Annual Report and Financial Statements

Year ended 31 March 2016

We invest in great places where people want to live and work

Annual report and financial statements for DCH

Year ended 31 March 2016

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Annual Report and Financial Statements 2015/16
for Devon and Cornwall Housing Limited
Registered under the Cooperative and Community Benefit Societies Act no: 7096, and registered with the Homes and Communities Agency no: 4818.

01 Introduction by the Group Chairman and Group Chief Executive

▶ We achieved 93% customer satisfaction, placing homes and services at the heart of what we do

Introduction by the Group Chairman and Group Chief Executive

After an already eventful year, the EU referendum result underlines the fact that we will continue to see further significant change for the foreseeable future. Developments such as the 1% rent cut, reclassification of housing associations as public sector and the new voluntary right to buy, that together at the time seemed like a seismic shift, are put into a new perspective by the current and continuing scale of political, economic and constitutional uncertainty.

At such a time of change, it is useful for us to emphasise the stable and lasting nature of our business and the fact that we are here for the long-term in serving our current and future customers. Our strong finances place us in a robust position to achieve this and enable us to face the challenge of further changes as they arise.

Customer services to the people living in our 22,882 homes remain the core of what we do. We are delighted that customer satisfaction with our overall service has continued to rise, achieving a new high of 93%. Within this, the proportion of customers describing themselves as very satisfied has also continued to rise significantly over the life of our 2013-16 strategy.

In a challenging operating environment, our operational performance in other areas has also been strong. On lettings performance we saved over £200k compared to the previous year, not only saving money for other areas of service but, reducing the amount of time that families in need of rented accommodation waited for their new homes.

On welfare reform, we recognise that many of the previously announced cuts have still to take effect and we continue to support our customers through financial inclusion advice and signposting. Our focus has been to prevent people falling into arrears, ensuring that evictions are a last resort. Our success in this area is reflected in our strong performance figures that are among the best in the sector.

Closely allied to this is our continuing investment in the communities where we work, increasingly focused on work, training opportunities and volunteering. We work in partnership with local organisations to leverage both their and our resources, ensuring that tenancies and communities are sustainable into the future. Work carried out this year in pursuit of longer-term outcomes has included creating nine direct apprenticeship opportunities as the start of a new DCH programme, two innovative maritime employment initiatives focusing on young people, and 313 customers supported in gaining the skills, confidence and resources necessary to find work. Customers themselves have volunteered over 5,000 hours in community development activity and we are pleased to have given 160 small – but potentially life-changing - grants and awards to individuals and communities. There is more information on community investment in the value for money section of this report.

During the year we restructured our Housing and Communities team to support our vision of continually improving the service quality to customers. Our main housing services are now delivered through skilled and well-resourced neighbourhood managers, equipped with mobile working technology that enables them to bring services direct to people's homes. At the same time we have also implemented a new approach to telephone and web based services, realigning our customer contact teams and further improving the consistency and responsiveness of our first point of customer service.

> Our success to date and the significant changes in our environment have very much focused our minds on reinforcing our core value of putting customers first.

Our Group Chairman Angela Dupont, with Paul Crawford our Group Chief Executive

As part of our drive to improve service consistency and efficiency, during the year we implemented a new office strategy and have secured sites near Exeter in Devon and Pool in Cornwall. Over the next two years the majority of staff will relocate to these offices. These centres will form the hubs for our future operations in Cornwall, Devon and Somerset, enabling us to deliver high-quality customer services effectively in a great working environment, very much complementing our approach to mobile working as outlined above.

Our success to date and the significant changes in our environment have very much focused our minds on reinforcing our core value of putting customers first. Our bold new vision in our 2016-19 strategy reflects the fact that strong customer services and an engaged staff team are absolutely pivotal to our success. We are beginning work on developing a new service approach that reflects contemporary customer expectations, is simple, flexible and above all, people-focused. We will work with customers and staff extensively over the coming year to ensure that we tailor our approach to our wide demographic.

Delivering new homes for future customers remains one of our continuing success stories. During the year we developed 470 new rented and shared ownership homes, together with 87 homes for outright sale, as part of responding to the pressing housing need in all tenures across our region. Our programme of new homes for outright sale helped our commercial subsidiary deliver Gift Aid of £2.5m to support the investment in new affordable homes of all tenure types.

Our work in this area continues strongly, as we plan to use more of our financial capacity to deliver much-needed new homes. At the year end we had a further 756 affordable homes in development, together with 228 for outright sale.

We welcome the government's commitment to building one million new homes; we are excited about playing our part in this and look forward to greater clarity on delivery mechanisms such as the Starter Homes initiative. Given the affordability challenges in buying new homes across the south west, our focus to 2020 will be to ensure that we use our financial capacity to build homes that meet local demand so that residents can secure housing for sale, shared ownership and rent.

Our robust financial position is key to delivering these new homes and during the year we spent a further £58m delivering new affordable homes, through operating cash flows and new borrowing. Our operating surplus remains strong and we have increased our underlying operating margin by 3% to 31%.

01

The July 2015 budget meant that like all associations we reviewed our business plan for the new financial environment. We have made substantial on-going efficiency savings that will maintain our operating margin on social housing activities, while still achieving our high standard of customer services. These savings have regrettably included some staff redundancies, which we made quickly and sensitively in order to maintain a positive environment moving forward with our staff team.

The Welfare Reform and Work Act, together with the Housing and Planning Act, bring new challenges and we have welcomed the opportunities we have had to engage with ministers and senior officials during this period.

We welcome the voluntary right to buy as a means of enabling people to achieve their home ownership aspirations, while recycling historic investment to achieve at least one-to-one replacement. We await the results of the current pilots to see whether we will be able to achieve even greater rates of replacement depending on the financial arrangement and to agree our position on the sales in rural areas where replacement may be more difficult. We also await further information on the mechanics of pay-to-stay before we develop our policy in this respect.

We understand the Government's agenda on continued welfare reform as integral to reducing public spending, but it is important to stress the business and personal impacts of this.

In particular, proposed Local Housing Allowance (LHA) restrictions on supported and sheltered housing put at risk the viability of many projects while also creating personal hardship for some of the most vulnerable people in society. During the year we reviewed our supported housing strategy, with an increased focus on supporting younger people into employment and independence and the proposed cuts will significantly reduce our ability to deliver this. We are continuing to put our case forward with government and hope for the same constructive engagement with the sector that has successfully taken place on other areas of concern over the past year.

As ever, our team of more than 850 staff is fundamental to achieving our great performance. Our high levels of customer satisfaction, together with great results on almost all operational areas, would not be achieved without skilled and committed people going the extra mile and we thank them for this.

As well as supporting staff through the efficiency changes made during the year, we have also completed projects on insourcing our direct maintenance team in Cornwall and harmonising employment terms for staff in the former West Devon Homes. These changes have underlined the importance we attach to reward and recognition.

We have also continued to invest in developing our people. During the year a fifth of our staff team at all levels have engaged in our leadership and coaching programme, making sure that we have in-depth skills accross the organisation as well as supporting and developing leaders of the future.

The work of our board members has also been crucial to delivering our success during a demanding year, steering our organisation through difficult decisions and ensuring we are fit for the future. During the year we were delighted to be a pilot organisation in helping develop and shape the Homes & Communities Agency in-depth assessment (IDA) framework. In particular, we welcomed the learning opportunities that this brought, focusing on sales exposure, value at risk and scenario testing, which was in itself timely coming before the July 2015 budget and the 2016 European referendum result.

We thank retiring board members from our Community Interest Companies that have given oversight to our landlord services. As detailed later in the governance section, we are currently strengthening this area by establishing a Customer Services committee that will support the DCH board in this work.

The next year brings challenges, but also opportunities and we have a justified optimism about the significant role we can play in our region. Our ambition is both transformative and realistic, embedded in our capacity to deliver change in partnership with our stakeholders. As we implement our new DCH strategy, we do so in the certainty that our clear vision, great team and solid financial position all place us in the best possible position to continue to deliver our ambitious plans.

Angela Dupont, Group Chairman

Paul Crawford, Group Chief Executive

Customer services to the people living in our 22,882 homes remain the core of what we do

02 Highlights
for the year ended 31 March 2016

Martin, from our Plymouth Foyer, congratulates our young customers graduating from our partnership programme with UK Sailing Association

Highlights
for the year ended 31 March 2016

Income and expenditure
Calculated under old UK GAAP

Turnover increased by **9m** to £126m

2014	2015	2016
£110m	£117m	£126m

Property sales generated profits of **£6.7m**

2014	2015	2016
2.5m	5.0m	6.7m

Managed homes
22,882

New homes for rent, shared ownership and sale

557

Our operating margin increased to **31%**

2014	2015	2016
26%	28%	31%

leading to a net surplus of £30m

Investment and cash flow

33m

Spent on maintaining and improving existing homes

£45m

Net operating cash flow

58m

Spent on building new homes

Treasury

Gearing

2014	2015	2016
31%	31%	30%

Interest cover

2014	2015	2016
356%	453%	457%

A1

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

What our customers think

Overall customer satisfaction	Satisfaction with neighbourhoods	Satisfaction with last repair	Satisfaction with new homes
93%	94%	96%	99%

Homes let in the year
2,496

Our staff this year

People who have engaged in leadership development this year

20%

People who have enrolled in the first six months of our new apprenticeships programme

9

Supporting people

Customers helped on their journey to work this year

313

Young people supported in our Foyer accomodation this year

368

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

See page 24 for further information

03 Strategic report

The Village at Quintrell Downs is a stunning development situated near the picturesque Cornish coastline and provides 117 new homes

Strategic report

Our strategy

Our vision

This year we have reviewed our DCH strategy, and our new vision for the future is deliberately bold and challenging:

- customers who love what we do
- people who are excited about working here
- the best organisation in the south west.

Our vision emphasises that customers are our priority and people are integral to our success. It is also clear that our vision is a moving target that becomes harder to attain as customer and staff expectations develop and other organisations improve and innovate.

We are clear that we have some way to go in order to achieve these challenging ambitions, but we also know that they will become possible through an exciting journey with motivated staff and a clear and aspirational programme of work. We plan to devote significant energy and resource to successfully delivering this change.

Our purpose

It is clearly linked to our vision, and sets the context for all our work:

We are a growing and developing south west housing association that builds, rents and sells homes in places where people want to live. We aim for services that are valued by our customers, through teams who are proud to deliver our success.

Our purpose connects us with the fundamental reason for DCH's existence, and it provides the themes (in conjunction with the vision) that we build implementation of our strategy around. We will fulfil our purpose through our delivery strategies, including customer services, community investment, asset management and development.

Our values

We have reaffirmed our commitment to our existing values, together with new supporting themes that clearly signpost, together with our demanding vision, the nature of our new approach:

1 putting customers first

- friendly and flexible
- solving people's problems, and making things easy
- proud of what we do.

2 learning and improving

- challenging ourselves to be the best we can be
- innovating, experimenting, and listening to feedback
- excellence, efficiency and effectiveness.

3 making things happen

- pace, agility and momentum
- focusing on outcomes
- confidence and ambition, standing out from the crowd.

4 honesty, respect and leadership

- teamwork, leading by example
- optimism, celebrating success
- creating opportunities for people to excel.

Making our strategy happen: programmes and projects

Our vision and purpose drive our strategy forward, and are also key to us connecting all parts of the business with shared outcomes and success metrics, ensuring that every person in our teams can see their contribution to what we achieve together.

At the heart of this is that, as highlighted in both the vision and purpose, our people are integral to our ambitious plans. In addition to broader cultural change as part of our strategy, we will be focusing on continuing to develop the talents of our existing staff, and recruiting and retaining the right people for the future.

As part of this we are developing our programme of major projects to deliver our ambitious strategy, focused on people and culture, as well as innovation, efficiency and service design. These projects will be based on measurable metrics and milestones along the way.

We know from listening carefully to customer and staff feedback that some of our services and processes contain complexity that adds potential inconvenience to customers as well as increasing costs for DCH. As a result, we will now be designing services that reflect the changed external environment and customer demographic, reflecting our new vision.

Redesigning these services based on intelligence, evidence and insight will allow us to focus resources on those areas that add real value, as well as enabling us to respond to shifts in our marketplace around customer behaviour, expectations, demographics and mobility. Development of a target service model, and the roadmap to achieve this, therefore features highly in our strategic delivery programme.

The strategy has a firm foundation in our strong financial position, and maintaining this while also maximising delivery of new homes is fundamental to our long-term aspiration to be the best organisation in the south west.

We will report back on the first stages of our strategic implementation programme in our next annual report and we will also keep our stakeholders informed of progress during the year.

Working in strategic partnership with key stakeholders will be pivotal to delivering our strategy

Business review

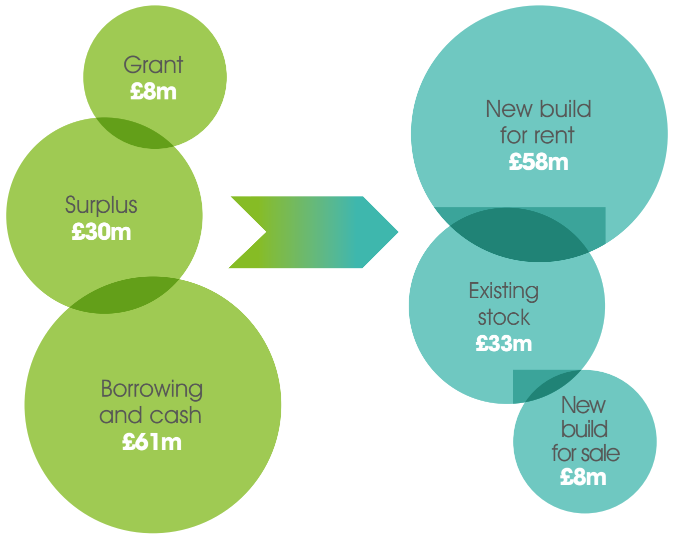
This year continued to be successful with the integration of West Devon Homes and improvements across key business measures delivering strong financial performance for DCH and our customers.

This is the first year that our results have been reported under FRS102 and whilst our operating margin appears constant at 31%, 2016 has absorbed additional pension and restructuring costs of £4m, which would have otherwise seen an increase to 34%. This is consistent with the 3% increase calculated under old UK GAAP which improved from 28% to 31%.

Cash generation has remained strong with operating cash flow after interest generating £45m to invest in new homes.

The following table summarises the key financial indicators for the past five years. West Devon Homes, which joined the group in March 2015, is included in the operating measures for the first time. The statement of financial position measures report on the new combined entity statement of financial position for 2016 and 2015 and are calculated under FRS102.

Financing our homes



	2016	2015	2014	2013	2012
Operating surplus as % of turnover	31%	28%	26%	26%	28%
Operating cash flow after net interest payments (£m)	£45m	£34m	£24m	£33m	£25m
Investment in new homes	£58m	£52m	£51m	£33m	£46m
Interest cover	457%	453%	356%	310%	295%
Gearing	30%	31%	31%	32%	32%
Debt as a multiple of turnover	3.2	3.1	3.2	3.3	3.5
Net debt per dwelling owned	£16,864	£16,650	£17,063	£16,147	£16,109

Note – 2016 and 2015 are calculated under FRS102. Prior years calculated under old UK GAAP.

Gearing and debt as a multiple of turnover remain very strong and well within lender covenants with our internal targets comparing very favourably with other Moody's rated housing associations.

These key metrics position us well to continue to increase our new development programme and manage the challenges presented in the July 2015 budget whilst maintaining a strong credit rating to minimise our cost of borrowing.

Financial and operational performance

The financial statements have been prepared under FRS102, however, in order to demonstrate underlying business performance, the figures in this section are shown using old UK GAAP. The differences are shown in the table below and in note 32.

Surplus

The following table summarises the financial results for the current and previous year under the new accounting standard FRS102 as set out in the statement of comprehensive income.

	2016 £m	2015 £m (restated)
Social housing lettings	103	91
Other turnover	28	31
Total turnover	**131**	**122**
Operating costs	(94)	(87)
Operating surplus	**37**	**35**
Profit on asset disposals	4	2
Net interest payable	(13)	(12)
Fair value of financial instruments	(1)	3
Market value of investment properties	-	3
Surplus before exceptional item	**27**	**31**
Exceptional item	-	37
Surplus before tax	**27**	**68**

The income and expenditure impact of accounting for FRS102 has required the following adjustments to be made:

	2016 £m	2015 £m
Surplus before tax and exceptional item	**27**	**31**
Grant amortisation	(5)	(4)
Housing property depreciation	4	4
Pension	3	(1)
Fair value of financial instruments	1	(3)
Market value of investment properties	-	(3)
Surplus before tax under old UK GAAP	**30**	**24**

The grant amortisation reflects the changed approach to ensure accounting treatment consistency between the grant received to build housing properties in the statement of comprehensive income and the existing reduction in the value of those properties recognised through the depreciation charge.

Housing property depreciation under FRS102 is calculated by using the gross housing cost and not the net cost after grant, having the effect of increasing the annual depreciation charge.

For the first time pension change shown in the statement of comprehensive income recognises the net negative impact of recognising the triennial valuation of the SHPS pension scheme (£4.5m) and the credit for the payments made in the year to reduce the SHPS past service deficit.

