(62,627)
Operating surplus	2	**28,321**	26,038	**28,545**	26,567
Share of profit in associate		**0**	20	**0**	0
Surplus on property sales	3	**1,213**	668	**1,213**	668
Surplus on sale of fixed asset investment		**0**	5	**0**	5
Interest receivable and other income	7	**680**	796	**811**	851
Interest payable and similar charges	8	**(11,614)**	(12,378)	**(11,458)**	(12,179)
Other finance costs - pensions	27	**(181)**	(140)	**(181)**	(140)
Surplus on ordinary activities before tax	4-6	**18,419**	15,009	**18,930**	15,772
Minority interest		**0**	17	**0**	0
Tax on surplus on ordinary activities	9	**(23)**	28	**0**	0
Surplus for the year	22,23	**18,396**	15,054	**18,930**	15,772
All amounts relate to continuing activities					
STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS					
Surplus on ordinary activities for the year		**18,396**	15,054	**18,930**	15,772
(Deficit)/surplus on current asset investments	21	**(810)**	459	**(810)**	459
Actuarial loss	27	**(850)**	(717)	**(850)**	(713)
Total recognised surplus relating to the year		**16,736**	14,796	**17,270**	15,518

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Balance sheet

AS AT 31 MARCH 2014

		Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
FIXED ASSETS						
Housing Properties	Cost net of depreciation	10	**990,086**	942,921	**965,702**	918,250
	SHG	10	**(438,145)**	(432,497)	**(437,850)**	(432,203)
			551,941	510,424	**527,852**	486,047
Other tangible fixed assets		11	**9,856**	9,794	**9,662**	9,588
Financial assets			**97**	253	**0**	0
Investments		12	**199**	290	**6,421**	6,105
Homebuy loans			**6,324**	6,454	**5,515**	5,682
Homebuy grants			**(5,778)**	(5,932)	**(5,515)**	(5,682)
			562,639	521,283	**543,935**	501,740
CURRENT ASSETS						
Properties for sale		13	**14,760**	12,191	**6,918**	3,745
Stock			**184**	209	**169**	197
Debtors		14	**8,560**	8,704	**8,666**	9,438
Financial assets			**156**	155	**0**	0
Investments		15	**12,370**	13,179	**12,370**	13,179
Cash at bank and in hand			**14,607**	22,244	**14,184**	21,318
			50,637	56,682	**42,307**	47,877
CREDITORS:						
amounts falling due within one year		16	**(32,580)**	(30,487)	**(29,172)**	(26,752)
Net current assets			**18,057**	26,195	**13,135**	21,125
			580,696	547,478	**557,070**	522,865

BALANCE SHEET

	Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
CREDITORS:					
amounts falling due after more than one year	17	**350,929**	334,909	**350,929**	334,909
PROVISION FOR LIABILITIES AND CHARGES					
Pension liability	27	**6,536**	5,866	**6,536**	5,621
Deferred tax	19	**(6)**	(31)	**0**	0
		357,459	340,744	**357,465**	340,530
MINORITY INTEREST		**5**	238	**0**	0
CAPITAL AND RESERVES					
Called up share capital	20	**0**	0	**0**	0
Investment revaluation reserve	21	**2,225**	3,035	**2,225**	3,035
Designated reserves	22	**70,047**	60,337	**70,047**	60,337
Revenue reserves	22	**150,960**	143,124	**127,333**	118,963
	23	**223,232**	206,496	**199,605**	182,335
		580,696	547,478	**557,070**	522,865

These financial statements were approved by the board on 7 August 2014 and were signed on its behalf by:

Paul Crawford
(Group Chief Executive)

Melvyn Garrett
(Group Director of Finance)

Gill Farrar
(Group Company Secretary)

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Cash flow statement

FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 £000	2013 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	(a)	**42,117**	44,361
RETURN ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**762**	793
Interest paid		**(12,410)**	(12,312)
		(11,648)	(11,519)
TAXATION			
Corporation Tax received/(paid)		**71**	(4)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of housing properties		**(64,775)**	(47,319)
Purchase of other fixed assets		**(1,319)**	(1,358)
Capital grants received		**7,312**	6,058
Sale of housing properties		**4,420**	4,237
Sale of other fixed assets		**12**	8
Redemption of Homebuy loans		**231**	254
Investment in associate and other housing associations		**(142)**	13
		(54,261)	(38,107)
MANAGEMENT OF LIQUID RESOURCES			
Investment in short term deposits		**0**	5
FINANCING			
Loans received		**24,000**	53,300
Loans repaid		**(7,908)**	(46,151)
	(c)	**16,092**	7,149
(DECREASE)/INCREASE IN CASH	(c)	**(7,629)**	1,885

GROUP CASH FLOW STATEMENT

	Note	2014 £000	2013 £000
NOTES TO THE CASH FLOW STATEMENT			
(A) RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Operating surplus		**28,321**	26,038
Depreciation charges -other fixed assets		**1,245**	1,011
Depreciation charges - housing properties		**9,404**	8,840
Shared ownership - cost of 1st tranche sales		**6,681**	6,349
(Increase)/decrease in debtors		**(1,712)**	1,503
Increase in creditors		**479**	3,322
Increase in properties for sale		**(2,543)**	(2,696)
Increase in pension liability		**267**	255
Increase in retained equity sales		**(25)**	(261)
Net cash inflow from operating activities		**42,117**	44,361
(B) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Cashflow (decrease)/increase in cash		**(7,629)**	1,885
Cashflow from increase in loan finance		**(16,092)**	(7,149)
		(23,721)	(5,264)
Non cash changes in loan finance		**(166)**	(202)
		(23,887)	(5,466)
Net debt at 1 April 2013		**(311,566)**	(306,100)
Net debt at 31 March 2014		**(335,453)**	(311,566)

	1 April £000	Cash Flow £000	Non - Cash Changes £000	31 March £000
(C) ANALYSIS OF MOVEMENT IN NET DEBT				
Cash	22,244	(7,637)	0	14,607
Overdraft	(8)	8	0	0
	22,236	(7,629)	0	14,607
Debt < 1 year	(1,077)	1,077	(1,039)	(1,039)
Debt > 1 year	(332,725)	(17,169)	873	(349,021)
	(333,802)	(16,092)	(166)	(350,060)
Total	(311,566)	(23,721)	(166)	(335,453)

Notes to the financial statements

Delivery of new homes is fundamental to economic growth. Every new home we build plays a key role in generating regional prosperity.

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Notes to the financial statements

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable UK accounting standards, the Accounting Direction for Private Registered Providers of Social Housing 2012 and the Statement of Recommended Practice "Accounting by Registered Social Landlords" Update 2010 (2010 SORP).

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investments. The board is satisfied that the current accounting policies are the most appropriate for the group.

GOING CONCERN

The board, after reviewing the group and company budgets for 2014/2015 and the group's medium term financial position as detailed in the 30-year business plan is of the opinion that the group and company have adequate resources to continue in business for the foreseeable future. The board therefore continues to adopt the going concern basis in preparing the annual financial statements.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries made up to 31 March 2014. Associates are incorporated using equity accounting.

RELATED PARTY TRANSACTIONS

Transactions within the group that require disclosure under the Accounting Direction and have been eliminated on consolidation are disclosed in note 28.

The company has taken advantage of the exemption in FRS8 not to disclose intra-group transactions, as the company prepares consolidated financial statements.

TURNOVER

Turnover represents rental, service charge and support charge income, revenue grants, charges for other services receivable in the year and proceeds from initial sales of shared ownership properties (excluding VAT).

HOUSING PROPERTIES

Housing properties include properties available for rent and retained interests in properties sold under shared ownership leases and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges during the development period and directly attributable development administration costs. Shared ownership properties in work in progress are stated net of the estimated cost of the first tranche sale.

Donated land is added to the cost of housing properties at the market value of the land at the time of the donation.

DEPRECIATION AND IMPAIRMENT OF HOUSING PROPERTIES

Housing properties are split between land, structure costs and, where the group has a maintenance liability, major components that require periodic replacement.

No depreciation is provided on freehold land. Structure costs, after deduction of an applicable portion of Social Housing Grant, are depreciated by equal annual instalments over the estimated useful economic life from the date of acquisition. Where the group has a maintenance liability for components these costs are depreciated separately over their estimated useful lives.

Rented properties – structure	new build	not exceeding 100 years
	other	not exceeding 100 years
Rented properties – components	roofs	50 years
	windows/external doors	30 years
	bathrooms	30 years
	kitchens	20 years
	boilers/electric heating	15 years
	heating systems	30 years
Shared ownership properties		not exceeding 100 years
Leasehold properties		shorter of the remaining useful life and the remaining lease term
Commercial properties		not exceeding 50 years

Housing properties are reviewed annually for evidence of impairment. Where there is evidence of impairment properties are written down to their recoverable amount.

ENHANCEMENTS TO EXISTING PROPERTIES

Enhancement expenditure consists of works to existing properties which result in an increase in the net rental stream and is capitalised only to the extent that the total costs, including enhancements, do not exceed the greater of net realisable value and value in use.

CAPITAL GRANTS

Social Housing Grant (SHG) and other capital grants receivable, including donated land, in respect of the capital cost of housing properties, are shown separately in the balance sheet as a deduction from the cost of housing properties. SHG due from the Homes and Communities Agency is included as a current asset and SHG received in advance is included as a current liability.

SHG can be recycled upon certain occurrences, principally the disposal of the property. Any SHG eligible for recycling is transferred to the Recycled Capital Grant Fund (RCGF) and included in creditors. To the extent that the RCGF is repayable within one year unless utilised it is included within creditors falling due within one year. The balance of the RCGF is included within creditors falling due after more than one year.

All SHG remains repayable unless abated or waived by the Homes and Communities Agency but, with the agency's agreement, is subordinated to other loans.

NOTES TO THE FINANCIAL STATEMENTS

CAPITALISATION OF INTEREST
Interest on net borrowings, to the extent that it is financing developments, is capitalised up to the date of practical completion of the scheme. Interest capitalised is net of interest receivable on SHG received in advance of practical completion.

LONG TERM CONTRACTS
Long term contracts are assessed on a contract by contract basis. Turnover and profit on the sale of individual properties is recognised upon sales completion. Turnover on development contracts is recognised as valuation payments become due, profit is recognised when it becomes reasonably certain. Full provision is made for any foreseeable losses.

PROPERTIES FOR SALE
Properties for sale are included within current assets at the lower of cost and net realisable value and comprise properties developed for sale and the estimated first tranche disposal of shared ownership properties unsold or under development at the year end.

SURPLUS ON PROPERTY SALES
The surplus or deficit on property sales includes the sale of rented properties and the sale of second and subsequent tranches of shared ownership properties. Provision is made for any expected loss, after the abatement of Social Housing Grant, on properties which have been or are expected to be repossessed.

Surpluses on Right to Acquire sales after allowable expenses, as defined in the Homes and Communities Agency Capital Funding Guide, are transferred to the disposal proceeds fund (DPF). To the extent that the DPF is repayable within one year unless utilised it is included within creditors falling due within one year. The balance of the DPF is included within creditors falling due after more than one year.

OTHER FIXED ASSETS AND DEPRECIATION
No depreciation is provided on freehold land. Depreciation is provided to write off the cost of other fixed assets by equal annual instalments over their estimated useful economic lives as follows:

Freehold buildings	- 30 to 50 years
Fixtures and fittings	- 4 to 10 years
Computer equipment	- 3 to 5 years
Motor vehicles	- 5 years

FINANCIAL INSTRUMENTS AND FINANCIAL ASSETS
The group uses interest rate swaps to manage its exposure to interest rate changes. The notional principal is not reflected in the group's balance sheet. Payments made under swaps are adjusted against interest payable on the loans.

The fair value of swaps held by Tor Homes at the date of joining the group are included as financial assets and are being amortised over the life of the swaps. Amounts due to be amortised within one year are shown in current assets.

INVESTMENTS
Listed investments are stated at market value. Investments held for sale are included in current assets.

HOMEBUY, KEY WORKER AND STARTER HOME MORTGAGES
Mortgages granted under the Homebuy, Key Worker and Starter Home schemes are included in fixed asset investments at cost net of the Social Housing Grant receivable. The mortgages are not held for their investment potential and the group has no discretion to realise them. Therefore they are included at cost rather than valuation.

DESIGNATED RESERVES
The group maintains designated reserves where reserves are earmarked for particular purposes.

Major repairs reserve
The group maintains a major repairs reserve to recognise the future cost of major repairs, re-improvement and rehabilitation works to housing properties. The amount transferred is based on an estimate of expected future liabilities using the group's life-cycle costing model.

Re-investment reserve
The group maintains a re-investment reserve to recognise the future cost of enhancement expenditure that does not fall within the group's policy for capitalisation.

Other reserves
The group maintains other designated reserves to recognise the future start up and on-going revenue costs of specific projects.

CYCLICAL REPAIRS AND MAINTENANCE
The group has a regular programme for cyclical repairs and maintenance. The actual costs are charged to the Income and Expenditure Account as incurred.

SUPPORTING PEOPLE INCOME AND EXPENDITURE
Block grant income and its associated expenditure are included in the financial statements as other social housing activities. Block subsidy income and its associated expenditure are included as social housing lettings activity.

SUPPORTED HOUSING MANAGED BY AGENCIES

Social housing capital grants are claimed by the group as developer and owner of the property and included in the balance sheet of the group. The treatment of other income and expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the group and its managing agents and on whether the group carries the financial risk.

Where the group holds the support contract with the Supporting People Administering Authority and carries the financial risk, all the project's income and expenditure is included in the group's income and expenditure account.

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the group. Other income and expenditure of projects in this category is excluded from the group's income and expenditure account.

CARE & REPAIR

Care & Repair activities are included in turnover and operating costs. Operating costs include overheads on a fully apportioned basis.

REVENUE GRANTS

Revenue grants are credited to the income and expenditure account over the period in which the related expenditure is incurred.

TAXATION INCLUDING DEFERRED TAX

The charge for taxation is based on surpluses arising on certain activities which are liable to tax.

Provision is made for deferred tax under the liability method on timing differences that have arisen, but not reversed, at the balance sheet date. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

VAT

The group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent it is not recoverable. The balance of VAT payable or recoverable is included as a current liability or asset.

PENSIONS

The group participates in the following pension schemes;

The Social Housing Pension Scheme which is a multi employer pension scheme administered by The Pensions Trust Limited. For staff joining before 1 April 2007 it is a defined benefit based on final salary. For staff joining from 1 April 2007 the defined benefit is based on 1/60 career average re-valued earnings (CARE). From 1 October 2011 a defined contribution option was introduced which is available to all staff in place of the defined benefit scheme. The assets of the scheme are invested and managed independently of the group. Pension costs are assessed in accordance with the recommendation of an actuary based on the costs applicable to the participating associations taken as a whole. The assets and liabilities of the scheme cannot be attributed to individual employers and accordingly the scheme is accounted for as a defined contribution scheme. Contributions to the scheme are charged to the Income and Expenditure Account over the service lives of the employees. In addition the group participates in the Pension Trust Growth Plan but makes no contributions into this plan. From 1 April 2014 the group closed the final salary scheme and opened a 1/120 CARE scheme.