Fair value of financial instruments account for the movement in the gilt previously held as an investment.

The movement in the market value of investment properties was previously accounted for in the revaluation reserve. These movements are now part of the statement of comprehensive income.

All of DCH loans are classified as "basic" under FRS102 and we have adopted hedge accounting for interest rate swaps.

The following table summarises our results for the last five years under old UK GAAP and enables comparison to be made on the previous year's performances:

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Social housing lettings	99	87	82	78	71
Other turnover	27	30	29	23	23
Total turnover	**126**	**117**	**111**	**101**	**94**
Operating costs	(87)	(84)	(83)	(75)	(68)
Operating surplus	39	33	28	26	26
Profit on asset disposals	4	2	1	1	1
Net interest payable	(13)	(11)	(11)	(12)	(12)
Surplus before exceptional item	**30**	**24**	**18**	**15**	**15**
Exceptional item	-	37	-	-	-
Surplus before tax	**30**	**61**	**18**	**15**	**15**

The £37m exceptional item in 2015 reflects the fair value adjustment of the West Devon Homes net assets merged into the new DCH group on 25 March 2015. This was accounted for as though the transaction was an acquisition. Without the exceptional item the net surplus was £24m.

Turnover

Underlying turnover increased by 8% to £126m (2015: £117m).

Social housing lettings income increased by 14% to £99m (2015: £87m) and continues to be our most significant income stream accounting for 78% of our turnover (2015: 74%). The overall increase reflects the full year income from the former West Devon Homes (WDH) properties (£7m), a 1.2% increase in new homes and a general rent increase of 2.2% (CPI plus 1.0%) in April 2015.

Turnover on other social housing activities reduced by 16% to £15m (2015: £17m) due to the sale during the year of Call 24, DCH's call alarm business. First tranche shared ownership sales income accounted for 76% of the total with contract income from Supporting People accounting for the vast majority of the remainder.

Turnover on non-social housing activities remained constant at £13m.

The statement of comprehensive income shows turnover of £131m (2015: £122m), the difference relates to the FRS102 treatment of grant.

Operating costs

Total operating costs increased by 3% to £87m (2015: £84m) significantly less than the increase in turnover.

Operating costs on social housing lettings increased by 8% to £64m (2015: £59m) reflecting the full year operational cost of managing the former WDH properties, housing depreciation charge, inflation and the SHPS pension remeasurement.

Maintenance spend on responsive, cyclical and major repairs increased by 6%, again reflecting the repair cost associated with the former WDH properties. However, the maintenance cost per unit comparison of £1,744 (2015: £1,816) shows a 4.0% reduction in actual expenditure per unit to the previous year reflecting the Value for Money (VfM) measures undertaken during the year.

Management costs increased by 11% reflecting the additional costs incurred from managing the former WDH properties along with staff restructuring and redundancy costs of £1.3m during the year. The management cost per unit comparison of £904 (excluding restructuring costs) - £960 (including) (2015: £966) shows a 6% and 1% respective reduction in expenditure per unit to the previous year.

Operating costs on other social housing activities reduced by 15% reflecting the loss of call alarm business with surpluses from shared ownership sales remaining constant.

Operating surplus

Operating surplus increased by 20% to £39m (2015: £33m) with an improving operating margin of 31% from 28% in 2015 as a result of continuing cost control and VfM activities across DCH.

The operating margin on social housing lettings activities, which accounts for 89% of the overall operating surplus also increased to 36% from 32% in 2015.

The operating margin on other social housing activities increased to 6% (2015: 5%) reflecting improved margin on continuing activities.

The operating surplus on non-social housing activities remained constant at £4m.

Interest

Interest payable, net of interest receivable, increased by 16% to £13m (2015: £11m) reflecting the full year's interest charge on the additional £15m of former WDH loans, loss of gilt interest receivable and additional loans drawn down in the year. Cash balances increased to £62m (2015: £14m) reflecting internal liquidity requirements and cash received from sale of investments.

Surplus for the year

The surplus before tax for the year increased by 28% to £30m (2015: £24m) increasing the surplus to 24% of turnover (2015:20%).

The amalgamation of DCH and WDH was treated as an acquisition for accounting purposes in 2015. As a result a £37m gain was recognised as an exceptional income and expenditure item, reflecting the net assets of WDH amalgamated into the new DCH.

Statement of financial position

The following table summarises the group statement of financial position for the last five years:

	FRS102		Old UK GAAP		
	2016 £m	2015 £m (restated)	2014 £m	2013 £m	2012 £m
Housing properties	1,084	1,038	990	943	914
Cash	62	14	15	22	20
Loans	(421)	(378)	(351)	(335)	(328)
Grant	(387)	(386)	(438)	(432)	(426)
Derivative liabilities	(66)	(60)	-	-	-
Pension liabilities	(24)	(21)	(7)	(6)	(5)
Other fixed assets	10	10	10	10	9
Other net (liabilities)/assets	(9)	8	4	1	5
Net assets	**249**	**225**	**223**	**203**	**189**
Revenue reserves	248	221	151	143	132
Cash flow hedge reserve	(64)	(59)	-	-	-
Designated reserve	65	63	72	60	57
Total funds	**249**	**225**	**223**	**203**	**189**

Housing properties

We continued to have a substantial development programme, with cash flow additions of £58m in housing property cost during the year. The introduction of FRS102 has resulted in higher depreciation as grant is no longer included in the calculation.

Funding for the year's development programme came from the following sources £8m increase in Social Housing Grant (SHG), a £43m increase in loan finance (see below), and £59m from operational cash flows and working capital.

Social Housing Grant (SHG)

As noted above, we have changed how grant is accounted for under FRS102 with it now being included as income amortised over the life of the related building structure. During the year we received SHG cash flow additions of £8m.

Loans

Our group loans are all long term facilities of which 86% are repayable in more than five years' time. Further details are shown in the funding and treasury management section of this report and note 21 to the financial statements.

Cash flow

We continued to enjoy strong cash flow during the year delivering an operating inflow of £59m (2015: £47m) before interest payments of £14m resulting in net operating cash flow of £45m. Borrowings increased by £43m during the year resulting in a year-end total debt of £421m (2015: £378m), which is largely reflected in our higher year end cash position of £62m.

Reserves

Total reserves increased by £24m in the year largely as a result of the FRS102 surplus for the year of £27m. A further £2m was added to the major repairs designated reserve. The cash flow hedge reserve was introduced by FRS102 and shows the year end derivative position. During the year, this reserve required £5m of additional funding as the loan swaps moved further out of the money due to lower interest rates.

22,882

22,882 homes managed

Value for money and benchmarking

To ensure consistency and transparency in reporting of financial performance all figures reported in this section have been compiled under old UK GAAP.

Value for money (VfM) continues to be a key driver in DCH. It is incorporated 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/business/how-were-doing/VfM**

The DCH board maintains a robust and transparent assessment of the performance of all assets and resources. In doing this, we compare ourselves against a selection of Moody's rated housing associations and against a broader group of English housing associations by using HouseMark data. The Moody's benchmark group comprises AA3 and A1 rated associations of a similar size and/or operating in our geographical area. This benchmark group comprises 10 associations:

- Affinity Sutton Group Limited
- Bromford Housing Group Limited
- Family Mosaic Housing
- The Guinness Partnership Limited
- Moat Homes Limited
- Orbit Group Limited
- Radian Group Limited
- The Riverside Group Limited
- Sanctuary Housing Association
- Sovereign Housing Association Limited.

By benchmarking against the strongest of the Moody's ranked associations, it enables us to measure those areas where we are performing well and to focus on those areas where we need to improve.

We also compare ourselves with others by using HouseMark data where available and:

- 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 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.

2014/15/16 performance and targets for 2016/17:

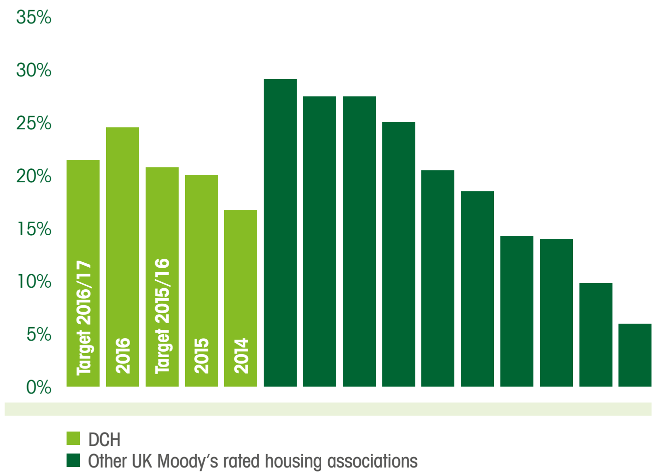
The recent publication by the HCA "social housing costs per property", described as a "proxy cash measure", based on the analysis of 2015 accounts demonstrates that our reported headline figure of £2.81k per unit is within the top quartile of housing associations. Whilst accepting that this highlights the effectiveness of past VfM actions it does not negate the requirement to drive additional VfM efficiencies in future years to ensure the maximisation of future strategic objectives.

The amalgamation of the former West Devon Homes (WDH) into DCH in March 2015 has been successfully achieved with the first year business case VfM savings of £280k delivered.

Our overall financial out-turn performance for 2015/16 was better than budgeted at £30.1m (2015: £23.6m) an increase in annual surplus of £6.5m from the previous year at the same time as delivering improved overall customer satisfaction and operational performance levels.

Operating margin

Net margin



Our financial performance and operational cost base have been reviewed during the year to ensure that we are strongly positioned to deliver the revised 2016-19 DCH strategy in what is expected to be a more challenging and uncertain environment.

This has resulted in a 2016/17 target combined management and maintenance cost per unit of £2,630, an absolute reduction of £72 (3%) from the 2015/16 actual performance.

The review ensured that we retain a focus on continued improvements in both service delivery and financial control. This is evidenced by improvements in 87% of operational indicators and 100% of financial indicators compared to the previous year.

Operating margin as a percentage of sales is a measure that enables us to focus on the level of operating costs that we incur to deliver our turnover. Although it does not take account of relative rent levels within the benchmark group, which vary as rent is calculated on a county by county basis, it is an area that we have focussed on with great success in the last year.

The 2015/16 operating margin of 31.3% represents more than a 3% improvement on both the 2014/15 actual performance and in year target.

Our target in future years, where social housing rent is subject to an absolute 1% reduction as a minimum, is to maintain the current level of 32% for landlord operating margin and focus on measures to improve this year on year and close the gap to the higher percentage performers in this peer group. The future focus on landlord operating margin is important as the planned increases of lower margin outright and shared ownership sales reduces the total overall operating and net margin performance.

Net margin as a percentage of sales – the main movements compared to operating margin are primarily due to asset disposals and interest payable. A significant increase in our net margin in the year to 23.9% (2015: 20.2%) resulted from the improvement in operating margin, along with our active asset management approach to our stock. In 2015 and 2016 net interest payable was 10% of turnover, the second lowest of this peer group with a significant proportion of our loan portfolio covered by fixed interest rate hedges.

Our strong financial performance represented by our underlying surplus, ensures that we generate a significant level of cash that is used to build much needed new homes in our region.

In the 2015/16 year we spent £58m (2015: £52m) cash on the purchase of new homes.

This actual and continual investment in the south west not only adds to the supply of homes but also helps to stimulate economic growth in the region.

Activities generated in year from the procurement strategy have delivered significantly increased annual VfM gains of £266k (2015: £75k). In addition to the direct procurement savings, we are 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.

Value for money improvements are supported by a strong framework of performance management and scrutiny. During the year, our strategic customer panel ServiceWatch has carried out several service reviews, with a particular focus on VfM from a customer perspective.

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.

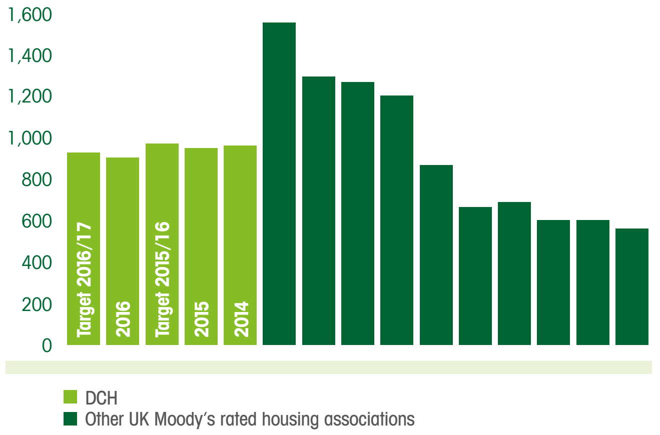
The 2016/17 targets contained in the report reflect the combined figures for the DCH and WDH amalgamated organisation.

A SERVICE OUTCOMES THAT REFLECT CUSTOMER PERCEPTIONS

Overall customer satisfaction

Customer satisfaction at 93% in the year (2015: 90%) represents a significant improvement from the previous year and is a strong performance compared to the benchmark group with the target for 2016/17 aimed at maintaining this high performance level. This indicates how our customers value the service DCH provides and this score reflects the organisational focus of achieving our new strategic aim of ensuring that "customers love what we do".

Management cost per unit



Despite a continued trend in reducing the absolute management cost per unit to £960, £6 per unit lower compared to the 2015 actual our management costs associated with delivering services to our customers is higher than the peer group average.

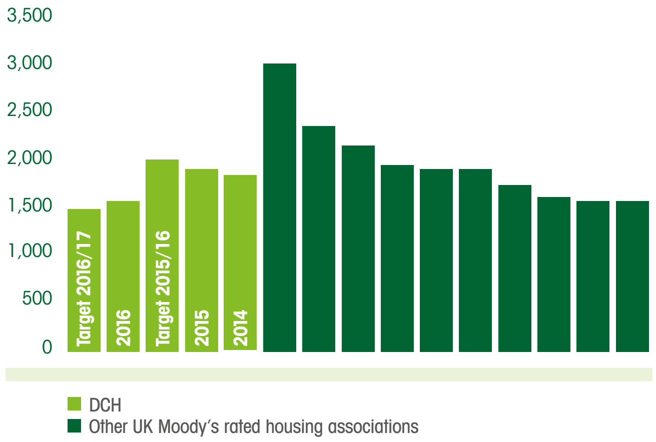
This had been previously recognised and during the year a detailed review of the operational cost was undertaken. This has resulted in a 2016/17 target of £928, a £32 absolute reduction in budgeted management costs compared to 2015/16 actual, whilst incurring in year re-structuring costs of £1.3m. Whilst this represents a significant improvement, it is recognised that this area needs to be a continued focus for DCH whilst balancing the requirement to maintain the current high level of customer service.

The 2016/17 target for overall satisfaction is set at maintaining 2015/16 upper quartile performance and when set against a target to deliver an absolute reduction in management cost per unit represents a significant VfM gain.

Satisfaction with repairs

The overall repairs satisfaction performance at 80% shows an improvement from the previous year, however we have not met the target set in last year's report. The target for 2016/17 of 84% reflects the expectation that the specifically focused customer service improvement plan for this indicator, currently being implemented, combined with the expected increasing satisfaction from improvement in customer service centre call handling will deliver the targeted performance levels.

Maintenance cost per unit



Maintenance cost per unit has reduced in the year by £72 per unit to £1,744 (2015: £1,816) and now compares favourably against the peer group by being below the average. It is also significantly better than the target set in last year's report by £175 as a result of significant VfM efficiency gains from the insourced repairs service in Cornwall. The 2016/17 target of £1,702 per unit reflects the consolidation and full year effect of previous efficiency gains and gains to be made from further insourcing of services particularly in void and cyclical programmes.

B SERVICE OUTCOMES THAT DELIVER CASH BENEFITS

GN and sheltered rent void loss

Bad debt loss (social housing)

We continue to perform well in the areas of rent void loss and bad debt loss both generally and when compared to the Moody's peer group. We have focused resource in these areas to minimise the cash impact of voids and bad debts.

Our void loss shows a significant year on year performance improvement resulting in a top decile performance of 0.5% which equates to a £0.1m saving on the target. The detailed actions implemented during the year focused on improvements to internal processes with much more detailed and regular reporting.

The 2016/17 targets of 0.5% and 0.4% for void and bad debt loss respectively will consolidate the continued improvement trend and will either provide additional VfM gains or depending on implementation time scales mitigation against the adverse impacts of Universal Credit.

C PROVIDING NEW HOMES TO MEET NEED

We continued to have a substantial social housing development programme funded principally by a mixture of private debt, internal subsidy and government grant.

In 2015/16, despite the uncertainty and caution of developers over scheme valuations and profitability post the 2015 budget announcements, 470 new rented and shared ownership homes were developed. Whilst this is a reduction of 93 properties from the previous year's level it still represents a significant contribution to increasing affordable housing units in the south west supported by maintaining overall customer satisfaction rating with the new home at 99%.

The current development programme (2016/21) included within the DCH business plan is for the provision of 3,329 new units of affordable and market rented housing funded primarily by loan finance and internal subsidy. The additional tenure types contained within the future programme reflects the requirement of creating a rental income stream which is not reliant upon central government grant whilst enabling additional rented housing to be built.

We continued to generate significant funds from the development of properties for open market sale.

In 2015/16, Westco, our open market development arm, sold 87 homes achieving a profit of £2.5m that was paid as Gift Aid to DCH. In response, and to partially compensate for the reduction in future social housing income, the Westco business plan (2016- 2021) has increased the targeted Gift Aid to £30.5m from £18m by increasing the units for open market sale to 945.

Five years to 2020/21: actions to increase value for money returns

In addition to the detailed cost review undertaken during the year and factored into budgets for 2016/17, the actions listed below will contribute to the delivery of group strategy objectives, with the focus being to increase financial capacity to provide additional units of rented housing. They are split into operational financial actions and return on assets, as set out below:

- operational financial actions
- return and future return on assets.

Operational financial actions

A) Cost control

Our five year rolling operational and financial plan is based on setting a series of annual VfM targets focused on driving financial capacity from the business.

The cost review undertaken in 2015/16 identified an absolute combined management and maintenance cost per unit saving of £74 compared to the 2015/16 actuals and is incorporated into the 2016/17 budget delivering a large financial efficiency gain and in conjunction with targeted improvement in a range of qualitative KPIs represents a significant overall VfM gain. In addition to the already budgeted financial gains, the five year financial plan has identified a further £2m of re-occurring efficiency savings to be delivered from 2018/19 onwards. This overall saving will guarantee additional cash to build in excess of 30 additional properties per annum by 2018/19 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

In response to the future challenging social housing financial environment we have looked to mitigate this risk by approving a revised more ambitious Westco five year business plan. The plan targets an increase in Gift Aid return to us over the previous plan of £18m to £30.5m. This will generate more than 200 new rented homes on a cash-funded basis, or substantially more if supported by loans as set out above.

In total the DCH board has approved a five year development programme providing 3,329 new rented homes starting in 2016/17.

> Value for money continues to be a key driver for us. It is intrinsic to our operational and strategic activities, and the culture and decision making of our business.

Economic, social and environmental returns on assets

A) Economic return on assets

Building on the return on asset framework put in place last year, which calculated the NPV and yield for every DCH property, specific asset performance data rather than standard assumptions have been included to enable a more informed view of the performance and operational fit of assets and how best to maximise the delivery of our strategic objectives.

The following key criteria are used to review each property and assess whether to retain or dispose:

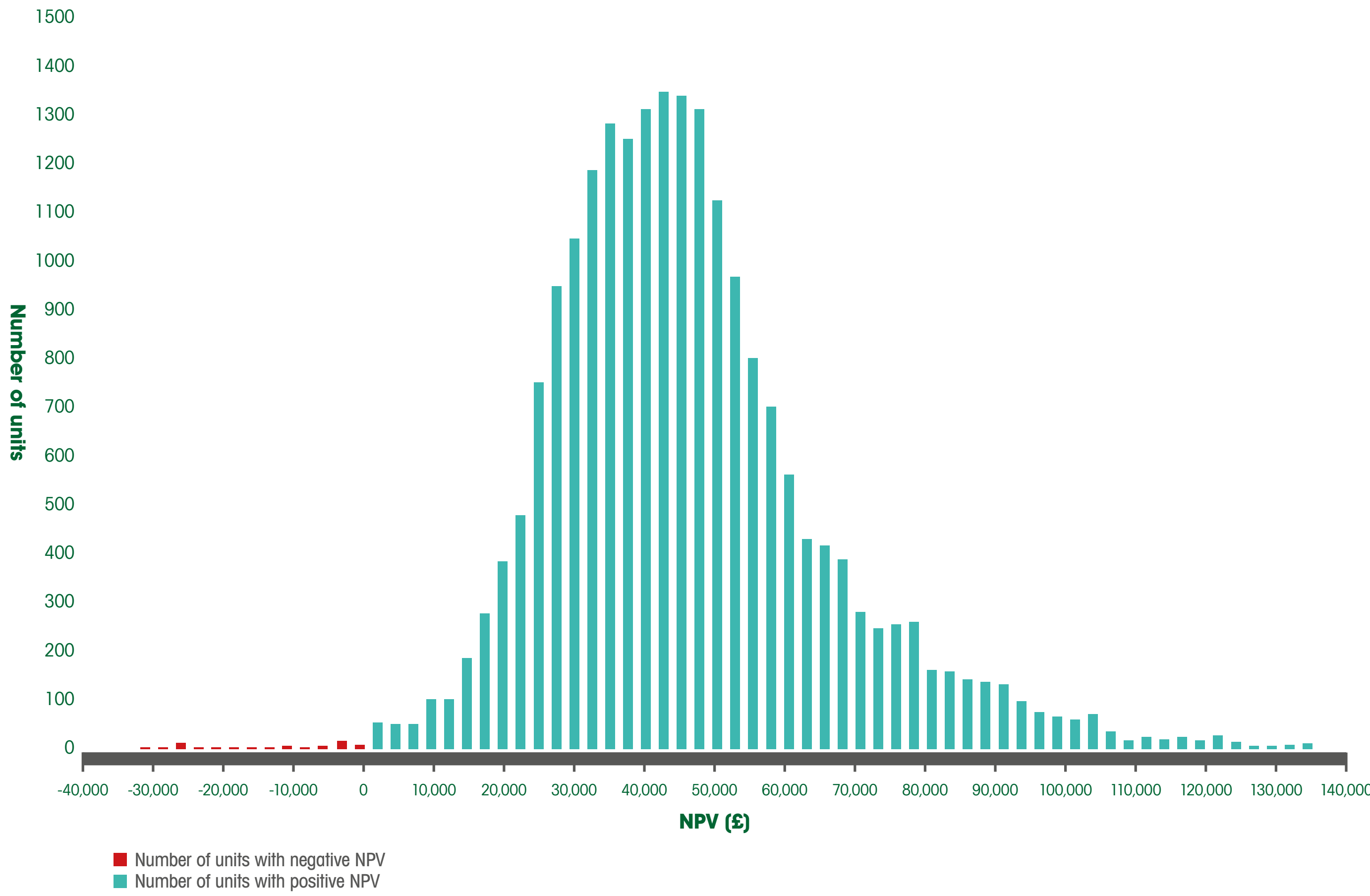
- NPV of less than £30,000 using a 5% discount factor
- proximity to other properties and stock density
- void performance in terms of turnover, rent loss and void repair cost
- major repair costs over 30 years in excess of £25k
- NPV as a multiplier of open market value
- SAP rating less than 45.

Using the data we have identified a portfolio of properties where disposal would generate greater benefit to DCH than retention. This portfolio has been prioritised to create an outline two year disposal programme.

The outcome of using the evaluation framework in 2015/16 is that 32 properties have been disposed of (in addition to garages, car parking spaces and surplus land) resulting in a cash receipt of £3.4m and a recycled capital grant of £0.9m. The sale proceeds are hypothecated for financial planning purposes to the delivery of new affordable rented properties providing the capacity to build more than 20 units.

The table below illustrates the NPV distribution of the stock that forms the basis of the return on asset review:

DCH stock NPV portfolio



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 we operate.

Our Community Investment (CI) strategy maximises VfM output by 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.

Building on the platform put in place last year, our CI strategy is focused on delivering outcomes in four key areas:

- **employment skills and enterprise**, creating nine direct apprenticeship opportunities as the start of the new DCH scheme, two innovative maritime employment programmes, as well as 313 residents supported on the journey into work
- **financial inclusion**, including benefits advice, as well as resourcing 11 community financial inclusion projects, and engaging 500 residents in a European partnership on energy efficiency
- **community sustainability**, including new support to 11 community facilities delivering services to their community, residents themselves volunteering over 5,000 hours in community development activity, and 160 small – but potentially life-changing – grants and awards given to support DCH communities
- **health and well-being**, including 406 young people benefiting from our Healthy Conversations work, and 64 health, wellbeing and sport projects undertaken.

A full copy of the DCH approach to community investment can be found on our website at **www.dchgroup.com/business/what-we-do/invest-in-communities**

C) Environmental return on assets/resources

We are accredited with ISO14001 for our environmental strategy, achieving the international standard for environmental management. The standard requires that the environmental impacts of our business are identified, monitored and subject to continual improvement.

As set out in last year's report our homes with the lowest-performing energy efficiency, defined as having a SAP rating below 45, have all had energy efficiency improvement works carried out where the residents have agreed. This work, in conjunction with the targeting of low SAP rating properties as part of the asset disposals programme, has contributed to our average SAP energy-efficiency rating for our homes increasing marginally in the year to 67. This compares to the UK average home SAP of 57, and the HouseMark average of 71. We have an on-going programme of energy efficiency improvements for existing homes, leveraging external funding to further maximise VfM.

As part of implementing the strategy we have also introduced comprehensive monthly monitoring of energy use, waste and recycling in our offices.

A full copy of the DCH environmental strategy and key data can be found on our website at **www.dchgroup.com/business/who-we-are/commitment-to-the-environment/**

Property development and sales

We are a highly regarded developing housing association with a strong track record of delivery and our leadership of the eight-member Partnership South West development consortium has placed us in a strong position for securing grant for new affordable housing.

We contracted with the Homes and Communities Agency (HCA) to develop a total of 221 new homes under the 2015/18 programme period. This programme has now been extended to 2020 under continuous bidding, providing the opportunity to bid for further funding as new opportunities arise. We also have additional HCA grant funding which will result in a further 29 homes by March 2017 and funding from Cornwall Council to deliver a further 170 homes in the county by March 2017.

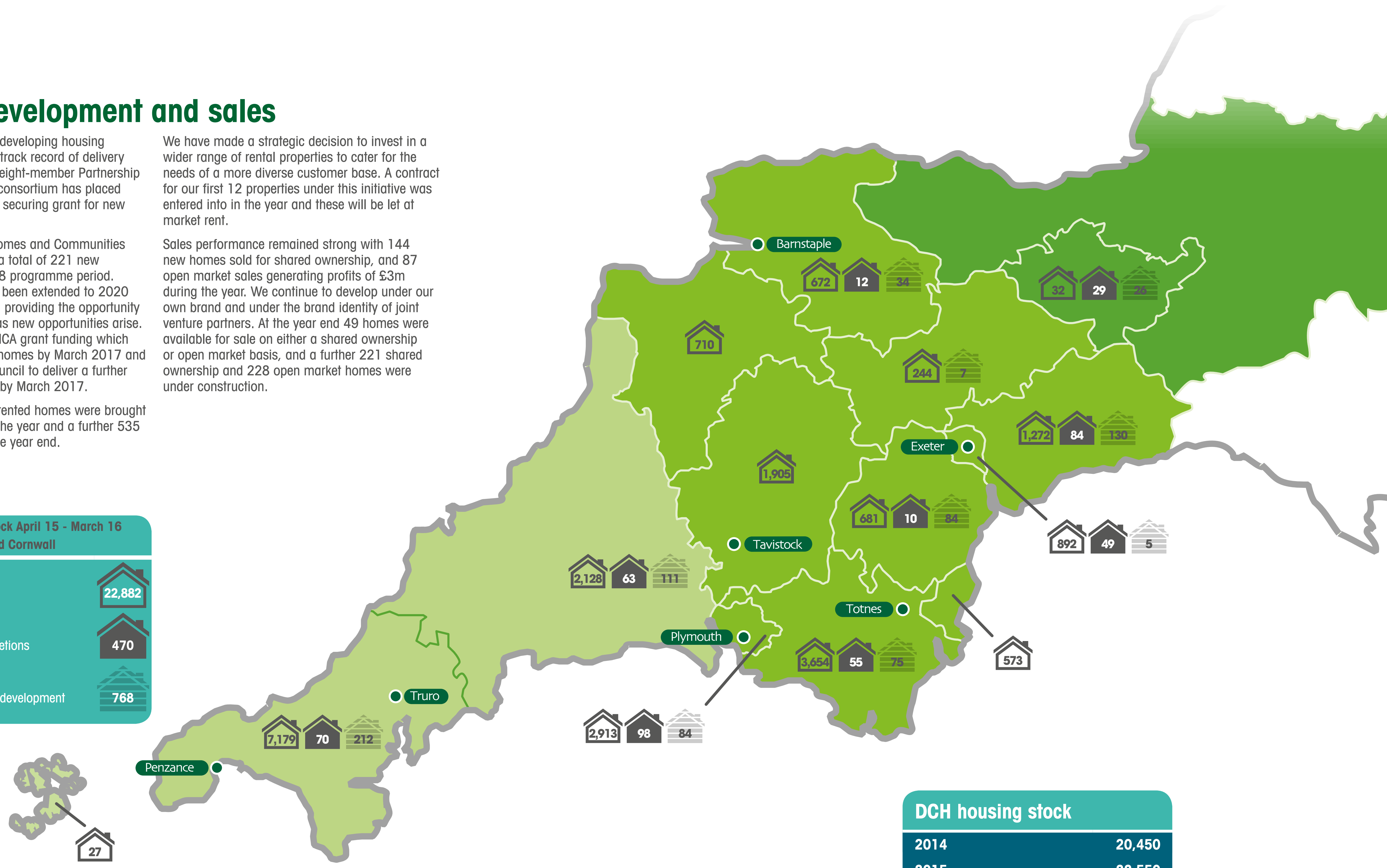
A total of 325 affordable rented homes were brought into management during the year and a further 535 were in development at the year end.

We have made a strategic decision to invest in a wider range of rental properties to cater for the needs of a more diverse customer base. A contract for our first 12 properties under this initiative was entered into in the year and these will be let at market rent.

Sales performance remained strong with 144 new homes sold for shared ownership, and 87 open market sales generating profits of £3m during the year. We continue to develop under our own brand and under the brand identity of joint venture partners. At the year end 49 homes were available for sale on either a shared ownership or open market basis, and a further 221 shared ownership and 228 open market homes were under construction.

Key: DCH Housing Stock April 15 - March 16 across Devon and Cornwall

Stock	22,882
Affordable housing completions	470
Affordable housing under development	768



DCH housing stock

2014	20,450
2015	22,550
2016	22,882

This included 508 supported houses in 2016

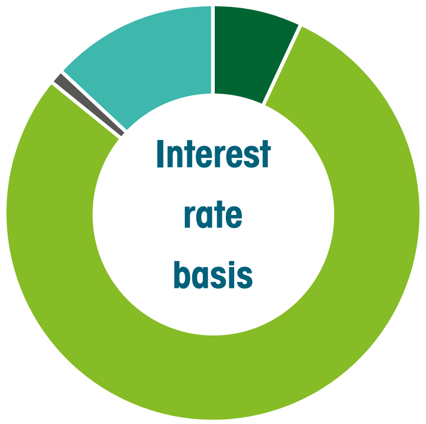
Funding and treasury management

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.

The borrowing instruments approved for use within the group, all of which are included in the statement of finacial position, are defined within the treasury management policy. Covenant compliance is actively monitored by the treasury committee and the board.

£420m	Drawn loans
£110m	Undrawn facilities
£62m	Cash deposits

£56m	Due <5 years
£68m	Due <10 years
£195m	Due <20 years
£101m	Due >20 years



7%	Fixed <5 years
79%	Fixed >5 years
<1%	Index linked
13%	Variable

Liquidity

We maintain debt funding facilities to cover our operations and planned developments. As at 31 March 2016 we had £532m of long term committed debt funding, of which £110m was undrawn, secured and available for immediate drawdown.

In total 14,368 properties are charged to the security trustee or directly to lenders with full details held on the housing management system. A further 6,929 general needs and shared ownership properties are uncharged and available to secure future borrowings.

At the year end we had £62m in cash and money market funds. The increase in the year was due to the requirement to draw £52m from a loan facility at the end of its availability period.

We actively monitor the cash flow requirements of our operating and development activities and we have a treasury management policy in place which requires, as a minimum, nine months' net cash requirement to be held as cash, liquid investments and loan facilities capable of immediate drawdown. In addition the 24 month net cash requirement, and any additional committed development requirement, is required to be held as cash, short term deposits and loan facilities capable of being secured within nine months.

Overdraft facilities of £1.5m provide us with further flexibility.

Refinancing

We have limited short to medium term refinancing risk with less than 30% of drawn loans repayable within the next 10 years.

Interest rates

Our approach to interest rate management is to maintain a balanced portfolio of fixed, variable and index linked debt.

As at 31 March 2016, £330m of our borrowings are variable rate loans which have been hedged with £275m freestanding fixed interest rate swaps. During the year, we restructured our inflation differential swaps as they no longer hedged our risks sufficiently well. We replaced them with fixed rates, and entered further fixed rate hedging to provide business plan certainty.

We also have an indirect exposure to bond rates through our pension scheme commitments.

Credit risk

Our treasury management policy sets the minimum credit rating requirements for all approved forms of deposit and the limits on credit exposure to any one counterparty. All counterparties are approved by our Treasury committee. The policy also covers counterparty credit risk on free-standing derivatives.

Market prices

We have no direct exposure to equity securities price risk but do have an indirect exposure in respect of obligations under the Social Housing Scheme and Cornwall and Devon County Council Superannuation Funds.

Margin call

We have free standing derivatives which can give rise to margin calls. This risk is managed by charging additional properties as security. Our approach in this area is cautious and sufficient properties are secured to cover margin calls in the event of a fall in long-term interest rates to 0.5%.