The Cornwall Council Pension Fund and the Devon County Council Pension Fund which are defined benefit final salary pension schemes. The assets of the schemes are invested and managed independently of the group. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating costs, finance costs and, in the statement of recognised gains and losses, actuarial gains and losses.

Call24 participates in a defined contribution pension scheme operated by The Social Housing Pension Scheme making contributions based on annual salaries. The assets of the scheme are held separately from those of the company. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

William Sutton Limited Pension Scheme which is a defined benefit final salary pension scheme. The assets of the scheme are invested and managed independently of the group. Pension costs are assessed in accordance with the recommendation of an actuary. The assets and liabilities of the scheme cannot be attributed to individual employers and accordingly the scheme is accounted for as a defined contribution scheme. Contributions to the scheme are charged to the Income and Expenditure Account over the service lives of the employees. The scheme closed on 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

2 TURNOVER AND OPERATING SURPLUS

	Group					
	2014			2013		
	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000
SOCIAL HOUSING LETTINGS	81,870	(56,537)	25,333	77,597	(53,719)	23,878
OTHER SOCIAL HOUSING ACTIVITIES						
Supporting People contract income	3,774	(3,904)	(130)	3,311	(3,282)	29
Care & Repair	1,186	(1,215)	(29)	1,900	(1,938)	(38)
Maintenance and alarm call service income	2,024	(1,920)	104	1,167	(1,133)	34
Shared ownership fee income	76	(54)	22	133	(81)	52
Shared ownership initial sales	9,270	(7,325)	1,945	8,007	(6,873)	1,134
Affordable house sales	748	(642)	106	573	(645)	(72)
Development costs	133	(848)	(715)	31	(559)	(528)
Other	198	(235)	(37)	625	(550)	75
	17,409	(16,143)	1,266	15,747	(15,061)	686
NON-SOCIAL HOUSING						
Non-social housing lettings	1,206	(456)	750	1,228	(385)	843
Property sales	10,177	(8,896)	1,281	6,236	(5,267)	969
Other	341	(650)	(309)	278	(616)	(338)
	11,724	(10,002)	1,722	7,742	(6,268)	1,474
Total	111,003	(82,682)	28,321	101,086	(75,048)	26,038

INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	Group				
	2014				2013
	General needs £000	Shared ownership £000	Supported housing £000	Total £000	Total £000
INCOME FROM SOCIAL HOUSING LETTINGS					
Rent receivable net of identifiable service charges	61,664	4,579	10,054	76,297	72,059
Service charges receivable	2,020	302	3,220	5,542	5,080
Net rents receivable	63,684	4,881	13,274	81,839	77,139
Revenue grants from local authorities and other agencies	5	0	26	31	458
Total income from social housing lettings	63,689	4,881	13,300	81,870	77,597
EXPENDITURE ON SOCIAL HOUSING LETTING ACTIVITIES					
Rent losses from bad debts	311	0	113	424	209
Services	2,045	254	2,943	5,242	4,706
Management	14,903	1,365	3,037	19,305	17,168
Responsive maintenance	10,450	0	1,785	12,235	12,234
Cyclical maintenance	5,288	0	885	6,173	5,938
Major repairs expenditure	3,231	0	652	3,883	4,762
Depreciation of housing properties	7,639	532	1,104	9,275	8,702
Total expenditure on social housing lettings	43,867	2,151	10,519	56,537	53,719
Operating surplus on social housing letting activities	19,822	2,730	2,781	25,333	23,878
Rent losses from voids	(342)	0	(395)	(737)	(865)

TURNOVER AND OPERATING SURPLUS

	Company					
	2014			2013		
	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000
SOCIAL HOUSING LETTINGS	81,870	(56,793)	25,077	77,597	(53,864)	23,733
OTHER SOCIAL HOUSING ACTIVITIES						
Supporting People contract income	412	(377)	35	689	(620)	69
Care & Repair	0	(63)	(63)	0	(117)	(117)
Shared ownership fee income	76	(54)	22	133	(81)	52
Shared ownership initial sales	9,270	(7,325)	1,945	8,007	(6,873)	1,134
Development costs	132	(848)	(716)	31	(559)	(528)
Other	176	(103)	73	167	(100)	67
	10,066	(8,770)	1,296	9,027	(8,350)	677
NON-SOCIAL HOUSING ACTIVITIES						
Non-social housing lettings	1,206	(493)	713	1,228	(413)	815
Gift Aid receivable	1,459	0	1,459	1,342	0	1,342
	2,665	(493)	2,172	2,570	(413)	2,157
Total	94,601	(66,056)	28,545	89,194	(62,627)	26,567

INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	Company				
	2014				2013
	General needs £000	Shared ownership £000	Supported housing £000	Total £000	Total £000
INCOME FROM SOCIAL HOUSING LETTINGS					
Rent receivable net of identifiable service charges	61,664	4,579	10,054	76,297	72,059
Service charges receivable	2,020	302	3,220	5,542	5,080
Net rents receivable	63,684	4,881	13,274	81,839	77,139
Revenue grants from local authorities and other agencies	5	0	26	31	458
Total income from social housing lettings	63,689	4,881	13,300	81,870	77,597
EXPENDITURE ON SOCIAL HOUSING LETTING ACTIVITIES					
Rent losses from bad debts	311	0	113	424	209
Services	2,045	254	3,137	5,436	4,830
Management	14,967	1,638	3,037	19,642	17,463
Responsive maintenance	10,450	0	1,785	12,235	12,234
Cyclical maintenance	5,288	0	885	6,173	5,938
Major repairs expenditure	3,231	0	652	3,883	4,762
Depreciation of housing properties	7,349	547	1,104	9,000	8,428
Total expenditure on social housing lettings	43,641	2,439	10,713	56,793	53,864
Operating surplus on social housing letting activities	20,048	2,442	2,587	25,077	23,733
Rent losses from voids	(342)	0	(395)	(737)	(865)

NOTES TO THE FINANCIAL STATEMENTS

3 SURPLUS ON PROPERTY SALES

	Group and Company	
	2014 £000	2013 £000
Disposal proceeds	**4,128**	2,790
Cost of fixed assets	**(2,915)**	(2,122)
Surplus on property sales	**1,213**	668

4 SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

		Group		Company	
		2014 £000	2013 £000	**2014 £000**	2013 £000
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION IS STATED AFTER CHARGING:					
Auditors' remuneration	Audit	**37**	36	**25**	24
	Other services relating to taxation	**21**	32	**16**	26
Depreciation and other amounts written off housing properties		**9,404**	8,840	**9,130**	8,566
Depreciation and other amounts written off other tangible fixed assets		**1,245**	1,011	**1,171**	934
Operating lease rentals		**44**	44	**44**	44

5 REMUNERATION OF DIRECTORS AND EXECUTIVE MANAGEMENT TEAM

The directors of the group and company are the members of the board, the Group Chief Executive and Group Director of Finance.

During the year the group executive management team also included the the Group Directors of Asset Management, Development, Housing and Community Services, Human Resources, Business and Chief Executives of Housing Services and Tor Homes. The Group Directors of Finance, Housing and Community Services and Business were appointed during the year.

The remuneration of the Group Chief Executive and group executive management team are determined by the Remuneration Committee. All members of the group executive management team are entitled to a similar range of benefits. The amounts disclosed are based on the taxable value of providing those benefits.