Justine from our Community Investment team has helped customers volunteer over 5,000 hours in community development activities

Managing our risks

Risk management strategy and process

The risk management strategy aims to provide a high level of transparency to risk consideration and ensure the accountability and ownership of risk management is successfully embedded throughout DCH's governance framework.

One of the key aspects of the framework is that the board has delegated to the Audit and Risk committee (ARC) the responsibility for measuring and monitoring risk, whilst receiving a group risk summary at each meeting. Individual committees/boards within the DCH governance framework are designated specific risks which they are responsible for reviewing and assessing at each meeting and subsequently reporting to ARC on any changes to the risk scoring or narrative. The ARC reports to the board on the complete risk register.

DCH risks and responses as at 31 March 2016

The DCH risk map documents the group risk exposure with the following being identified as key risk factors. The movement illustrates our assessment compared with last year:

KEY: RISK LEVEL MOVEMENT

INCREASE ↑	UNCHANGED ↔	DECREASE ↓

MOVEMENT ↑	HOUSING MARKET AND DEVELOPMENT
Risk	We have ambitious five year plans for both increasing the number of rented units and the surpluses generated from open market and shared ownership sales.
Mitigation/Actions	The introduction during the year of the Development Review Group enables a complete risk overview of DCH housing market activity (sales and affordable units) to be undertaken on a monthly basis Key financial controls in place include: ▸ value at risk levels for both open market and shared ownership programmes ▸ capped open market sales internal loan facility ▸ contractor exposure limits. Potential housing market scenarios have been stress tested in the business plan with the output tested against proposed mitigating actions to assess the residual level of risk exposure. Early warning trigger levels have been established which, if breached, would lead to implementation of the relevant mitigating actions. Key risk actions in the next twelve months are around ensuring that we have the required skills to ensure that a forward programme of planning consents, an appropriate land bank is delivered and that our business plan targets are achieved.
Commentary	We have significant risk exposure to a housing market slowdown, resulting in lower than anticipated demand and/or sales proceeds which would impact both shared ownership and outright sales profits. The level of risk exposure reflects the increased planned surpluses contained in the revised business plan as a response to the reduction in social housing rent in the Welfare Reform and Work Act 2016 (WRWA).

Our risk management strategy provides a high level of transparency to risk consideration, ensuring accountability and ownership of risk management is successfully embedded through our governance framework.

MOVEMENT ↑	WELFARE REFORM AND INCOME REDUCTION
Risk	Our principal form of income is through rents with the current and proposed future reforms to the welfare and benefits system having a detrimental impact.
Mitigation/Actions	We are working closely with our customers to understand their circumstances and the impact of the changes to ensure their tenancies are sustainable. Key controls in place include: ▸ weekly monitoring of arrears and void performance ▸ mitigation plans in place for known welfare reform changes. The current top quartile arrears and void performance provides a strong operational framework to deal with future changes.
Commentary	The current level of uncertainty over the details and timing of the implementation of the Local Housing Allowance and Single Room Allowance requires us to work more closely with those potentially affected in the next year.

MOVEMENT ↔	HEALTH AND SAFETY
Risk	We have a risk exposure to ensure we comply with our health and safety obligations to the wide range of stakeholders we deal with through carrying out our business.
Mitigation/Actions	We have a dedicated in house Health and Safety team reporting into the quarterly Health and Safety committee to ensure that the required monitoring, reporting and actions are being undertaken. Key controls in place include: ▸ monthly reconciliation of heating units to servicing records ▸ externally accredited health and safety policy and strategy ▸ training matrix for staff and managers.
Commentary	A project has been completed which has reviewed the process and reporting of compliance with the HCA Home Standard.

MOVEMENT ↑	FINANCIAL
Risk	Our continuing financial strength underpins the delivery of all strategic aims and in particular building new homes and investing in services for customers.
Mitigation/Actions	The impact of the rent reductions in the Welfare Reform and Work Act 2016 has been incorporated into the 30 year business plan. A range of differing scenarios have been tested on the business plan including differing post 2020 rent structures which demonstrate our continued financial strength. Key controls in place include: • monthly financial reporting • short and mid-term financial planning framework setting key operating financial targets • quarterly treasury report covering loan, security and cash flow.
Commentary	During the year we have undertaken a series of reviews to identify and remove cost from management and maintenance areas whilst continuing to improve on current service delivery. These actions will deliver an improvement in 2016/17 key operational financial indicators.

MOVEMENT ↓	PENSION SCHEMES
Risk	We provide defined benefit and defined contribution pension schemes that create on-going and variable financial obligations on DCH.
Mitigation/Actions	In addition to previous changes that we have made to the Social Housing Pension Schemes (SHPS), during the year we concluded the closing of the Devon and Cornwall Local Government Pension Schemes with them both being closed to future accrual from 31May 2016.
Commentary	We continue to keep under review the appropriateness of remaining in the multi-employer SHPS plan compared to an "own name" scheme administered by the Pensions Trust.

In addition to the highlighted areas the DCH risk map and risk process ensures that the following remaining areas of risk exposure are considered and evaluated:

- provision of front line services
- business continuity
- strategy and governance
- provision of corporate services
- reputational.

Angela Dupont,
Group Chairman
4 August 2016

Meet Maddie, one of our nine apprentices, who started her career with us this year as part of our new apprenticeship programme

04 Group structure and corporate governance

Our DCH board and executive members are key in delivering our success and to ensuring we are fit for the future

Group structure and corporate governance

Devon and Cornwall Housing Limited (DCH) is the parent company of our group, providing strong, clear leadership and directing our resources across the 22,882 properties we own or manage. It is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a provider of social housing.

Our single DCH identity is fundamental to supporting our strategy, giving clarity to stakeholders, and delivering substantial value for money benefits. During the year we have implemented a number of governance changes, in relation to treasury and development activity, as well as landlord services to support the DCH board at a time when the housing association sector is going through significant legislative change.

We have retained specialist companies within our group structure and these are listed on page 118.

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

1 **The DCH board**
2 **Board skills, recruitment and training**
3 **Our committees**
4 **The CICs board**
5 **ServiceWatch scrutiny group**
6 **Our Executive Management team and Operational Management team**
7 **Regulation.**

We have adopted the National Housing Federation's code of governance and comply with the 2015 version of this.

1 The DCH board

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

Our board has the power to direct the use of our financial resources in order to deliver our strategy. Our board monitors the performance of all subsidiaries within the group to ensure that they remain financially viable and conduct their affairs properly.

The board consists of non-executive members from a wide variety of disciplines and backgrounds along with 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.

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.

The DCH board has met six times this year.

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 has amongst its membership a range of skills, experience and understanding of corporate governance, general business strategy and management, finance, property investment and property 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.

During the year, and with the assistance of external consultants, the board reviewed the effectiveness of its governance arrangements given the changing risk profile of the housing sector. This has resulted in a number of changes to the group's corporate structure, board and committee membership, with further changes to be implemented in 2016.

The board strengthened its representation of development, construction and property skills by the appointment of Tim Larner and Laurence Clarke in July 2015.

The board also reviewed its delegations in relation to its landlord and housing support services and decided to establish a Customer Services committee to support its work in these respects and to provide further assurance on the operational risks. The DCH board will also be seeking to add to its landlord services skills by recruitment in the summer of 2016.

The Customer Services committee will supersede the activities of the CICs board and will consist of up to four DCH residents, up to three non-executives including DCH board members and up to three members of the Executive Management team.

Recruitment to the Customer Services committee will take place in the summer of 2016 to enable the changes to take effect in the autumn.

3 Our committees

The board currently has four committees; audit and risk, treasury, remuneration and a development review group.

Audit and Risk committee

The Audit and Risk committee has the task of ensuring that all boards and committees 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 the DCH board, 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 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 the DCH board, 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 Executive Management team, the reward and recognition strategies for DCH staff.

It consists of up to five non-executive board members. The Remuneration committee met six times during the year.

Development Review group

The Development Review group was established in October 2015 and is responsible for reviewing the group's overall development activity and monitoring development risks and related matters.

It consists of two non-executives from the DCH board, the Group Director of Development, the Group Director of Finance and the Group Chief Executive. The Development Review group met 10 times during the year.

4 The CICs board

During the year, our Community Interest Companies (CICs) in Cornwall and Devon were governed by a single board, chaired by a non-executive member of the DCH board. The board provided governance oversight and accountability for operational services, asset management and the delivery of the DCH Community Investment strategy.

The board members are a mix between independent members and residents, appointed on the basis of skills and experience.

The CICs board met six times during the year.

Following the review of governance in 2015, the Devon CIC will be dissolved and the Cornwall CIC retained within the group's corporate structure as a non-trading private limited company. These changes will be completed in 2016/17.

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.

The success of ServiceWatch is of key importance to DCH as effective scrutiny is intrinsic to supporting both strong governance and effective service delivery. It puts residents in the lead, takes a fresh eye to scrutinising our work and delivering results and in particular emphasises value for money from a customer perspective.

ServiceWatch prioritises its areas of review based on performance levels and customer satisfaction, as well as requests from the board.

During an internal audit in 2015 ServiceWatch achieved full assurance and in fieldwork was described by the auditor as being among the most effective scrutiny bodies they have encountered nationally. The DCH ServiceWatch framework has been included as a good practice example in a Housing Quality Network guide to resident scrutiny and members have been invited on a number of occasions to speak publicly about their work.

ServiceWatch met eight times during the year. A key priority for its work in the next year is in agreeing how it dovetails its work with the new Customer Services committee.

6 Our Executive Management team and Operational Management team

Our 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 our operational performance and reporting appropriately to our board and the boards of our subsidiary organisations
- implementing policies and strategies agreed by our 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 our strategy, while a strong second tier of management focuses on operational performance.

Reporting to the Executive Management team, the Operational Management team comprises lead senior managers across the business, providing oversight and decision-making across performance, risk, internal audit, and value for money.

7 Regulation

The regulator's assessment on compliance with its Governance and Financial Viability Standard is expressed in grades 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 current Regulatory Judgement published on 11 February 2016 on the Homes & Communities Agency (HCA) website in respect of DCH's governance is:

- G1 – The provider meets the requirements on governance set out in the Governance & Financial viability standard
- V1 – The provider meets our viability requirements and has the financial capacity to deal with a wide range of adverse scenarios.

During the year we participated in the HCA pilot of the in-depth assessment (IDA) process. It provided the opportunity to help shape the IDA process and provide learning to DCH that we could build into our governance processes and business plan/stress testing scenarios.

To improve the quality and consistency of our repairs service we have insourced our repairs teams throughout Cornwall

05 Board report

Board 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 2016.

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 misstatement 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 company is exposed.

The process for identifying, evaluating and managing the significant risks faced by the group is on-going. It has been in place throughout the period commencing 1 April 2015 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 DCH 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 DCH anti-fraud policy, covering prevention, detection and reporting of fraud, the recovery of assets and review of entries in the fraud register by the Audit and Risk committee.

Statement of board's responsibilities in respect of the board's report and financial statements

The board is responsible for preparing the board's report and the Group and Company financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the board to prepare financial statements for each financial year. Under that law the board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the income and expenditure of the Group and the Company for that period.

In preparing the Group and Company financial statements, the board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

The board is 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.

Governance and Financial Viability standard

The Group monitors its on-going compliance with both the economic and consumer Regulatory standards and compliance is reported to the board on an annual basis with any changes or implications arising within the year being reported on an ad hoc basis. As at the reporting date the board can confirm that they comply in all material respects with the standard.

Going concern

The board, after reviewing the group and company budgets for 2016/17 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.

Provision of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

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

Report of the board

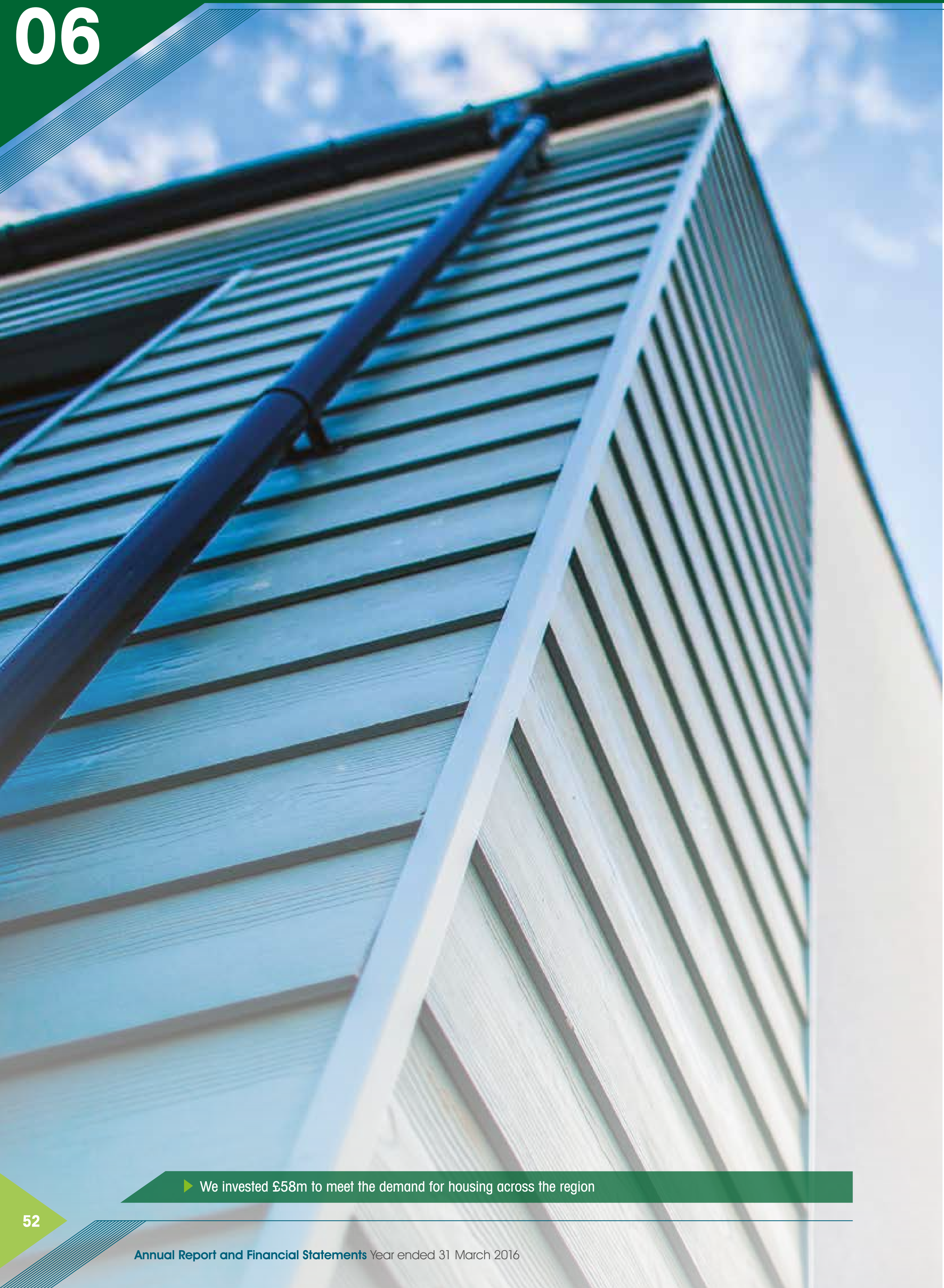
The report of the DCH board was approved on 4 August 2016 and signed on its behalf by:

Angela Dupont
Group Chairman

06 Independent auditor's report

▶ Phil from our Mental Health Accommodation Services team, celebrating their achievements at a breakfast event with customers

06



We invested £58m to meet the demand for housing across the region

Independent auditor's report

Independent auditor's report to Devon and Cornwall Housing Limited

We have audited the financial statements of Devon and Cornwall Housing for the year ended 31 March 2016 set out on pages 54 to 115. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 association as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 49 the company's board 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 the Group's and the Company's affairs as at 31 March 2016 and of the income and expenditure of the Group and the Company for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- the Company has not kept proper books of account; or
- the Company has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the Company's 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

11 August 2016

07 Statement of comprehensive income

Delcie, a customer in one of our supported housing schemes, enjoys a weekly arts and crafts morning with her friends and our team

Alex is one of our members of our highly responsive repairs service teams that achieved 96% customer satisfaction

Statement of comprehensive income

for the year ended 31 March 2016

		Group		Company	
	Note	2016 £000	2015 (restated) £000	2016 £000	2015 (restated) £000
TURNOVER	3	**130,989**	121,771	**119,252**	106,320
Operating costs	3	**(93,563)**	(86,513)	**(81,971)**	(71,206)
Surplus on property sales	4	**3,687**	2,038	**3,683**	2,036
Operating surplus	3, 5	**41,113**	37,296	**40,964**	37,150
Share of loss in associate		**(7)**	(9)	**-**	-
Profit on sale of other fixed assets		**98**	-	**76**	-
Loss on sale of fixed asset investment		**-**	(83)	**-**	(83)
Interest receivable and other income	8	**320**	673	**436**	787
Interest payable and similar charges	9	**(13,081)**	(12,431)	**(13,080)**	(12,273)
Other finance costs - pensions	29	**(580)**	95	**(580)**	95
Measurement in fair value of financial instruments		**(957)**	2,615	**(859)**	2,615
Change in value of investment property	12	**-**	2,793	**-**	2,793
Surplus on ordinary activities before tax	4-9	**26,906**	30,949	**26,957**	31,084
Exceptional item: gain on non-exchange transaction	31	**-**	37,141	**-**	37,141
Minority interest		**-**	6	**-**	-
Tax on surplus on ordinary activities	10	**(1)**	(29)	**-**	-
Dividends received		**-**	-	**343**	-
Surplus for the year		**26,905**	68,067	**27,300**	68,225
OTHER COMPREHENSIVE INCOME					
Effective portion of changes in fair value of cash flow hedges		**(5,607)**	(28,665)	**(5,607)**	(28,665)
Actuarial gain/(loss)	29	**1,744**	(2,690)	**1,622**	(2,686)
Total recognised surplus and gains relating to the year		**23,042**	36,712	**23,315**	36,874

08 Statement of financial position

Statement of financial position

as at 31 March 2016

	Note	Group 2016 £000	Group 2015 (restated) £000	Company 2016 £000	Company 2015 (restated) £000
FIXED ASSETS					
Housing Properties – Cost net of depreciation	11	**1,075,109**	1,029,280	**1,046,944**	1,005,047
Investment properties	12	**9,060**	9,060	**9,041**	9,041
		1,084,169	1,038,340	**1,055,985**	1,014,088
Other tangible fixed assets	13	**9,816**	9,707	**9,816**	9,486
Financial assets		**281**	231	**281**	231
Investments	14	**170**	184	**8,252**	6,452
Homebuy loans		**5,800**	6,099	**5,203**	5,400
		1,100,236	1,054,561	**1,079,537**	1,035,657
CURRENT ASSETS					
Properties for sale	15	**15,636**	14,464	**6,974**	5,446
Stock		**166**	177	**166**	139
Debtors	16	**9,264**	11,246	**10,478**	13,314
Financial assets		**-**	97	**-**	-
Investments	17	**-**	14,926	**-**	14,926
Cash at bank and in hand	18	**62,312**	14,237	**61,951**	13,226
		87,378	55,147	**79,569**	47,051
CREDITORS					
Amounts falling due within one year	19	**(36,549)**	(35,017)	**(31,546)**	(32,019)
Net current assets		**50,829**	20,130	**48,023**	15,032
CREDITORS					
amounts falling due after more than one year	20	**(893,377)**	(839,044)	**(892,982)**	(838,445)
PROVISIONS FOR LIABILITIES AND CHARGES					
Pension liability	29	**(9,181)**	(10,162)	**(9,181)**	(10,162)
Deferred tax	22	**-**	(20)	**-**	-
		(9,181)	(10,182)	**(9,181)**	(10,162)
Net assets		**248,507**	225,465	**225,397**	202,082

	Note	Group 2016 £000	Group 2015 (restated) £000	Company 2016 £000	Company 2015 (restated) £000
CAPITAL AND RESERVES					
Called up share capital	23	**-**	-	**-**	-
Cash flow hedge reserve		**(64,174)**	(58,567)	**(64,174)**	(58,567)
Designated reserves		**64,612**	62,879	**64,612**	62,879
Revenue reserves		**248,069**	221,153	**224,959**	197,770
Total funds		**248,507**	225,465	**225,397**	202,082

These financial statements were approved by the board on 4 August 2016 and were signed on its behalf by:

Paul Crawford
(Group Chief Executive)

Melvyn Garrett
(Group Director of Finance)

Jill Farrar
(Group Company Secretary)

We have gross housing assets of £1.2 billion, gearing of 30%, and available loan facilities of £110m. This means that we are well positioned to deliver great customer service and develop new homes in the future.

09 Statement of changes in equity

Our neighbourhood managers, like Stephen, bring our services direct to people's homes

09

Statement of changes in equity

	Group					
	Called up share capital £000	Revaluation reserve £000	Cash flow hedge reserve £000	Designated reserve £000	Revenue reserve £000	Total equity £000
Balance at 1 April 2014 as previously reported	-	2,225	-	70,047	150,960	223,232
Effects of adoption of FRS102	-	(2,225)	(29,902)	-	(2,352)	(34,479)
Balance at 1 April 2014 (restated)	-	-	(29,902)	70,047	148,608	188,753
Total comprehensive income for the period						
Surplus for the year	-	-	-	-	68,067	68,067
Measurement in fair value of financial instruments	-	-	(28,665)	-	-	(28,665)
Reserves transfer	-	-	-	(7,168)	7,168	-
Remeasurements of the net defined liability	-	-	-	-	(2,690)	(2,690)
Total comprehensive income	-	-	(28,665)	(7,168)	72,545	36,712
Balance at 31 March 2015	**-**	**-**	**(58,567)**	**62,879**	**221,153**	**225,465**

	Group					
	Called up share capital £000	Revaluation reserve £000	Cash flow hedge reserve £000	Designated reserve £000	Revenue reserve £000	Total equity £000
Balance at 1 April 2015	-	-	(58,567)	62,879	221,153	225,465
Total comprehensive income for the period						
Surplus for the year	-	-	-	-	26,905	26,905
Measurement in fair value of financial instruments	-	-	(5,607)	-	-	(5,607)
Reserves transfer	-	-	-	1,733	(1,733)	-
Remeasurements of the net defined liability	-	-	-	-	1,744	1,744
Total comprehensive income	-	-	(5,607)	1,733	26,916	23,042
Balance at 31 March 2016	**-**	**-**	**(64,174)**	**64,612**	**248,069**	**248,507**

	Company					
	Called up share capital £000	Revaluation reserve £000	Cash flow hedge reserve £000	Designated reserve £000	Revenue reserve £000	Total equity £000
Balance at 1 April 2014 as previously reported	-	2,225	-	70,047	127,333	199,605
Effects of adoption of FRS102	-	(2,225)	(29,902)	-	(2,270)	(34,397)
Balance at 1 April 2015 (restated)	-	-	(29,902)	70,047	125,063	165,208
Total comprehensive income for the period						
Surplus for the year	-	-	-	-	68,225	68,225
Measurement in fair value of financial instruments	-	-	(28,665)	-	-	(28,665)
Reserves transfer	-	-	-	(7,168)	7,168	-
Remeasurements of the net defined liability	-	-	-	-	(2,686)	(2,686)
Total comprehensive income	-	-	(28,665)	(7,168)	72,707	36,874
Balance at 31 March 2015	**-**	**-**	**(58,567)**	**62,879**	**197,770**	**202,082**

	Company					
	Called up share capital £000	Revaluation reserve £000	Cash flow hedge reserve £000	Designated reserve £000	Revenue reserve £000	Total equity £000
Balance at 1 April 2015	-	-	(58,567)	62,879	197,770	202,082
Total comprehensive income for the period						
Surplus for the year	-	-	-	-	27,300	27,300
Measurement in fair value of financial instruments	-	-	(5,607)	-	-	(5,607)
Reserves transfer	-	-	-	1,733	(1,733)	-
Remeasurements of the net defined liability	-	-	-	-	1,622	1,622
Total comprehensive income	-	-	(5,607)	1,733	27,189	23,315
Balance at 31 March 2016	**-**	**-**	**(64,174)**	**64,612**	**224,959**	**225,397**

10 Statement of cash flows

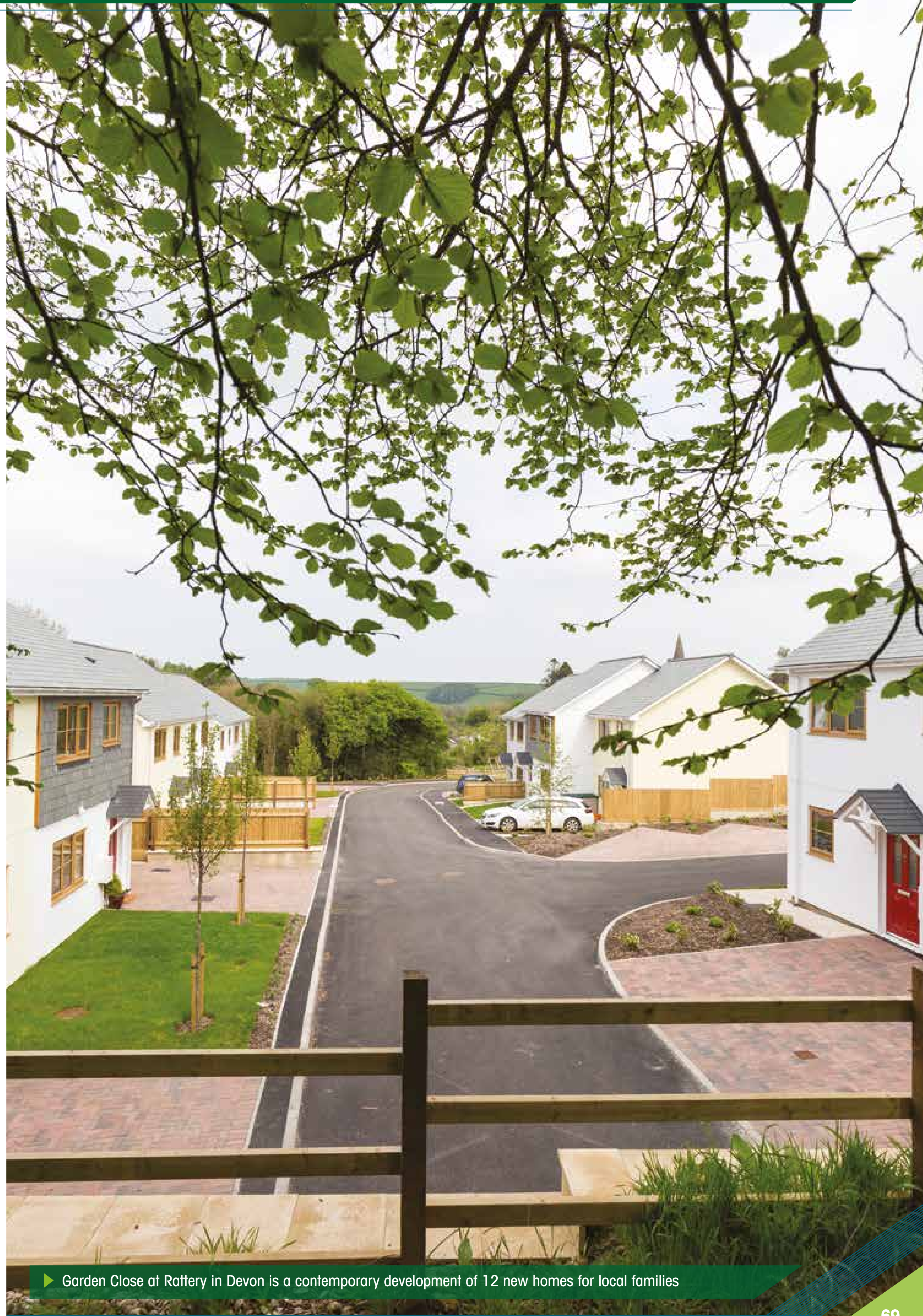
Our community investment supported families in Plymouth to come together, at the Union Street Party, to celebrate their city and neighbourhoods

10

Statement of cash flows

for the year ended 31 March 2016

	Note	2016 £000	2015 (restated) £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	(a)	**58,648**	46,797
CASH INFLOW FROM OPERATING ACTIVITIES			
Purchase of tangible fixed assets		**(68,149)**	(61,228)
Proceeds from the sale of tangible fixed assets		**5,754**	6,320
Grants received		**7,596**	7,230
Interest received		**320**	855
		(54,479)	(46,823)
CASH INFLOW FROM FINANCING ACTIVITIES			
Interest paid		**(13,928)**	(13,011)
Sale of investment		**13,969**	-
New secured loans		**43,603**	40,891
Repayment of borrowings		**-**	(28,771)
Disposal/Acquisition		**262**	547
		43,906	(344)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**48,075**	(370)
Cash and cash equivalents at the start of the year		**14,237**	14,607
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**62,312**	14,237
NOTES TO THE CASH FLOW STATEMENT			
(a) RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Operating surplus		**41,113**	37,296
Depreciation charges – other fixed assets		**1,466**	1,117
Depreciation charges – housing properties		**15,717**	13,316
Pension cost less contributions payable		**(1,026)**	(781)
Government grant utilised in year		**(4,583)**	(4,500)
Decrease/(Increase) in debtors		**351**	(355)
Increase in creditors		**2,023**	1,067
(Decrease)/increase in properties for sale		**(1,192)**	303
Decrease/(increase) in pension liability		**4,591**	(583)
Profit/(loss) on the sale of investments		**188**	(83)
Net cash inflow from operating activities		**58,648**	46,797



Garden Close at Rattery in Devon is a contemporary development of 12 new homes for local families

11 Notes to the financial statements

20% of our staff engaged in leadership training, inspiring young managers in the future of DCH

Notes to the financial statements

1 PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements are prepared in accordance with Financial Reporting Standard 102 – The applicable financial reporting standard in the UK and Republic of Ireland (FRS102) and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

An explanation of how the transition to FRS102 has affected financial position and financial performance of the Company is provided in note 32.

FRS102 grants certain first-time adoption exemptions from the full requirements of FRS102 in the transition period. The following exemptions have been taken in these financial statements:

Business combinations – Business combinations that took place prior to 1 April 2014 have not been restated.

Fair value or revaluation as deemed cost – The fair value revaluation at 1 April 2014 has been used as deemed cost for office buildings.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS102, the Company has not retrospectively changed its accounting under old UK GAAP for accounting estimates.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

FIRST TIME ADOPTION OF FRS102

On transition to FRS102, the Group has chosen to apply measurement adjustments as set out in FRS102 section 35.10 (c) by using fair value as deemed cost on office buildings to reflect a cost basis that is in line with market value. The fair value used as deemed cost is the market valuation obtained independently from a qualified RICS Chartered Surveyor.

In accordance with Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments of FRS102 that deal with recognising, derecognising, measuring and disclosing financial instruments, the Group has chosen to apply the requirements of FRS102 Sections 11 and 12 and the presentation requirements, as appropriate, of 11.38A or 12.25B as permitted by paragraph 11.2(b) and 12.2(b).

Where the Group has entered into a hedging relationship as described in FRS102 in the period between the date of transition and the reporting date for the first financial statements that comply with FRS102, it has elected to apply hedge accounting prospectively from the date all qualifying conditions for hedge accounting are met. An explanation of how the transition to FRS102 has affected financial position and financial performance of the Group is provided in note 32.

MEASUREMENT CONVENTION

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and investment property.

GOING CONCERN

The board, after reviewing the group and company budgets for 2016/17 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.

RELATED PARTY TRANSACTIONS

Transactions within the group that require disclosure under the Accounting Direction and have been eliminated on consolidation are disclosed in note 30.

The company has taken advantage of the exemption in FRS102 not to disclose intra-group transactions, as the company prepares consolidated financial statements.

BASIC FINANCIAL INSTRUMENTS

Tenant Arrears, Trade and other debtors

Tenant Arrears, Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries and associates

These are separate financial statements of the company. Investments in subsidiaries and associates are carried at cost less impairment in the financial statements of the parent company.

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries made up to 31 March 2016. Associates are incorporated using equity accounting.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where the hedged risk is the variable interest rate risk in a debt instrument measured at amortised cost the Company recognises the effective part of any gain or loss on the derivative financial instrument in other comprehensive income (OCI). Any ineffective portion of the hedge is recognised immediately in profit or loss.

The hedging gain or loss recognised in OCI is reclassified to profit or loss when the hedged item is recognised in profit or loss or when the hedging relationship ends.

11

TANGIBLE FIXED ASSETS
Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.
Office buildings have been revalued to fair value on or prior to the date of transition to FRS102, and are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described in note 27.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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 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

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.

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.

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 & fittings	- 4 to 10 years
Computer equipment	- 3 to 5 years
Motor vehicles	- 5 years

INVESTMENT PROPERTIES
Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise.

No depreciation is provided in respect of investment properties applying the fair value model.

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with section 17 until a reliable measure of fair value becomes available.

Investment property was not valued by an external, independent valuer during the year as this exercise was carried out in 2015. The directors consider the portfolio every year for any impairment or significant change to market values.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as described in the turnover accounting policy.

PROPERTIES HELD FOR SALE AND WORK IN PROGRESS
Completed properties and properties under construction for open market sales and the estimated first tranche disposal of shared ownership properties are recognised at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Interest incurred is also capitalised during the course of obtaining planning and throughout the work in progress up to the point of practical completion of the development scheme. Assessing net realisable value requires use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts on future sales activity. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

IMPAIRMENT EXCLUDING STOCKS, INVESTMENT PROPERTIES

Financial assets (including trade and other debtors)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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Non-financial assets
The carrying amounts of the DCH's non-financial assets, other than stocks, investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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.

SOCIAL HOUSING GRANT AND OTHER CAPITAL GRANTS
Social Housing Grant (SHG) and other capital grants receivable, including donated land, in respect of the capital cost of housing properties, are initially recognised at fair value as a long term liability, specifically as deferred grant income and released through the statement of comprehensive income as turnover over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords accounting for housing properties at cost in line with SORP2014.