The remuneration of the Group Chairman and other directors is shown overleaf. Expenses reimbursed to members of the board were as follows:

	Group and Company	
	2014 £000	2013 £000
Expenses reimbursed to board members	**32**	39

	Group and Company	
	2014	2013
THE EMOLUMENTS OF THE BOARD MEMBERS, AND GROUP EXECUTIVE MANAGEMENT TEAM WERE AS FOLLOWS:		
NON EXECUTIVE DIRECTORS		
Angela Dupont	**16**	15
Mike Dobel	**5**	4
Graham Facks-Martin	**0**	4
Nick Hardie	**6**	4
Philip Hutt	**6**	4
Michael Jane	**7**	4
Andy Joss	**7**	4
Simon Sanger-Anderson	**6**	4
Tim Tamblyn	**0**	4
Andrew Wiles	**6**	4
EXECUTIVE DIRECTORS		
Aggregate emoluments payable to directors (including benfits in kind)	**970**	850
Pension contributions in respect of services as directors	**60**	49
	1,030	899
Emoluments paid to the Group Chief Executive who was also the highest paid director	**165**	153

Salary banding for all employees earning over £60,000 (including salaries, performance related pay and benefits in kinds but excluding pension contributions paid by the employer and any termination payments) are:

BANDS	Group		Company	
	2014	2013	**2014**	2013
£160,001 to £170,000	**1**	0	**1**	0
£150,001 to £160,000	**0**	1	**0**	1
£110,001 to £120,000	**3**	1	**3**	1
£100,001 to £110,000	**3**	3	**3**	3
£90,001 to £100,000	**1**	1	**1**	1
£80,001 to £90,000	**2**	4	**2**	4
£70,001 to £80,000	**8**	5	**7**	4
£60,001 to £70,000	**9**	7	**9**	7

6 STAFF NUMBERS AND COSTS

	Group 2014	Group 2013	Company 2014	Company 2013
AVERAGE MONTHLY NUMBER OF EMPLOYEES:				
Housing and Support	**443**	388	**270**	221
Development	**41**	38	**41**	38
Asset Management	**226**	180	**226**	180
Central services	**105**	106	**105**	100
	815	712	**642**	539
AVERAGE MONTHLY NUMBER OF FULL TIME EQUIVALENT EMPLOYEES:				
Housing and Support	**391**	345	**241**	200
Development	**37**	34	**37**	34
Asset Management	**220**	174	**220**	174
Central services	**100**	100	**100**	94
	748	653	**598**	502

THE AGGREGATE PAYROLL COSTS OF THESE EMPLOYEES WAS AS FOLLOWS:	2014 £000	2013 £000	2014 £000	2013 £000
Wages and salaries	**20,340**	17,845	**16,963**	14,367
Social security costs	**1,714**	1,652	**1,454**	1,373
Other pension costs	**2,145**	1,793	**2,041**	1,702
	24,199	21,290	**20,458**	17,442

7 INTEREST RECEIVABLE AND OTHER INCOME

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Listed Investments	**472**	472	**472**	472
Bank and deposits	**105**	268	**185**	307
Intra-group loans	**0**	0	**134**	58
Loans to housing associations	**20**	14	**20**	14
Other	**83**	42	**0**	0
	680	796	**811**	851

8 INTEREST PAYABLE AND SIMILAR CHARGES

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Intra-group loans	**0**	0	**10,146**	10,243
Bank loans and overdrafts	**12,189**	12,624	**2,042**	2,381
Other	**172**	207	**17**	8
Less: capitalised interest at 3.3% (2013: 3.5%)	**(747)**	(453)	**(747)**	(453)
	11,614	12,378	**11,458**	12,179

9 TAXATION

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
UK CORPORATION TAX				
On surplus for the year at 20% (2013: 20%)	**0**	5	**0**	0
Adjustments in respect of prior periods	**(3)**	(2)	**0**	0
Expenditure not deductible for tax purposes	**0**	3	**0**	0
DEFERRED TAX				
Timing differences	**25**	(32)	**0**	0
Adjustments in respect of prior periods	**1**	(2)	**0**	0
	23	(28)	**0**	0

The company has charitable status and its surpluses are exempt from corporation tax to the extent that they are applied for charitable purposes.

10 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Group					
	Social housing				Non-social housing	Total
	Complete schemes		Under construction			
	Rented £000	Shared ownership £000	Rented £000	Shared ownership £000	Rented £000	£000
COST						
At beginning of year	888,541	88,642	25,197	4,559	8,456	1,015,395
Additions in year	1,054	230	42,326	7,252	2	50,864
Transfers	145	(215)	0	0	70	0
Components capitalised	8,301	0	0	0	0	8,301
Disposals	(1,180)	(1,802)	0	0	(32)	(3,014)
Transferred on completion	30,815	8,379	(30,815)	(8,379)	0	0
At end of year	**927,676**	**95,234**	**36,708**	**3,432**	**8,496**	**1,071,546**
DEPRECIATION						
At beginning of year	68,248	3,632	80	0	514	72,474
Charge for year	8,763	532	0	0	109	9,404
Disposals	(365)	(52)	0	0	(1)	(418)
At end of year	**76,646**	**4,112**	**80**	**0**	**622**	**81,460**
COST NET OF DEPRECIATION						
At 31 March 2014	**851,030**	**91,122**	**36,628**	**3,432**	**7,874**	**990,086**
At 31 March 2013	**820,293**	**85,010**	**25,117**	**4,559**	**7,942**	**942,921**
SHG AND OTHER PUBLIC SUBSIDY						
At beginning of year	386,731	36,030	6,755	1,967	1,014	432,497
Additions in year	0	0	5,023	442	0	5,465
Disposals	0	(12)	0	0	0	(12)
Transferred from/(to) RCGF	120	(410)	398	96	(9)	195
Transferred on completion	5,023	1,036	(4,864)	(1,255)	60	0
At end of year	**391,874**	**36,644**	**7,312**	**1,250**	**1,065**	**438,145**
NET BOOK VALUE						
At 31 March 2014	**459,156**	**54,478**	**29,316**	**2,182**	**6,809**	**551,941**
At 31 March 2013	**433,562**	**48,980**	**18,362**	**2,592**	**6,928**	**510,424**

NOTES TO THE FINANCIAL STATEMENTS

TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONTINUED)

	Company					
	Social housing				Non-social housing	Total
	Complete schemes		Under construction			
	Rented £000	Shared ownership £000	Rented £000	Shared ownership £000	Rented £000	£000
COST						
At beginning of year	866,686	90,025	19,258	4,674	8,437	989,080
Additions in year	83	230	43,311	7,251	2	50,877
Transfers	145	(215)	0	0	70	0
Components capitalised	8,301	0	0	0	0	8,301
Disposals	(1,180)	(1,802)	0	0	(32)	(3,014)
Transferred on completion	30,815	8,379	(30,815)	(8,379)	0	0
At end of year	**904,850**	**96,617**	**31,754**	**3,546**	**8,477**	**1,045,244**
DEPRECIATION						
At beginning of year	66,514	3,722	80	0	514	70,830
Charge for year	8,474	547	0	0	109	9,130
Disposals	(365)	(52)	0	0	(1)	(418)
Transfers	(1)	(3)	0	0	4	0
At end of year	**74,622**	**4,214**	**80**	**0**	**626**	**79,542**
COST NET OF DEPRECIATION						
At 31 March 2014	**830,228**	**92,403**	**31,674**	**3,546**	**7,851**	**965,702**
At 31 March 2013	**800,172**	**86,303**	**19,178**	**4,674**	**7,923**	**918,250**
SHG AND OTHER PUBLIC SUBSIDY						
At beginning of year	386,436	36,030	6,755	1,968	1,014	432,203
Additions in year	0	0	5,022	442	0	5,464
Disposals	0	(12)	0	0	0	(12)
Transferred from/(to) RCGF	120	(410)	398	96	(9)	195
Transferred on completion	5,023	1,036	(4,864)	(1,255)	60	0
At end of year	**391,579**	**36,644**	**7,311**	**1,251**	**1,065**	**437,850**
NET BOOK VALUE						
At 31 March 2014	**438,649**	**55,759**	**24,363**	**2,295**	**6,786**	**527,852**
At 31 March 2013	**413,736**	**50,273**	**12,423**	**2,706**	**6,909**	**486,047**

TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONTINUED)

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Additions to housing properties in the course of construction during the year includes:				
Capitalised interest at 3.3% (2013: 3.5%)	**747**	453	**747**	453
Direct development costs	**1,462**	1,384	**1,462**	1,384
THE NET BOOK VALUE OF THE PROPERTIES COMPRISES:				
Freehold	**527,288**	485,732	**503,199**	461,355
Long leasehold - under 50 years remaining	**604**	603	**604**	603
Long leasehold - over 50 years remaining	**24,049**	24,089	**24,049**	24,089
	551,941	510,424	**527,852**	**486,047**
WORKS TO EXISTING PROPERTIES:				
Revenue	**22,291**	22,934	**22,291**	22,934
CAPITALISED COMPONENTS INCLUDED IN THE NET BOOK VALUE OF THE PROPERTIES:				
COST				
At beginning of year	**84,541**		**84,541**	
Additions	**8,301**		**8,301**	
	(516)		**(516)**	
At end of year	**92,326**		**92,326**	
DEPRECIATION				
At beginning of year	**24,476**		**24,476**	
Additions	**3,564**		**3,564**	
Disposals	**(279)**		**(279)**	
At end of year	**27,761**		**27,761**	
Cost excluding component accounting adjustments	**979,220**		**952,918**	
Cost net of depreciation excluding component accounting adjustments	**925,521**		**901,137**	

11 OTHER TANGIBLE FIXED ASSETS

	Group				
	Freehold land and buildings £000	Fixtures and fittings £000	Computer equipment £000	Motor vehicles £000	Total £000
COST					
At beginning of year	8,762	2,682	2,856	1,413	15,713
Additions	26	306	701	286	1,319
Disposals	(54)	(17)	0	(118)	(189)
At end of year	**8,734**	**2,971**	**3,557**	**1,581**	**16,843**
DEPRECIATION					
At beginning of year	1,794	1,723	1,699	703	5,919
Charge for year	145	262	584	254	1,245
On disposals	(43)	(17)	0	(117)	(177)
At end of year	**1,896**	**1,968**	**2,283**	**840**	**6,987**
NET BOOK VALUE					
At 31 March 2014	**6,838**	**1,003**	**1,274**	**741**	**9,856**
At 31 March 2013	**6,968**	**959**	**1,157**	**710**	**9,794**

NOTES TO THE FINANCIAL STATEMENTS

OTHER TANGIBLE FIXED ASSETS (CONTINUED)

	Company				
	Freehold land and buildings £000	Fixtures and fittings £000	Computer equipment £000	Motor vehicles £000	Total £000
COST					
At beginning of year	8,762	2,092	2,688	1,386	14,928
Additions	26	251	694	286	1,257
Disposals	(54)	0	0	(118)	(172)
At end of year	**8,734**	**2,343**	**3,382**	**1,554**	**16,013**
DEPRECIATION					
At beginning of year	1,794	1,305	1,560	681	5,340
Charge for year	145	209	567	250	1,171
On disposals	(43)	0	0	(117)	(160)
At end of year	**1,896**	**1,514**	**2,127**	**814**	**6,351**
NET BOOK VALUE					
At 31 March 2014	**6,838**	**829**	**1,255**	**740**	**9,662**
At 31 March 2013	**6,968**	**787**	**1,128**	**705**	**9,588**

	Group and Company	
	2014 £000	2013 £000
The net book value of properties comprises:		
Freehold	**5,330**	5,460
Long leasehold	**1,508**	1,508
	6,838	6,968

12 INVESTMENTS

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
INVESTMENTS IN SUBSIDIARIES:				
Shares	**0**	0	**2,574**	2,344
Intragroup Loan	**0**	0	**3,763**	3,586
Loan(s) to other housing association(s)	**84**	175	**84**	175
Interest in associate	**115**	115	**0**	0
	199	290	**6,421**	6,105

Intragroup loans consist of loans to 100% subsidiaries of Devon and Cornwall Housing Limited. Interest is payable on a variable rate basis and repayments are due in 2-5 years. There is no penalty for early repayment.

At 31 March 2014 one loan was outstanding from another housing association. The loan is repayable in equal instalments with final repayment in 2023. Interest is payable at a fixed rate.

INVESTMENTS (CONTINUED)

	Country of registration or incorporation	Principal activity
Details of the subsidiaries are as follows The company has a controlling interest in the following subsidiaries:		
Devon and Cornwall Leasehold Solutions Limited	England	Property management services
Devon and Cornwall Treasury Limited	England	Group borrowing vehicle
Independent Futures CIC	England	Housing support services
Penwith Housing Association 2012 CIC	England	Dormant
Tor Homes 2012 CIC	England	Dormant
Westco Properties Limited	England	Property development and services
Penwith Housing Ancillary Services External Limited	England	Cost sharing group
Call 24 Hour Limited	England	24-hour telecare monitoring and response solutions
In addition:		
Advantage Southwest LLP is 25% owned by Westco Properties Limited	England	Procurement using modern methods of construction

13 PROPERTIES FOR SALE

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Properties developed for outright sale	**7,842**	8,446	**0**	0
Shared ownership properties - first tranche sales				
- completed units	**2,016**	798	**2,016**	798
- units in progress	**4,902**	2,947	**4,902**	2,947
	14,760	12,191	**6,918**	3,745

14 DEBTORS: DUE WITHIN ONE YEAR

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Rent and service charges receivable	**5,249**	4,728	**5,176**	4,688
Less : Provisions for bad and doubtful debts	**(1,466)**	(1,477)	**(1,452)**	(1,460)
	3,783	3,251	**3,724**	3,228
Service charges recoverable	**404**	311	**404**	311
Amounts owed by group companies	**0**	0	**535**	640
Other Debtors	**2,084**	852	**399**	38
Social Housing Grant receivable	**1,212**	2,990	**1,212**	2,990
Corporation Tax receivable	**2**	76	**0**	0
Prepayments and accrued income	**1,075**	1,224	**2,392**	2,231
	8,560	8,704	**8,666**	9,438

15 INVESTMENTS (HELD AS CURRENT ASSETS)

	Group and Company	
	2014 £000	2013 £000
Listed investments at valuation	**12,370**	13,179

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Housing loans (see note 18)	**1,092**	1,130	**1,092**	1,130
Issue costs	**(53)**	(53)	**(53)**	(53)
Bank loans and overdrafts	**0**	8	**0**	0
Recycled Capital Grant Fund and Disposal Proceeds Fund (note 25)	**1,188**	843	**1,188**	843
Trade creditors	**1,621**	984	**1,555**	866
Rent and service charges received in advance	**7,063**	6,574	**7,063**	6,574
Contracts for capital works	**3,137**	2,814	**2,876**	2,591
Interest charges	**1,606**	1,914	**129**	393
Social Housing Grant received in advance	**3,721**	3,044	**3,721**	3,044
Amounts owed to group companies	**0**	0	**1,614**	1,645
Other taxation and social security	**484**	468	**410**	386
Corporation Tax	**2**	8	**0**	0
Other creditors	**946**	2,504	**886**	2,228
Gwen Joseph fund	**108**	101	**108**	101
Accruals and deferred income	**11,665**	10,148	**8,583**	7,004
	32,580	30,487	**29,172**	26,752

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Recycled Capital Grant Fund and Disposal Proceeds Fund (note 25)	**1,908**	2,184	**1,908**	2,184
Housing loans (note 18)	**349,965**	333,718	**349,965**	333,718
Issue costs	**(966)**	(1,017)	**(966)**	(1,017)
Premium on bond issues	**22**	24	**22**	24
	350,929	334,909	**350,929**	334,909

The premium arising on bond issues is amortised over the term of the loan to which it relates.