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.

On disposal of properties, all associated SHG are transferred to either the Recycled capital grant fund (RCGF) or the Disposal Proceeds Fund (DPF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

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.

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

HOMEBUY, KEY WORKER AND STARTER HOME MORTGAGES
Under the Homebuy, Key Worker and Starter Home schemes, DCH receives grant representing a percentage of the open market purchase price of a property in order to advance interest free loans to a homebuyer. The loans advanced meet the definition of concessionary loans and are shown as fixed assets investments in the statement of financial position. The related grant provided by the government to fund all or part of a Homebuy, Key Worker or Starter Home loan has been reclassified as deferred income under FRS102 as a creditor due in more than one year up.

In the event that the property is sold, the Company recovers the equivalent loaned percentage value of the property at the time of the sale. The grant is reclassified to recyclable capital grant fund when the loans are redeemed up to the amount of the original grant and to the extent the proceeds permit. DCH is able to retain any surplus proceeds less sale costs attributable to the equivalent loaned percentage share of the value of the property. If there is a fall in the value of the property the shortfall of proceeds is offset against the grant.

PROVISIONS
A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where DCH enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

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 Statement of comprehensive income as incurred.

TURNOVER
Turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low-cost home ownership and from properties developed for open market sales, and amortisation of Social Housing Grant (SHG) under the accrual model. Rental income is recognised on the execution of tenancy agreements. Proceeds on sales are recognised on practical completions. Other income is recognised as receivable on the delivery of services provided.

Revenue grants
Revenue grants are credited to the statement of comprehensive income over the period in which the related expenditure is incurred.

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EXPENSES

Cyclical repairs and maintenance

The group has a regular programme for cyclical repairs and maintenance. The actual costs are charged to the Statement of comprehensive income as incurred.

Cost of sales

Cost of sales represents the costs including capitalised interest and direct overheads incurred in the development of the properties, and marketing, and other incidental costs incurred in the sale of the properties.

Open market sale through joint ventures, all of which being jointly controlled entities, represent the group's share of the turnover and cost of sales of the joint ventures as accounted for using the gross equity method providing more information than the equity method required under FRS102.

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable on bank loans. Borrowing costs that are directly attributable to the acquisition, construction or production of Housing Properties that take a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred.

Interest income and interest payable are recognised in profit or loss as they accrues, using the effective interest method.

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 statement of financial position 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 statement of comprehensive income.

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the statement of comprehensive income 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 statement of comprehensive income.

CARE & REPAIR

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

TAXATION INCLUDING DEFERRED TAX

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the property.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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 - is a multi-employer pension scheme administered by The Pensions Trust Limited. From 1 April 2014 the group closed the final salary scheme and closed the 1/60 CARE (career average re-valued earnings) scheme to new entrants. A 1/120 CARE scheme opened from 1 April 2014 which together with a defined contribution option are available to all staff. 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 Statement of comprehensive income 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.

To the extent that payments plans relate to funding a deficit, the contributions are recognised as a liability payable arising from the agreement with the multi-employer plan and results in a charge to the statement of comprehensive income. Where these payments are not expected to be settled within 12 months the liability is measured at the present value of the contributions payable.

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. These schemes were closed to future accrual from 31 May 2016.

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.

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2 ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of the financial statements requires management to make significant judgements and estimates which are shown below.

ESTIMATED USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT
At the date of capitalising tangible fixed assets, the Group estimates the useful life of the asset based upon management's judgement and experience. Due to the significance of capital investment to the Group, variances between actual and estimated economic lives could affect the Group's result positively or negatively.

IMPAIRMENT OF TRADE AND OTHER ACCOUNT RECEIVABLES
The Group makes an estimate of the recoverable value of trade and other account receivables. When assessing the impairment, management consider factors including the current credit rating of the account, the ageing profile and historical experience. See note 16 for the net position of debtors and associated provision.

PENSION BENEFITS
The costs of defined benefit pension plans are determined using actuarial valuation which involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, the estimates are subject to significant uncertainty. See note 29 for details of the valuation and underlying assumptions.

REVALUATION OF INVESTMENT PROPERTIES
Investment properties are held at valuation. See note 12 for further explanation.

IMPAIRMENT OF NON-FINANCIAL ASSETS
In accordance with FRS102 and the 2014 SORP the Group carries out an annual impairment test on a cash generating unit (CGU) basis. The book value of individual properties is compared to the depreciated replacement cost, then reviewed at a CGU level for indicators of impairment. The depreciated replacement cost is an estimate based on the size and type of property, taking into account average costs.

3 TURNOVER AND OPERATING SURPLUS

	Group					
	2016			2015		
	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000
SOCIAL HOUSING LETTINGS	103,338	(70,351)	32,987	91,095	(60,944)	30,151
OTHER SOCIAL HOUSING ACTIVITIES						
Supporting People contract income	2,756	(3,277)	(521)	3,791	(3,926)	(135)
Care & Repair	-	-	-	1,138	(1,268)	(130)
Maintenance & alarm call service income	177	(177)	-	1,773	(1,539)	234
Shared ownership fee income	82	(155)	(73)	113	(76)	37
Shared ownership initial sales	10,884	(8,623)	2,261	10,276	(8,011)	2,265
Affordable house sales	-	24	24	-	(25)	(25)
Development costs	74	(930)	(856)	80	(1,011)	(931)
Other	539	(591)	(52)	174	(283)	(109)
	14,512	(13,729)	783	17,345	(16,139)	1,206
NON-SOCIAL HOUSING						
Non-social housing lettings	1,376	(425)	951	1,168	90	1,258
Property sales	11,430	(8,416)	3,014	11,822	(8,882)	2,940
Other	333	(642)	(309)	341	(638)	(297)
	13,139	(9,483)	3,656	13,331	(9,430)	3,901
Total	130,989	(93,563)	37,426	121,771	(86,513)	35,258
Surplus on property sales			3,687			2,038
Operating Surplus			41,113			37,296

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INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	Group				
	2016				2015 (restated)
	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	75,928	5,463	11,459	92,850	81,297
Service charges receivable	2,042	417	3,468	5,927	5,298
Net rents receivable	77,970	5,880	14,927	98,777	86,595
Grant amortisation	3,460	525	576	4,561	4,500
Total income from social housing lettings	81,430	6,405	15,503	103,338	91,095
EXPENDITURE ON SOCIAL HOUSING LETTINGS					
Rent losses from bad debts	338	12	88	438	296
Services	1,987	417	3,179	5,583	5,058
Management	19,561	1,537	4,022	25,120	18,521
Responsive maintenance	10,592	-	1,828	12,420	11,539
Cyclical maintenance	6,649	-	623	7,272	7,612
Major repairs expenditure	1,546	-	2,324	3,870	4,260
Depreciation of housing properties	12,443	1,080	1,754	15,277	13,658
Impairment charges	-	-	371	371	-
Total expenditure on social housing lettings	53,116	3,046	14,189	70,351	60,944
Operating surplus on social housing letting activities	28,314	3,359	1,314	32,987	30,151
Rent losses from voids	(333)	-	(343)	(676)	(913)

Maintenance and alarm call service income includes £0.2m of turnover (2015: £1.3m) and £0.2m (2015: £1.2m) of operating costs relating to discontinued activities.

	Company					
	2016			2015 (restated)		
	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000
SOCIAL HOUSING LETTINGS	103,928	(71,339)	32,589	91,541	(61,566)	29,975
OTHER SOCIAL HOUSING ACTIVITIES						
Supporting People contracts	174	(178)	(4)	436	(408)	28
Care & Repair	-	(114)	(114)	-	(82)	(82)
Shared ownership fee income	82	(155)	(73)	113	(76)	37
Shared ownership initial sales	10,884	(8,623)	2,261	10,276	(8,011)	2,265
Development costs	74	(930)	(856)	80	(1,011)	(931)
Other	226	(173)	53	169	(108)	61
	11,440	(10,173)	1,267	11,074	(9,696)	1,378
NON-SOCIAL HOUSING						
Non-social housing lettings	1,376	(459)	917	1,168	56	1,224
Gift Aid receivable	2,508	-	2,508	2,537	-	2,537
	3,884	(459)	3,425	3,705	56	3,761
Total	119,252	(81,971)	37,281	106,320	(71,206)	35,114
Surplus on property sales			3,683			2,036
Operating Surplus			40,964			37,150

INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	Company				
	2016				2015 (restated)
	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	75,928	5,463	11,459	92,850	81,297
Service charges receivable	2,042	417	4,058	6,517	5,744
Net rents receivable	77,970	5,880	15,517	99,367	87,041
Grant amortisation	3,460	525	576	4,561	4,500
Total income from social housing lettings	81,430	6,405	16,093	103,928	91,541
EXPENDITURE ON SOCIAL HOUSING LETTINGS					
Rent losses from bad debts	338	12	88	438	296
Services	1,987	417	3,769	6,173	5,504
Management	19,956	1,813	4,023	25,792	18,971
Responsive maintenance	10,592	-	1,828	12,420	11,539
Cyclical maintenance	6,650	-	622	7,272	7,612
Major repairs expenditure	1,546	-	2,324	3,870	4,260
Depreciation of housing properties	12,154	1,095	1,754	15,003	13,384
Impairment charges	-	-	371	371	-
Total expenditure on social housing lettings	53,223	3,337	14,779	71,339	61,566
Operating surplus on social housing letting activities	28,207	3,068	1,314	32,589	29,975
Rent losses from voids	(333)	-	(343)	(676)	(913)

4 SURPLUS ON PROPERTY SALES

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Disposal proceeds	9,116	6,206	9,037	6,115
Cost of fixed assets	(5,429)	(4,168)	(5,354)	(4,079)
Surplus on property sales	3,687	2,038	3,683	2,036

5 SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

		Group		Company	
		2016 £000	2015 £000	2016 £000	2015 £000
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION IS STATED AFTER CHARGING					
Auditor's remuneration	- Audit of these financial statements	45	40	45	40
	- Audit of financial statements of subsidary entities	8	10	-	-
	- Other services relating to taxation	16	29	11	23
Depreciation and other amounts written off housing properties		15,717	13,315	15,443	13,040
Depreciation and other amounts written off other tangible fixed assets		1,466	1,117	1,464	1,054
Change in fair value of derivatives through income and expenditure		90	123	(8)	123
Change in fair value of investments		867	(2,738)	867	(2,738)
Operating lease rentals		113	5	113	5

6 REMUNERATION OF DIRECTORS AND EXECUTIVE MANAGEMENT TEAM

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

During the year the group executive management team also included the Group Directors of Asset Management, Development, Housing and Communities, People and Communications and Strategy and Performance.
The Group Director of Development was appointed during the year. The Group Director of Housing and Communities left 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 below. Expenses reimbursed to members of the board were as follows:

	Group and Company	
	2016 £000	2015 £000
Expenses reimbursed to board members	21	31

REMUNERATION OF DIRECTORS AND EXECUTIVE MANAGEMENT TEAM (CONTINUED)

	Group and company	
	2016 £000	2015 £000
THE EMOLUMENTS OF THE BOARD MEMBERS AND GROUP EXECUTIVE MANAGEMENT TEAM WERE AS FOLLOWS		
NON-EXECUTIVE DIRECTORS		
Angela Dupont	20	19
Laurence Clarke	9	4
Jenefer Greenwood	10	6
Nick Hardie	10	9
Philip Hutt	8	9
Michael Jane	10	9
Andy Joss	10	9
Tim Larner	9	2
Paul Love	11	-
Mark Rowan	10	9
Simon Sanger-Anderson	-	4
Andrew Wiles	10	9
	117	89
EXECUTIVE DIRECTORS		
Aggregate emoluments payable to directors (including benfits in kind)	895	986
Pension contributions in respect of services as directors	55	62
	950	1,048
Emolument paid to the Group Chief Executive who was also the highest paid director	181	170
Pension contributions	17	16
	198	186

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

BANDS

	Group		Company	
	2016	2015 (restated)	**2016**	2015 (restated)
£190,001 to £200,000	1	-	1	-
£180,001 to £190,000	1	1	1	1
£160,001 to £170,000	-	1	-	1
£150,001 to £160,000	1	-	1	-
£140,001 to £150,000	1	1	1	1
£130,001 to £140,000	1	-	1	-
£120,001 to £130,000	1	2	1	2
£110,001 to £120,000	1	1	1	1
£100,001 to £110,000	1	1	1	1
£90,001 to £100,000	8	2	8	2
£80,001 to £90,000	7	8	6	7
£70,001 to £80,000	6	4	6	4
£60,001 to £70,000	10	13	9	13

7 STAFF NUMBERS AND COSTS

	Group		Company	
	2016	2015	**2016**	2015
AVERAGE MONTHLY NUMBER OF EMPLOYEES				
Housing & Support	387	451	285	278
Development	52	47	52	47
Asset Management	311	236	311	236
Central services	125	111	125	111
	875	845	773	672
AVERAGE MONTHLY NUMBER OF FULL TIME EQUIVALENT EMPLOYEES:				
Housing & Support	332	411	242	248
Development	47	43	47	43
Asset Management	303	228	303	228
Central services	117	105	117	105
	799	787	709	624

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
THE AGGREGATE PAYROLL COST OF THESE EMPLOYEES WAS AS FOLLOWS				
Wages and salaries	**25,476**	21,991	**23,188**	18,551
Social security costs	**2,070**	1,791	**1,892**	1,531
Other pension costs	**6,124**	2,530	**5,921**	2,416
	33,670	26,312	**31,001**	22,498

8 INTEREST RECEIVABLE AND OTHER INCOME

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Listed investments	**57**	462	**57**	462
Bank and deposits	**251**	124	**249**	202
Intra-group loans	**-**	-	**118**	117
Loan to housing association	**5**	6	**5**	6
Other	**7**	81	**7**	-
	320	673	**436**	787

9 INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Intra-group loans	**-**	-	**9,283**	9,965
Bank loans & overdrafts	**13,933**	12,881	**4,650**	2,916
Other	**220**	180	**220**	24
Less: capitalised interest at 3.1% (2015: 3.2%)	**(1,277)**	(1,118)	**(1,277)**	(1,118)
Unwind of discount on provisions	**205**	335	**204**	333
Ineffective portion of losses on derivatives treated as cash flow hedges	**-**	153	**-**	153
	13,081	12,431	**13,080**	12,273

10 TAXATION

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
UK CORPORATION TAX				
On surplus for the year at 20% (2015: 20%)	**-**	1	**-**	-
Adjustments in respect of prior periods	**(1)**	2	**-**	-
Total current tax	**(1)**	3	**-**	-
DEFERRED TAX				
Fixed asset timing differences	**-**	8	**-**	-
Short term timing differences	**-**	(1)	**-**	-
Losses carried forward	**2**	19	**-**	-
Total deferred tax	**2**	26	**-**	-
Total tax	**1**	29	**-**	-
RECONCILIATION OF TAX CHARGE				
Surplus for the year	**26,904**	68,067	**27,300**	68,225
Total tax expense	**1**	29	**-**	-
Surplus excluding tax	**26,905**	68,096	**27,300**	68,225
Tax at 20%	**5,381**	13,619	**5,460**	**13,645**
Effects of:				
Charity relief	**(5,380)**	(13,590)	**(5,460)**	**(13,645)**
Total tax expense	**1**	29	**-**	-

	2016			2015		
	Current tax	**Deferred tax**	**Total Tax**	Current tax	Deferred tax	Total Tax
GROUP						
Recognised in the Statement of comprehensive income	**(1)**	**2**	**1**	3	26	29
	(1)	**2**	**1**	3	26	29

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11 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Group				
	Social housing				Total
	Complete schemes		Under construction		
	Rented £000	Shared ownership £000	Rented £000	Shared ownership £000	£000
COST					
At beginning of year	**1,033,749**	**106,462**	**31,670**	**4,087**	**1,175,968**
Additions in year	569	101	43,711	13,194	57,575
Components capitalised	9,712	-	-	-	9,712
Disposals	(2,726)	(3,923)	-	-	(6,649)
Transferred on completion	25,043	9,317	(25,043)	(9,317)	-
At end of year	**1,066,347**	**111,957**	**50,338**	**7,964**	**1,236,606**
DEPRECIATION					
At beginning of year	**137,442**	**9,206**	**40**	**-**	**146,688**
Charge for year	14,639	1,078	-	-	15,717
Disposals	(636)	(272)	-	-	(908)
At end of year	**151,445**	**10,012**	**40**	**-**	**161,497**
NET BOOK VALUE					
At 31 March 2016	**914,902**	**101,945**	**50,298**	**7,964**	**1,075,109**
At 31 March 2015	896,307	97,256	31,630	4,087	1,029,280

	Company				
	Social housing				Total
	Complete schemes		Under construction		
	Rented £000	Shared ownership £000	Rented £000	Shared ownership £000	£000
COST					
At beginning of year	1,010,923	107,845	26,572	4,201	1,149,541
Additions in year	-	101	40,074	13,194	53,369
Components capitalised	9,712	-	-	-	9,712
Disposals	(2,726)	(3,923)	-	-	(6,649)
Transferred on completion	25,043	9,317	(25,043)	(9,317)	-
At end of year	**1,042,952**	**113,340**	**41,603**	**8,078**	**1,205,973**
DEPRECIATION					
At beginning of year	**135,131**	**9,323**	**40**	**-**	**144,494**
Charge for year	14,350	1,093	-	-	15,443
Disposals	(636)	(272)	-	-	(908)
At end of year	**148,845**	**10,144**	**40**	**-**	**159,029**
NET BOOK VALUE					
At 31 March 2016	**894,107**	**103,196**	**41,563**	**8,078**	**1,046,944**
At 31 March 2015	875,792	98,522	26,532	4,201	1,005,047

TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (CONTINUED)

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
ADDITIONS TO HOUSING PROPERTIES IN THE COURSE OF CONSTRUCTION DURING THE YEAR INCLUDES				
Capitalised interest at 3.1% (2015: 3.2%)	**1,277**	1,118	**1,277**	1,118
Direct development costs	**1,572**	1,486	**1,572**	1,486
THE NET BOOK VALUE OF PROPERTIES COMPRISES				
Freehold	**1,049,784**	1,004,216	**1,021,619**	979,983
Long leasehold – under 50 years remaining	**657**	604	**657**	604
Long leasehold – over 50 years remaining	**24,668**	24,460	**24,668**	24,460
	1,075,109	1,029,280	**1,046,944**	1,005,047
WORKS TO EXISTING PROPERTIES				
Revenue	**23,562**	23,411	**23,562**	23,411
CAPITALISED COMPONENTS INCLUDED IN THE NET BOOK VALUE OF PROPERTIES				
COST				
At beginning of year	**99,843**		**99,843**	
Additions	**9,712**		**9,712**	
Disposals	**(546)**		**(546)**	
At end of year	**109,009**		**109,009**	
DEPRECIATION				
At beginning of year	**31,497**		**31,497**	
Additions	**4,312**		**4,312**	
Disposals	**(288)**		**(288)**	
At end of year	**35,521**		**35,521**	
Cost excluding component accounting adjustments	**1,127,597**		**1,096,964**	
Cost net of depreciation excluding component accounting adjustments	**1,001,621**		**973,456**	

12 TANGIBLE FIXED ASSETS – INVESTMENT PROPERTIES

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
COST				
At beginning of year	**9,060**	6,267	**9,041**	6,248
Revaluation	-	2,793	-	2,793
At end of year	**9,060**	9,060	**9,041**	9,041

In 2015 investment properties were valued by an external valuer. The directors considered the valuation at 31 March 2016 and no change was required.

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13 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 - restated	5,067	3,187	4,477	2,973	15,704
Additions	62	335	539	871	1,807
Disposals	(13)	(630)	(431)	(365)	(1,439)
At end of year	**5,116**	**2,892**	**4,585**	**3,479**	**16,072**
DEPRECIATION					
At beginning of year	13	2,195	2,779	1,010	5,997
Charge for year	171	213	550	532	1,466
On disposals	(13)	(424)	(424)	(346)	(1,207)
At end of year	171	1,984	2,905	1,196	6,256
NET BOOK VALUE					
At 31 March 2016	**4,945**	**908**	**1,680**	**2,283**	**9,816**
At 31 March 2015	5,054	992	1,698	1,963	9,707

Company	Freehold land and buildings £000	Fixtures and fittings £000	Computer equipment £000	Motor vehicles £000	Total £000
COST					
At beginning of year	5,067	2,556	4,337	2,938	14,898
Additions	62	335	539	871	1,807
Disposals	(13)	-	(308)	(330)	(651)
At end of year	**5,116**	**2,891**	**4,568**	**3,479**	**16,054**
DEPRECIATION					
At beginning of year	13	1,772	2,646	981	5,412
Charge for year	171	212	549	532	1,464
On disposals	(13)	-	(308)	(317)	(638)
At end of year	**171**	**1,984**	**2,887**	**1,196**	**6,238**
NET BOOK VALUE					
At 31 March 2016	**4,945**	**907**	**1,681**	**2,283**	**9,816**
At 31 March 2015	5,054	784	1,691	1,957	9,486

OTHER TANGIBLE FIXED ASSETS (CONTINUED)

	Group and Company 2016 £000	2015 £000
The net book value of properties comprises:		
Freehold	**2,831**	2,879
Long leasehold	**2,114**	2,175
	4,945	5,054

14 INVESTMENTS

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
INVESTMENTS IN SUBSIDIARIES				
Shares	-	-	**2,288**	2,574
Intragroup Loan	-	-	**5,892**	3,800
Loan to other housing association	**72**	78	**72**	78
Interest in associate	**98**	106	-	-
	170	184	**8,252**	6,452

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 two – five years. There is no penalty for early repayment.

At 31 March 2016 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.

	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
Call24Hour Limited	England	24-hour telecare monitoring and response solutions
In addition:		
Advantage Southwest LLP is 25% owned by Westco Properties Limited	England	Procurement consortium

Following a strategic review, Call24Hour Limited was sold to Appello Limited on 1 June 2015.

15 PROPERTIES FOR SALE

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Properties developed for outright sale	**8,662**	9,018	**-**	-
Shared ownership properties – first tranche sales				
– completed units	**953**	1,501	**953**	1,501
– units in progress	**6,021**	3,945	**6,021**	3,945
	15,636	14,464	**6,974**	5,446

16 DEBTORS

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Rent and service charges receivable	**6,247**	6,540	**6,247**	6,473
Less: Provisions for bad and doubtful debts	**(1,159)**	(1,486)	**(1,159)**	(1,467)
	5,088	5,054	**5,088**	5,006
Service charges recoverable	**382**	343	**382**	343
Amounts owed by group companies	**-**	-	**47**	504
Other debtors	**1,207**	939	**235**	309
Social Housing Grant receivable	**1,558**	3,096	**1,558**	3,096
Corporation Tax receivable	**-**	-	**-**	-
Prepayments and accrued income	**1,029**	1,814	**3,168**	4,056
	9,264	11,246	**10,478**	13,314

Amounts owed by group undertakings are trading balances repayable on demand and are non-interest bearing.

17 INVESTMENTS (HELD AS CURRENT ASSETS)

	Group and Company 2016 £000	Group and Company 2015 £000
Listed investments at valuation	**-**	14,926

The investment was disposed of during the year.

18 CASH AND CASH EQUIVALENTS

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Cash at bank and in hand	**62,312**	14,237	**61,951**	13,226
Cash and cash equivalents per cash flow statement	**62,312**	14,237	**61,951**	13,226

19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Housing loans (see note 21)	**1,252**	1,125	**1,252**	1,125
Issue costs	**(53)**	(58)	**(53)**	(58)
Recycled Capital Grant Fund & Disposal Proceeds Fund (note 26)	**888**	1,400	**888**	1,400
Trade creditors	**1,509**	2,876	**1,458**	2,826
Rent and service charges received in advance	**8,598**	7,737	**8,598**	7,737
Contracts for capital works	**4,402**	4,732	**3,330**	3,737
Interest charges	**2,077**	2,011	**724**	513
Pension deficit	**1,761**	1,250	**1,755**	1,245
Amounts owed to group companies	**-**	-	**1,483**	1,930
Other taxation and social security	**589**	527	**528**	444
Corporation Tax	**-**	1	**-**	-
Other creditors	**1,482**	1,315	**1,044**	1,147
Gwen Joseph fund	**119**	113	**119**	113
Accruals and deferred income	**13,925**	11,988	**10,420**	9,860
	36,549	35,017	**31,546**	32,019

Amounts owed by group undertakings are trading balances repayable on demand and are non-interest bearing.

20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Recycled Capital Grant Fund & Disposal Proceeds Fund (note 26)	**3,894**	2,640	**3,894**	2,640
Pension deficit	**12,988**	10,116	**12,807**	10,054
Housing loans (note 21)	**419,827**	376,625	**419,827**	376,625
Social Housing grant	**386,631**	385,704	**386,631**	385,409
Issue costs	**(860)**	(1,513)	**(860)**	(1,513)
Other financial liabilities (see note 24)	**65,480**	59,830	**65,480**	59,830
Grant on HomeBuy equity loans	**5,417**	5,642	**5,203**	5,400
	893,377	839,044	**892,982**	838,445

The premium arising on loan issues is amortised over the term of the loan to which it relates. Amounts owed by group undertakings are trading balances repayable on demand and are non-interest bearing.

The gross social housing grant received is £455m (2015: £450m) with a total of £69m (2015: £64m) being amortised in to reserves.

21 HOUSING LOANS

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
THE SOURCES OF LOAN FINANCE ARE AS FOLLOWS				
Banks & building societies	**333,148**	340,894	**38,148**	38,894
Capital market issues	**84,697**	33,435	**84,697**	33,435
Intra group	**-**	-	**295,000**	302,000
Other	**3,234**	3,421	**3,234**	3,421
	421,079	377,750	**421,079**	377,750

	Group and Company	
	2016 £000	2015 £000
HOUSING LOAN FINANCE IS REPAYABLE AS FOLLOWS		
In one year or less	**1,252**	1,125
Between one and two years	**5,933**	1,252
Between two and five years	**49,824**	44,018
In five years or more	**364,070**	331,355
	421,079	377,750

All loans are repayable by instalments. The final instalments fall to be paid in the period 2020 to 2043.

HOUSING LOANS ARE SECURED AS FOLLOWS:		
Fixed charges on properties	**421,079**	377,750
INTEREST RATE BASIS		
Fixed less than 5 years	**30,596**	93,968
Fixed more than 5 years	**331,905**	139,473
Index linked	**3,124**	56,070
Variable	**55,454**	88,239
	421,079	377,750

In order to manage its interest rate profile the group holds fixed rate swaps. The inflation differential swaps were restructured in the year. The interest basis including fixed rate and inflation differential swaps is shown above. The fixed rates of interest range from 0.68% to 12%. The group's average cost of borrowing at 31 March 2016 was 3.05% (2015: 3.45%).

22 DEFERRED TAX

	Group
	2016 £000
At 1 April	**20**
Disposal of subsidiary	**(18)**
Losses carried forward	**(2)**
At 31 March	**-**

23 CALLED UP SHARE CAPITAL

	Group and Company	
	2016 £	2015 £
Allotted, issued and fully paid shares of £1		
Balance at 1 April	**9**	9
Issued during year	**2**	3
Cancelled during year	**(1)**	(3)
Balance at 31 March	**10**	9

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.

24 FINANCIAL INSTRUMENTS

	2016 £000
Carrying amount of financial instruments	
Assets measured at fair value	281
Assets measured at amortised cost	62,482
Liabilities measured at fair value	65,480
Liabilities measured at amortised cost	421,080

HEDGE ACCOUNTING

The following table indicates the periods in which the cash flows associated with cash flow hedging instuments are expected to occur as required by FRS102 for the cash flow hedge accounting models, and the periods in which they are expected to affect profit or loss.

	Group and Company					
	2016					
	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to < 2 years £000	2 to < 5 years £000	5 years and over £000
Interest rate swaps:						
Assets	281	1,148	169	128	382	469
Liabilities	(65,480)	(106,531)	(6,579)	(6,646)	(19,682)	(73,624)
	(65,199)	(105,383)	(6,410)	(6,518)	(19,300)	(73,155)
	2015					
	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to < 2 years £000	2 to < 5 years £000	5 years and over £000
Interest rate swaps:						
Assets	231	217	176	41	-	-
Liabilities	(59,830)	(114,504)	(6,949)	(6,625)	(20,212)	(80,718)
	(59,599)	(114,287)	(6,773)	(6,584)	(20,212)	(80,718)

25 HOUSING STOCK

		Group			
		Units in management		Units under development	
		2016	2015	**2016**	2015
SOCIAL HOUSING					
Owned and managed by the group:	Rented	**16,134**	15,824	**535**	494
	Shared ownership	**2,189**	2,099	**221**	214
	Sheltered	**2,379**	2,383	**-**	-
	Supported housing (bedspaces)	**332**	338	**-**	-
Managed by the group:	Rented	**58**	58	**-**	-
Owned by the group:	Supported housing (bedspaces)	**176**	190	**-**	-
		21,268	20,892	**756**	708
NON-SOCIAL HOUSING					
Owned and managed by the group:	Rented	**69**	67	**-**	-
Managed by the group:	Owner occupied	**1,506**	1,553	**-**	-
COMMERCIAL PROPERTIES					
Owned and managed by the group:		**39**	38	**-**	-

		Company			
		Units in management		Units under development	
		2016	2015	**2016**	2015
SOCIAL HOUSING					
Owned and managed by the company:	Rented	**16,134**	15,819	**535**	494
	Shared ownership	**371**	372	**-**	-
	Sheltered	**2,379**	2,383	**-**	-
	Supported housing (bedspaces)	**332**	338	**-**	-
Managed by the company:	Rented	**58**	58	**-**	-
Owned by the company:	Shared ownership	**1,818**	1,727	**221**	214
	Supported housing (bedspaces)	**176**	190	**-**	-
		21,268	20,887	**756**	708
NON-SOCIAL HOUSING					
Owned and managed by the company:		**27**	34	**12**	-
Managed by the company		**372**	319	**-**	-
Owned by the company		**42**	33	**-**	-
COMMERCIAL PROPERTIES					
Owned by the company:		**39**	38	**-**	-

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

	Group and Company	
	RCGF £000	DPF £000
Balance at 1 April	**3,640**	400
INPUTS TO FUND		
Grants recycled	**1,798**	87
Homebuy grants	**216**	-
Interest accrued	**23**	-
WITHDRAWALS FROM FUND		
New build	**(1,297)**	(85)
Balance at 31 March	**4,380**	402

27 FINANCIAL COMMITMENTS

		Group and Company	
		2016 £000	2015 £000
Capital commitments for which no provision has been made:			
Housing properties	Contracted	**89,257**	37,665
Housing properties	Approved not contracted	**71,877**	111,217
Housing properties – components	Approved not contracted	**8,348**	9,901

The capital commitments will be financed primarily by existing loan finance facilities and some grant funding.

Minimum lease commitments:		
Land and Buildings – lease expiring 1-2 years	**95**	119
Land and Buildings – lease expiring beyond 5 years	**1,504**	-
	1,599	119

28 SIGNIFICANCE OF FINANCIAL INSTRUMENTS

Devon and Cornwall Treasury Ltd, a wholly owned subsidiary, is classed as a Financial Institution. The following disclosures relate to Devon and Cornwall Treasury Ltd only and no other entities.

	2016 £000	2015 (restated) £000
FINANCIAL INSTRUMENTS ARE CLASSED AS FOLLOWS		
FINANCIAL ASSETS		
Cash flow hedges at fair value (intra group swaps)	**65,761**	60,061
Intra group loans measured at amortised cost	**295,000**	302,000
FINANCIAL LIABILITIES		
Cash flow hedges at fair value (interest rate swaps)	**65,761**	60,061
Bank loans measured at amortised cost	**295,000**	302,000

Fair Value

All financial instruments are valued using the Mark-To-Market (MTM) valuation method. There is no quoted (bid) price for an identical asset in an active market nor are there recent transactions for identical assets.

Nature and extent of risks arising from financial instruments

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them.
Devon and Cornwall Treasury Ltd offsets these risks through exactly matching financial assets or liabilities with the parent (Devon and Cornwall Housing Ltd).

Credit risk

The group defines credit risk as "the risk of failure by a third party to meet its contractual obligations to DCH under an investment, borrowing, or hedging arrangement which has a detrimental effect on DCH's resources and/or gives rise to credit losses".

The group's maximum exposure to credit risk was £172m consisting of £62m cash and £110m undrawn loan facilities. There is no security held which mitigates the risk on these assets. There has been no impairment on these assets.

Our treasury management policy manages credit risk by setting minimum credit rating requirements and maximum exposure limits for all deposit counterparties.

Liquidity risk

We maintain adequate cash and debt funding facilities to cover our operations and planned developments.

We actively monitor the cash flow requirements of our operating and development activities and we have a treasury management policy in place which requires us to hold short and medium term liquidity levels. Overdraft facilities of £1.5m provide us with further flexibility.

Market risk

The group has market exposure to changes in interest rates.

Our approach to interest rate management is to maintain a balanced portfolio of fixed, variable and index linked debt. This is managed through the use of fixed rate debt and standalone derivatives. As Devon and Cornwall Treasury Ltd has corresponding financial assets or liabilities with DCH the risk will have no impact on profit/loss and equity of the company. The group has exposure to interest rate rises through our variable rate debt. A 1% increase in rates would lead to a £646,000 additional interest charge. We also have an indirect exposure to bond rates through our pension scheme commitments.

The standalone derivatives can give rise to margin calls if interest rates fall. This risk is managed by securing sufficient properties to cover margin calls in the event of a 0.5% fall in interest rates.

Capital

The company defines capital as net assets or equity. Due to the intra-group nature of its assets and liabilities the company holds its capital levels to its share capital of £1. DCH holds reserve capital of £248.5m which are held to reduce future borrowing requirements on development spend.

29 PENSION SCHEMES

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

THE PENSIONS TRUST

DCH participates in two schemes with the Pensions Trust, the Social Housing Pension Scheme ("SHPS") and The Growth Plan, which are multi-employer schemes providing benefits to non-associated employers. The schemes are classified as defined benefit scheme in the UK, however, it is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

A full actuarial valuation for the SHPS scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme up to 30 September 2026. DCH will make deficit contributions of £1.75m in 2016-17.