18 HOUSING LOANS

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
THE SOURCES OF HOUSING LOAN FINANCE ARE AS FOLLOWS:				
Banks and building societies	**341,307**	324,357	**24,307**	24,557
Capital market issues	**6,114**	6,659	**6,114**	6,659
Intra group	**0**	0	**317,000**	299,800
Other	**3,636**	3,832	**3,636**	3,832
	351,057	334,848	**351,057**	334,848
HOUSING LOAN FINANCE IS REPAYABLE AS FOLLOWS:				
In one year or less	**1,092**	1,130	**1,092**	1,130
Between one and two years	**1,154**	1,046	**1,154**	1,046
Between two and five years	**18,863**	8,430	**18,863**	8,430
In five years or more	**329,948**	324,242	**329,948**	324,242
	351,057	334,848	**351,057**	334,848

All loans are repayable by instalments. The final instalments fall to be paid in the period 2010 to 2043.

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
HOUSING LOANS ARE SECURED AS FOLLOWS:				
Fixed charges on properties	**351,057**	334,848	**351,057**	334,848
INTEREST RATE BASIS:				
Fixed less than 5 years	**112,162**	117,014	**112,162**	117,014
Fixed more than 5 years	**94,722**	110,469	**94,722**	110,469
Index linked	**56,578**	41,970	**56,578**	41,970
Variable	**87,595**	65,395	**87,595**	65,395
	351,057	334,848	**351,057**	334,848

In order to manage its interest rate profile the group holds inflation differential and fixed rate swaps. The interest basis including fixed rate and inflation differential swaps is shown above. The fixed rates of interest range from 1.155% to 12%. At 31 March 2014 swaps had a negative market value of £34,340,000 (2013: negative value £50,945,000). The group's average cost of borrowing at 31 March 2014 was 3.31% (2013: 3.48%).

19 DEFERRED TAX

	Group 2014 £000
At 1 April	**(31)**
Income and expenditure account credit	**25**
At 31 March	**(6)**

NOTES TO THE FINANCIAL STATEMENTS

20 CALLED UP SHARE CAPITAL

	2014 £	2013 £
Allotted, issued and fully paid shares of £1		
Balance at 1 April	**10**	6
Issued during year	**1**	5
Cancelled during year	**(2)**	(1)
Balance at 31 March	**9**	10

The share capital of the company consists of non-equity interest shares with a nominal value of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member that share is cancelled and the amount paid up becomes the property of the company.

21 INVESTMENT REVALUATION RESERVE

	Group and Company	
	2014 £000	2013 £000
At 1 April	**3,035**	2,576
Movement in year	**(810)**	459
At 31 March	**2,225**	3,035

22 RESERVES

	Group and Company				Group	Company
	Designated reserves				Revenue reserves	
	Major repairs £000	Reinvestment reserve £000	Other £000	Total £000	£000	£000
At 1 April	56,623	3,278	436	60,337	143,124	118,963
Movement in year:						
Contributions/surplus in year	11,630	0	0	11,630	8,686	9,220
Actuarial loss in year					(850)	(850)
Expenditure incurred	(1,256)	(604)	(60)	(1,920)	0	0
	10,374	**(604)**	**(60)**	**9,710**	**7,836**	**8,370**
At 31 March	**66,997**	**2,674**	**376**	**70,047**	**150,960**	**127,333**

23 RECONCILIATION OF MOVEMENT IN TOTAL FUNDS

	Group 2014 £000	Company 2013 £000
Capital and reserves at 1 April	**206,496**	182,335
Surplus on ordinary activities for the year	**18,396**	18,930
Unrealised (deficit) on current asset investments (Note 21)	**(810)**	(810)
Actuarial losses (Note 27)	**(850)**	(850)
Capital and reserves at 31 March	**223,232**	199,605

24 HOUSING STOCK

		Group			
		Units in management		Units under development	
		2014	2013	**2014**	2013
SOCIAL HOUSING					
Owned and managed by the group:	Rented	**14,158**	13,882	**669**	590
	Shared ownership	**1,969**	1,871	**261**	330
	Sheltered	**2,186**	2,158	**0**	0
	Supported housing (bedspaces)	**390**	369	**0**	0
Managed by the group:	Rented	**10**	38	**0**	0
Owned by the group:	Supported housing (bedspaces)	**221**	201	**0**	0
		18,934	18,519	**930**	920
NON-SOCIAL HOUSING					
Owned and managed by the group:	Rented	**69**	63	**0**	0
Managed by the group:	Owner occupied	**1,416**	1,382	**0**	0
COMMERCIAL PROPERTIES					
Owned and managed by the group:		**31**	31	**0**	0

		Company			
		Units in management		Units under development	
		2014	2013	**2014**	2013
SOCIAL HOUSING					
Owned and managed by the company:	Rented	**14,112**	13,874	**669**	590
	Shared ownership	**374**	379	**0**	0
	Sheltered	**2,186**	2,158	**0**	0
	Supported housing (bedspaces)	**390**	369	**0**	0
Owned by the company	Shared ownership	**1,595**	1,492	**261**	330
	Supported housing (bedspaces)	**221**	201	**0**	0
		18,878	18,473	**930**	920
NON-SOCIAL HOUSING					
Owned and managed by the company:	Rented	**34**	31	**0**	0
Managed by the company	Owner occupied	**245**	247	**0**	0
Owned by the company		**35**	38	**0**	0
COMMERCIAL PROPERTIES					
Owned and managed by the company:		**20**	20	**0**	0

25 RECYCLED CAPITAL GRANT FUND (RCGF) AND DISPOSAL PROCEEDS FUND (DPF)

	Group and Company	
	RCGF £000	**DPF £000**
Balance at 1 April	2,939	88
INPUTS TO RESERVE:		
Grants recycled	606	66
Homebuy grants	182	0
Interest accrued	17	0
WITHDRAWALS FROM RESERVE:		
New build	(802)	0
Balance at 31 March	**2,942**	**154**

26 FINANCIAL COMMITMENTS

		Group and Company	
		2014 £000	2013 £000
CAPITAL COMMITMENTS FOR WHICH NO PROVISION HAS BEEN MADE:			
- Housing properties	Contracted	**33,024**	11,776
- Housing properties	Approved not contracted	**146,140**	55,765
- Housing properties - components	Approved not contracted	**8,672**	10,508
The capital commitments will be financed by a combination of grant funding and existing loan finance facilities.			
ANNUAL COMMITMENT UNDER OPERATING LEASE:			
Land and Buildings - lease expiring 1-2 years		**44**	19
Land and Buildings - lease expiring 2-5 years		**0**	25
		44	**44**

27 PENSION SCHEMES

As explained in the accounting policies set out in note 1 the group operates five separate pension schemes. The assets of the schemes are held separately from those of the group.

THE SOCIAL HOUSING PENSION SCHEME

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

The actuarial valuation assesses whether the scheme's assets at the valuation date are likely to be sufficient to pay pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The group and company paid contributions at the rate of 7% on the final salary structure and on the CARE structure during the accounting period. Member contributions varied between 10.8% and 12.8% on the final salary structure and between 9.5% and 11.5% on the CARE structure, depending on their age. For the defined contribution scheme the company and employee pay equal contributions ranging from 3% to 7%.

As at the balance sheet date the number of active members and the annual pensionable payroll was:

	Group	Company
Active members	314	265
Pensionable pay (£000)	9,106	7,996

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Scheme Actuary has prepared an actuarial report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the scheme's assets at the date of the actuarial report was £2,718m. The actuarial report revealed a shortfall of assets compared with the value of liabilities of £1,151m, equivalent to a past service funding level of 70%.

Value as at 30 September 2013 valuation:

	£m
Assets	2,718
Liabilities	(3,869)
Net pension liability	**(1,151)**

The financial assumptions underlying the valuation were as follows:

Valuation discount rates	% pa
- pre retirement	7.0
- non pensioner post retirement	4.2
- pensioner post retirement	4.2
- pensionable earnings growth	2.5 - 4.4
- price inflation	2.9
- pension increases	
- pre 88 GMP	0.0
- post 88 GMP	2.0
- excess over GMP	2.4

NOTES TO THE FINANCIAL STATEMENTS

The group and company have been notified by the Pensions Trust that the estimated employer debt on withdrawal from the Social Housing Pension Scheme and Growth Plan Scheme based on the financial position that the scheme, as at 30 September 2013, was:

	Group and Comapny £000
Social Housing Pension Scheme	51,256
Growth Plan Scheme	234

DEFINED BENEFIT SCHEME – CORNWALL COUNCIL PENSION FUND

DCH participates in this fund as an admitted body under the Local Government Superannuation Regulations 1986.

The Local Government Superannuation Scheme is funded jointly by employees participating in the scheme and DCH. The scheme is a defined benefit salary scheme based on final pensionable salary. The scheme is administered by Cornwall Council.

The scheme was closed to new entrants with effect from 1 April 2007. The pension cost of DCH payable to the fund for the year ended 31 March 2014 relates to 14 employees who were members of the scheme at the date of transfer. The expected employer contribution payable in the next financial year is £263,000. DCH's actuarial liabilities in relation to the fund are subject to triennial valuation by a qualified independent actuary.

The most recent valuation was carried out as at 31 March 2013 and has been updated by independent actuaries to the Cornwall Council Pension Fund to take account of the requirements of FRS17 in order to assess the liabilities of the fund as at 31 March 2014. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

DEFINED BENEFIT SCHEME – DEVON COUNTY COUNCIL PENSION FUND

DCH participate in this Local Government Pension Scheme which is a defined benefit (final salary) funded pension scheme, administered by Devon County Council, and is available to all staff that transferred to DCH from South Hams District Council under TUPE arrangements in March 1999.

The Call24Hour Limited scheme was closed from 31 March 2013 which crystallised a liability of £290,000 which was paid in November 2013.

During the financial year contributions were paid at 25.7%. The pension costs for the year were £146,000 (2013: £151,000) covering 17 employees (2013: 19). Contributions for the year ending 31 March 2015 are estimated to be £156,000.

The most recent valuation was carried out as at 31 March 2013 and has been updated by independent actuaries to the Devon Council Pension Fund to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 March 2014. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

FINANCIAL ASSUMPTIONS

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the time scale covered, may not necessarily be borne out in practice.

The main financial assumptions for the Cornwall Council and Devon Council Pension Funds in respect of the FRS17 valuation are listed below.

	Cornwall Council		Devon Council	
	31 March 2014 %	31 March 2013 %	**31 March 2014 %**	31 March 2013 %
Discount rate	**4.3**	4.5	**4.4**	4.2
Rate of increase in salaries	**4.6**	5.1	**4.6**	4.7
Rate of increase in pensions	**2.8**	2.8	**2.8**	2.5
Rate of inflation	**2.8**	2.8	**3.6**	3.3

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at 65 are:

MORTALITY ASSUMPTIONS	Cornwall Council		Devon Council	
	31 March 2014	31 March 2013	**31 March 2014**	31 March 2013
Longevity at age 65 for current pensioners				
- Males	**22.2**	21.3	**22.7**	20.6
- Females	**24.4**	23.4	**26.0**	24.6
Longevity at age 65 for future pensioners				
- Males	**24.4**	23.2	**24.9**	22.6
- Females	**26.8**	25.6	**28.3**	26.5

	Cornwall Council		Devon Council	
	31 March 2014 £000	31 March 2013 £000	**31 March 2014 £000**	31 March 2013 £000
ACTUARIAL LOSSES				
Cumulative actuarial losses in the statement of recognised gains and losses	**(2,235)**	(1,445)	**(1,784)**	(1,885)
ACTUAL RETURN ON ASSETS				
Expected return on assets	**281**	270	**324**	344
Actuarial (losses)/gains	**(751)**	418	**(30)**	450
Actual return on assets	**(470)**	688	**294**	794
ANALYSIS OF THE AMOUNT CHARGED TO THE INCOME AND EXPENDITURE ACCOUNT				
Current service cost	**107**	96	**160**	159
Past service cost	**0**	0	**0**	0
Total operating charge	**107**	96	**160**	159
Expected return on assets	**281**	270	**324**	344
Interest on pension liabilities	**(350)**	(322)	**(410)**	(432)
Other financial costs	**(69)**	(52)	**(86)**	(88)
The movement in the fair value of assets and present value of liabilities for the year to 31 March 2014 is as follows:				
FAIR VALUE OF ASSETS				
At beginning of the year	**5,596**	4,922	**7,104**	6,367
Scheme crystallization	**0**	0	**(656)**	0
Expected return on assets	**281**	270	**324**	344
Actuarial (losses)/gains	**(751)**	418	**(30)**	447
Employer contributions	**211**	194	**147**	159
Employee contributions	**26**	28	**38**	43
Net benefits paid out	**(187)**	(236)	**(269)**	(256)
At end of the year	**5,176**	5,596	**6,658**	7,104
PRESENT VALUE OF LIABILITIES				
At beginning of the year	**7,804**	6,772	**10,631**	9,494
Scheme crystallization	**0**	0	**(770)**	0
Current service cost	**107**	96	**160**	159
Interest cost	**350**	322	**410**	428
Contributions by participants	**26**	28	**38**	42
Actuarial losses	**38**	822	**32**	763
Net benefits paid out	**(187)**	(236)	**(269)**	(255)
At end of the year	**8,138**	7,804	**10,232**	10,631

NOTES TO THE FINANCIAL STATEMENTS

The fair value of the assets held by the pension funds at 31 March 2014, and the expected rate of return for each class of asset is as follows:

TYPE	Cornwall Council				Devon Council			
	2014		2013		2014		2013	
	Long Term Return %	**Fund value £'000**	Long Term Return %	Fund Value £'000	**Long Term Return %**	**Fund value £'000**	Long Term Return %	Fund Value £'000
Equities	**6.5**	**3,312**	5.7	3,749	**6.6**	**3,995**	6.3	4,334
Gov't bonds	**0**	**0**	0	0	**3.6**	**466**	3.3	923
Bonds	**3.8**	**1,449**	3.5	1,175	**4.2**	**333**	4.6	0
Property	**4.8**	**311**	3.9	280	**4.6**	**599**	4.3	569
Other	**3.7**	**104**	3.0	392	**4.2**	**1,265**	3.9	1,278
TOTAL		**5,176**		5,596		**6,658**		7,104

FUNDING POSITION	Cornwall Council		Devon Council	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Assets	**5,176**	5,596	**6,658**	7,104
Estimated liabilities	**(8,138)**	(7,804)	**(10,232)**	(10,631)
Deficit in the scheme	**(2,962)**	(2,208)	**(3,574)**	(3,527)

AMOUNTS FOR CURRENT AND PREVIOUS FOUR YEARS	**2014 £000**	2013 £000	2012 £000	2011 £000	2010 £000
CORNWALL COUNCIL					
Defined benefit obligation	**(8,138)**	(7,804)	(6,772)	(6,208)	(8,968)
Plan assets	**5,176**	5,596	4,922	4,867	5,144
Deficit	**(2,962)**	(2,208)	(1,850)	(1,341)	(3,824)
Experience adjustments on plan assets	**(751)**	418	(229)	(588)	867
Experience adjustments on plan liabilities	**380**	10	(77)	1,247	0
Total amount recognised in the statement of total recognised gains and losses	**(789)**	(404)	(579)	1,805	(2,404)
DEVON COUNCIL					
Defined benefit obligation	**(10,232)**	(10,631)	(9,494)	(8,029)	(10,071)
Plan assets	**6,658**	7,104	6,367	6,159	5,846
Deficit	**(3,574)**	(3,527)	(3,127)	(1,870)	(4,225)
Experience adjustments on plan assets	**(30)**	(1)	(199)	(83)	1,193
Experience adjustments on plan liabilities	**(22)**	450	30	254	(2,303)
Total amount recognised in the statement of total recognised gains and losses	**(62)**	247	(1,247)	1,581	(1,110)

DEFINED BENEFIT SCHEME – WILLIAM SUTTON LIMITED PENSION SCHEME
The William Sutton Limited Pension Scheme is a non-contributory multi-employer defined benefit scheme which is closed to new entrants. The scheme is funded, contracted out of the state scheme and relates to some of the employees who transferred to DCH from William Sutton Limited in January 2004. The assets of the scheme are held by Pensions Limited, an independent administrator.

This pension scheme was closed on 30 June 2013 with DCH making a final payment of £120,000 in settlement of the scheme liability. The pension cost in 2013 was £19,000 covering three employees.

DEFINED CONTRIBUTION SCHEME – SOCIAL HOUSING PENSION SCHEME
This scheme administered by the Pensions Trust is the occupational pension scheme of choice for Call24Hour Limited (Call24). All staff employed by Call24 after 1 December 2002 are eligible to join this scheme. Participating employees have the option of contributing to a growth plan or a unitised ethical plan. Both the employee and employer contribute to the scheme at 5% of pensionable earnings. The pension cost charge for the period represents contributions payable by the group to the fund and amounted to £6,000. On retirement, funds or units earned can be converted into a pension with the Trust, or used to secure a pension with another provider. At 31 March 2014 there were 7 active members (2013: 7) of the scheme.

28 RELATED PARTIES

All trading transactions between DCH and its non regulated subsidiaries are charged at the cost of providing the service between the subsidiaries. Recharges are determined by an appropriate allocation depending on the nature of the cost, such as headcount, floor space and services.

	Transactions in year		Balance at year end		Nature of supply
	Income £000	Expenditure £000	Debtor £000	Creditor £000	
Call24 from DCH	201	0	0	11	Alarm monitoring
DCH from Call24	0	201	11	0	
DCT from DCH	38	0	317,005	0	Treasury services
DCH from DCT	0	38	0	317,005	
Westco from DCH	20,985	0	0	3,668	Development services
DCH from Westco	0	20,985	3,668	0	
DCLS from DCH	310	0	71	19	Scheme management
DCH from DCLS	0	310	19	71	
PHASE from DCH	161	0	59	472	Maintenance services
DCH from PHASE	0	161	472	59	
IF from DCH	368	0	1	102	Support services
DCH from IF	0	368	102	1	

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Companies within the group, board members, executives and advisers

COMPANIES WITHIN THE GROUP

DCH has eight direct subsidiaries and one associated company which have been consolidated as required under Financial Reporting Standard 2 (FRS 2). On 18 November 2013 DCH acquired Plymouth City Council's interest in Call24 making it a wholly owned subsidiary. Details of these companies and their roles within the group are shown below. With the exception of Call24 all companies trade under the single identity of DCH.

Company	Role in the group
Penwith Housing Association 2012 CIC (Cornwall CIC)	Our two community interest companies in Cornwall and Devon, respectively, are governed by a combined board, providing governance oversight of our operational service delivery in respect of housing and asset management and of the delivery of the DCH community investment strategy.
Tor Homes 2012 CIC (Devon CIC)	
Independent Futures CIC (i-Futures)	Brings together all our services focused on supporting people to live independent lives including general support, services for older people and services for younger people.
Westco Properties Limited (Westco)	Our open-market development arm. All profit made is returned to DCH in the form of Gift Aid, facilitating substantial investment for affordable homes in the region.
Devon and Cornwall Treasury Limited (DCT)	Our group treasury vehicle, responsible for £405m of the group's borrowing facilities.
Devon and Cornwall Leasehold Solutions Limited (DCLS)	Management of over 2,800 shared ownership and leasehold properties (including private retirement schemes).
Call24Hour Limited (Call24)	Provides a 24 hour, 7 days a week call response service to over 9,000 customers.
Penwith Housing Ancillary Services External Limited (PHASE)	Our VAT cost sharing exemption vehicle providing services to DCH and our partner West Devon Homes (WDH), which has a 10% minority interest.
Advantage Southwest LLP (ASW)	Our procurement consortium jointly owned by Westco and three other registered providers.

BOARD MEMBERS, EXECUTIVES AND ADVISERS

Board members	
Angela Dupont	**Group Chairman**
Paul Crawford	**Group Chief Executive**
Melvyn Garrett	**Group Director of Finance** (appointed 1 July 2013)
Tony MacGregor	**Group Director of Finance** (retired 30 June 2013)
Mike Dobel	(resigned 8 February 2014)
Jenefer Greenwood	(appointed 1 August 2014)
Nick Hardie	
Phil Hutt	
Mike Jane	
Andy Joss	
Mark Rowan	(appointed 16 April 2014)
Simon Sanger-Anderson	
Andrew Wiles	

Group executive management team	
Group Chief Executive	**Paul Crawford**
Group Director of Finance	**Melvyn Garrett** (appointed 1 July 2013)
Group Director of Asset Management	**Doug Stein**
Group Director of Development	**Richard Connolly**
Group Director of Housing and Communities	**Sue Coulson** (appointed 30 September 2013)
Group Director of Human Resources	**Sheila Whelan**
Group Business Director	**Dana Levy** (appointed 18 November 2013)
Chief Executive, Housing Services	**Andy Moore** (retired 30 April 2014)
Chief Executive, Tor Homes	**Howard Toplis** (resigned 23 July 2013)
Group Director of Finance	**Tony MacGregor** (retired 30 June 2013)

Secretary:	Jill Farrar
Registered office:	72 Paris Street, Exeter, EX1 2JZ
Company registration number:	31573R
Homes and Communities registration:	4705
Auditors:	KPMG LLP, Plym House, 3 Longbridge Road, Plymouth PL6 8LT
Principal bankers:	National Westminster Bank Plc, South West Corporate Business Centre, 246 High Street, Exeter, EX4 3PD
Principal solicitors:	Trowers and Hamlins LLP, The Senate, Southernhay Gardens, Exeter, EX1 1UG
Treasury advisers:	Centrus Advisers LLP, Fleet House, 8-12 New Bridge Street London, EC4V 6AL

Generating profit for a purpose remains pivotal to our success, working with our stakeholders to maximise our social contribution and maintain our strong finances, enabling us to continue as one of the leading social enterprises in the south west.

Fast facts about DCH

- 20,450 homes, including social and affordable rent, market rent, leasehold and shared ownership
- largest housing organisation operating solely in the south west, with high-quality homes and services across Cornwall and Devon, and expanding into new areas
- top 25% performance on key housing and asset management indicators
- turnover of £111m for 2013/14, generating a surplus of £18m for reinvesting in services and homes
- A1 credit-rating, among the highest in the sector, with £88m undrawn loan facilities already in place to support our development
- a development pipeline to 2019 of 3,500 homes for rent, shared ownership and open market sale
- 800 skilled and committed employees, living our values and making our strategy happen.

dch

DCH Head Office
72 Paris Street, Exeter EX1 2JZ

www.dchgroup.com

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