A full actuarial valuation for the Growth Plan was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme up to 30 September 2028.

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

	31 March 2016	31 March 2015	31 March 2014
SHPS			
Present value of provision (£000)	**14,482**	11,235	11,612
Rate of discount (%)	**2.06**	1.92	3.02
GROWTH PLAN			
Present value of provision (£000)	**79**	64	67
Rate of discount (%)	**2.07**	1.74	2.82

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Group			
	SHPS		Growth	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
At beginning of the year	**11,302**	11,678	**64**	67
Unwinding of the discount factor	**204**	333	**1**	2
Deficit contribution paid	**(1,295)**	(1,242)	**(8)**	(8)
Remeasurements – change in assumptions	**(89)**	533	**(1)**	3
Remeasurements – contribution schedule	**4,547**	-	**23**	-
At end of the year	**14,669**	11,302	**79**	64
STATEMENT OF COMPREHENSIVE INCOME IMPACT				
Interest expense	204	333	1	2
Remeasurements – change in assumptions	(89)	533	(1)	3
Remeasurements – contribution schedule	4,547	-	23	-

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Company			
	SHPS		Growth Fund	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
At beginning of the year	**11,235**	11,612	**64**	67
Unwinding of the discount factor	**203**	331	**1**	2
Deficit contribution paid	**(1,289)**	(1,237)	**(8)**	(8)
Remeasurements – change in assumptions	**(88)**	529	**(1)**	3
Remeasurements – contribution schedule	**4,422**	-	**23**	-
At end of the year	**14,483**	11,235	**79**	64
STATEMENT OF COMPREHENSIVE INCOME IMPACT				
Interest expense	**203**	331	**1**	2
Remeasurements – change in assumptions	**(88)**	529	**(1)**	3
Remeasurements – contribution schedule	**4,422**	-	**23**	-

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 and is closed to new entrants. The scheme is administered by Cornwall Council.

During the financial year contributions were paid at 23.6%. The pension costs for the year were £319,000 (2015: £263,000) covering 13 employees (2015:13).

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 2016. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

This pension scheme was closed to future accrual on 31 May 2016.

DEFINED BENEFIT SCHEME – DEVON COUNTY 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 and is closed to new entrants. The scheme is administered by Devon County Council.

During the year the scheme operated two separate admission agreements relating to Tor Homes and West Devon Homes which were consolidated into one agreement at 31 March 2016.

Under the Tor Homes agreement, the financial year contributions were paid at 18.8%. The pension costs for the year were £72,000 (2015: £94,000) covering 13 employees (2015: 13).

West Devon Homes amalgamated with DCH in March 2015. During the financial year contributions were paid at 19%. The pension costs for the year were £47,000 (2015: £47,000) covering 3 employees (2014: 3).

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 2016. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

This pension scheme was closed to future accrual on 31 May 2016.

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 FRS102 valuation are listed below.

	Cornwall Council		Devon Council	
	31 March 2016 %	31 March 2015 %	31 March 2016 %	31 March 2015 %
Discount rate	**3.5**	3.2	**3.6**	3.3
Rate of increase in salaries	**4.2**	4.3	**4.1**	4.2
Rate of increase in pensions	**2.2**	2.4	**2.3**	2.4
Rate of inflation	**2.2**	2.4	**3.2**	3.2

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

	Cornwall Council		Devon Council	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Longevity at age 65 for current pensioners				
- Males	**22.2**	22.2	**22.9**	22.8
- Females	**24.4**	24.4	**26.2**	26.1
Longevity at age 65 for future pensioners				
- Males	**24.4**	24.2	**25.2**	25.1
- Females	**26.8**	26.8	**28.6**	28.4

	Cornwall Council		Devon Council	
	31 March 2016 £000	31 March 2015 £000	**31 March 2016 £000**	31 March 2015 £000
ACTUARIAL LOSSES				
Cumulative actuarial losses in other comprehensive income	**(2,638)**	(3,195)	**(1,796)**	(2,772)
ANALYSIS OF THE AMOUNT CHARGED TO THE STATEMENT OF COMPREHENSIVE INCOME				
Service cost	**136**	112	**328**	253
Total operating charge	**136**	112	**328**	253
Net interest on pension liabilities	**120**	124	**209**	210
Other financial costs	**256**	236	**537**	463
MOVEMENT IN THE FAIR VALUE OF ASSETS AND PRESENT VALUE OF LIABILITIES FOR THE YEAR TO 31 MARCH 2016				
FAIR VALUE OF ASSETS				
At beginning of the year	**5,535**	5,176	**8,944**	6,658
Interest on assets	**178**	222	**40**	664
Transferred assets	**-**	-	**-**	1,864
Remeasurements	**(329)**	154	**-**	-
Employer contributions	**319**	263	**173**	191
Employee contributions	**29**	28	**37**	40
Administrative expenses	**-**	-	**(4)**	(4)
Net benefits paid out	**(278)**	(308)	**(452)**	(469)
At end of the year	**5,454**	5,535	**8,738**	8,944
PRESENT VALUE OF LIABILITIES				
At beginning of the year	**9,363**	8,138	**15,278**	10,232
Current service cost	**136**	112	**159**	138
Past service cost	**-**	-	**165**	86
Transferred liabilities	**-**	-	**-**	3,544
Interest on liabilities	**298**	346	**500**	445
Contributions by participants	**29**	28	**37**	40
Remeasurements	**(886)**	1,047	**(976)**	1,261
Net benefits paid out	**(278)**	(308)	**(452)**	(468)
At end of the year	**8,662**	9,363	**14,711**	15,278

The fair value of the assets held by the pension funds at 31 March 2016, and the expected rate of return for each class of asset is as follows:

TYPE	Cornwall Council				Devon Council			
	2016		2015		**2016**		2015	
	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	**3.5**	**2,509**	3.2	2,491	**3.6**	**4,917**	3.3	5,301
Gov't bonds	**3.5**	**-**	3.2	-	**3.6**	**239**	3.3	549
Bonds	**3.5**	**2,454**	3.2	2,601	**3.6**	**310**	3.3	303
Property	**3.5**	**382**	3.2	332	**3.6**	**979**	3.3	916
Other	**3.5**	**109**	3.2	111	**3.6**	**2,293**	3.3	1,875
TOTAL		**5,454**		5,535		**8,738**		8,944

FUNDING POSITION	Cornwall Council		Devon Council	
	31 March 2016 £000	31 March 2015 £000	**31 March 2016 £000**	31 March 2015 £000
Assets	**5,454**	5,535	**8,738**	8,944
Estimated liabilities	**(8,662)**	(9,363)	**(14,711)**	(15,278)
Deficit in scheme	**(3,208)**	(3,828)	**(5,973)**	(6,334)

DEFINED CONTRIBUTION SCHEME - SOCIAL HOUSING PENSION SCHEME

This scheme administered by the Pensions Trust is the pension scheme for auto-enrolment and is also open to all members of staff. The company paid contributions between 2% and 9% and employees paid contributions from 1%. 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 2016 there were 379 active members (2015: 324) of the scheme.

30 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	30	-	-	-	Alarm monitoring
DCH from Call24	-	30	-	-	
DCT from DCH	43	-	295,005	-	Treasury services
DCH from DCT	-	43	-	295,005	
Westco from DCH	26,505	-	-	5,873	Development services
DCH from Westco	-	26,505	5,873	-	
DCLS from DCH	309	-	-	45	Scheme management
DCH from DCLS	-	309	45	-	
PHASE from DCH	-	-	54	-	Maintenance services
DCH from PHASE	-	-	-	54	
IF from DCH	1,160	-	71	-	Support services
DCH from IF	-	1,160	-	71	

Our Build a Boat project with Cornwall Marine Network was based in the heart of the community, and the two boats built were launched in Penzance by customers and staff volunteers

Credit: Mike Newman

31 AMALGAMATION WITH WEST DEVON HOMES

On 25 March 2015, West Devon Homes Limited (WDH) joined the DCH Group. This has been treated as a non-exchange transaction under the Social Housing SORP with the assets and liabilities of West Devon Homes becoming amalgamated with the assets and liabilities of DCH.

The Statement of comprehensive income of WDH from 1 April 2014 to 25 March 2015 is shown below:

	£'000
TURNOVER	7,239
Operating costs	(4,571)
Operating surplus	2,668
Surplus on the sale of fixed assets	437
Interest receivable	19
Interest payable	(877)
Surplus for the year	2,247

The statement of financial position of West Devon Homes as at 25 March 2015 is shown below and reflects an accounting adjustment to fair value the properties which had previously been held at historical cost.

	Historical cost £'000	Fair value adjustment £'000	Amalgamated £'000
FIXED ASSETS			
Housing properties - Cost net of depreciation	40,619	12,936	53,555
Housing properties - SHG	(10,618)	10,618	-
Tangible fixed assets	631		631
Investments	5	(5)	-
	30,637	23,549	54,186
CURRENT ASSETS			
Trade and other debtors	448	-	448
Cash	547	-	547
Less: Creditors: amounts falling due within one year	(1,360)	-	(1,360)
Net current liabilities	(365)		(365)
Total assets less current liabilities	30,272	23,549	53,821
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	(15,000)	-	(15,000)
PROVISIONS FOR LIABILITIES			
- Pension provision	(1,680)	-	(1,680)
Total net Assets	13,592	23,549	37,141

32 EXPLANATION OF TRANSITION TO FRS102 FROM OLD UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015.

In preparing its FRS102 statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting UK GAAP. An explanation of how the transition from UK GAAP to FRS102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

RECONCILIATION OF NET ASSETS – GROUP	Note	1 April 2014			31 March 2015		
		Adopted UK GAAP £000	Effect of transition to FRS102 £000	FRS102 £000	Adopted UK GAAP £000	Effect of transition to FRS102 £000	FRS102 £000
FIXED ASSETS							
Housing properties	(a)	551,941	388,618	940,559	643,374	394,966	1,038,340
Tangible fixed assets	(b)	9,856	(2,540)	7,316	12,247	(2,540)	9,707
Financial asset		97	513	610	-	231	231
Investments		199	-	199	184	-	184
Homebuy – loan		6,324	-	6,324	6,099	-	6,099
Homebuy - grant		(5,778)	5,778	-	(5,642)	5,642	-
		562,639	392,369	955,008	656,262	398,299	1,054,561
CURRENT ASSETS							
Properties for sale		14,760	-	14,760	14,464	-	14,464
Stocks		184	-	184	177	-	177
Debtors		8,560	-	8,560	11,246	-	11,246
Financial asset		156	-	156	97	-	97
Investments		12,370	-	12,370	14,926	-	14,926
Cash at bank and in hand		14,607	-	14,607	14,237	-	14,237
		50,637	-	50,637	55,147	-	55,147

RECONCILIATION OF NET ASSETS – GROUP (CONTINUED)	Note	1 April 2014			31 March 2015		
		Adopted UK GAAP £000	Effect of transition to FRS102 £000	FRS102 £000	Adopted UK GAAP £000	Effect of transition to FRS102 £000	FRS102 £000
CREDITORS							
amounts due within one year	(c)	(32,580)	(1,338)	(33,918)	(35,693)	676	(35,017)
Net current assets		18,057	(1,338)	16,719	19,454	676	20,130
CREDITORS:							
amounts falling due after more than one year	(a) (c)	(350,929)	(425,510)	(776,439)	(377,965)	(461,079)	(839,044)
PROVISIONS FOR LIABILITIES							
Deferred tax liability		6	-	6	(20)	-	(20)
Other provisions							
Pension liability		(6,536)	-	(6,536)	(10,162)	-	(10,162)
Net assets		223,237	(34,479)	188,758	287,569	(62,104)	225,465
CAPITAL AND RESERVES							
Minority Interests		5	-	5	-	-	-
Revaluation reserve		2,225	(2,225)	-	7,756	(7,756)	-
Designated reserves		70,047	-	70,047	62,879	-	62,879
Hedge reserve	(d)	-	(29,902)	(29,902)	-	(58,567)	(58,567)
Revenue reserves		150,960	(2,352)	148,608	216,934	4,219	221,153
		223,237	(34,479)	188,758	287,569	(62,104)	225,465

An explanation of adjustments is shown at the end of the note.

RECONCILIATION OF NET ASSETS – COMPANY

	Note	1 April 2014			31 March 2015		
		Adopted UK GAAP £000	Effect of transition to FRS102 £000	FRS102 £000	**Adopted UK GAAP £000**	**Effect of transition to FRS102 £000**	**FRS102 £000**
FIXED ASSETS							
Housing properties	(a)	527,852	388,323	916,175	**619,417**	**394,671**	**1,014,088**
Tangible fixed assets	(b)	9,662	(2,540)	7,122	**12,026**	**(2,540)**	**9,486**
Investments		6,421	-	6,421	**6,452**	-	**6,452**
Financial asset		-	513	513	-	**231**	**231**
Homebuy – loan		5,515	-	5,515	**5,400**	-	**5,400**
Homebuy - grant		(5,515)	5,515	-	**(5,400)**	**5,400**	-
		543,935	391,811	935,746	637,895	397,762	1,035,657
CURRENT ASSETS							
Properties for sale		6,918	-	6,918	**5,446**	-	**5,446**
Stocks		169	-	169	**139**	-	**139**
Debtors		8,666	-	8,666	**13,314**	-	**13,314**
Investments		12,370	-	12,370	**14,926**	-	**14,926**
Cash at bank and in hand		14,184	-	14,184	**13,226**	-	**13,226**
		42,307		42,307	47,051		47,051
CREDITORS							
amounts due within one year	(c)	(29,172)	(1,317)	(30,489)	**(32,718)**	**699**	**(32,019)**
Net current assets		13,135	(1,317)	11,818	14,333	699	15,032
CREDITORS							
amounts falling due after more than one year	(a)(c)	(350,929)	(424,891)	(775,820)	**(377,965)**	**(460,480)**	**(838,445)**
PROVISIONS FOR LIABILITIES							
Other provisions							
Pension liability		(6,536)	-	(6,536)	**(10,162)**	-	**(10,162)**
Net assets		199,605	(34,397)	165,208	264,101	(62,019)	202,082
CAPITAL AND RESERVES							
Revaluation reserve		2,225	(2,225)	-	**7,756**	**(7,756)**	-
Designated reserves		70,047	-	70,047	**62,879**	-	**62,879**
Hedge reserve	(d)	-	(29,902)	(29,902)	-	**(58,567)**	**(58,567)**
Revenue reserves		127,333	(2,270)	125,063	**193,466**	**4,304**	**197,770**
		199,605	(34,397)	165,208	264,101	(62,019)	202,082

Notes to statement of financial position reconciliation
(a) Grant is reclassified to creditors greater than one year. Previously it was deducted from Housing Properties
(b) office premises have been revalued to deemed cost resulting in a write down in the value
(c) SHPS past service deficit payments are recognised in the statement of financial position
(d) derivatives are held at market value and where effectively hedged are accounted for in the hedge reserve.

NET ASSET RECONCILIATION

FRS102 requires a reclassification of a number of items in the statement of financial position. This has the effect of changing the previously stated net assets, which are reconciled below:

	Note	Group		Company	
		2014 £000	2015 £000	2014 £000	2015 £000
Net Assets as previously stated		580,696	675,716	557,070	652,228
Reclassification of loans	(a)	(350,929)	(377,965)	(350,929)	(377,965)
Reclassification of pension provision	(b)	(6,536)	(10,162)	(6,536)	(10,162)
Reclassification of deferred tax provision	(c)	6	(20)	-	-
Restated Net Assets		223,237	287,569	199,605	264,101

Notes to net asset reconciliation
(a) Loans are moved to creditors greater than one year. Previously they were within capital and reserves
(b) the provision for pension deficit is reclassified to creditors greater than one year. Previously it was within capital and reserves
(c) the provision for deferred tax is reclassified to creditors greater than one year. Previously it was within capital and reserves.

RECONCILIATION OF SURPLUS FOR 31 MARCH 2015 - GROUP

	2015		
	Adopted UK GAAP £000	Effect of transition to FRS102 £000	FRS102 £000
TURNOVER	117,271	4,500	121,771
Operating costs	(84,110)	(2,403)	(86,513)
Surplus on property sales	-	2,038	2,038
Gross profit	33,161	4,135	37,296
Share of loss in associate	(9)	-	(9)
Surplus on property sales	2,038	(2,038)	-
Loss on sale of fixed asset investment	(83)	-	(83)
Interest receivable and other income	673	-	673
Interest payable and similar charges	(11,943)	(488)	(12,431)
Other finance costs – pensions	(200)	295	95
Change in the value of investment property	-	2,793	2,793
Measurement in fair value of financial instruments	-	2,615	2,615
Surplus on ordinary activities before tax	23,637	7,312	30,949
Exceptional item: gain on non-exchange transaction	37,141	-	37,141
Minority interest	6	-	6
Tax on surplus on ordinary activities	(29)	-	(29)
Surplus for the year	60,755	7,312	68,067

An explanation of adjustments is shown at the end of the note.

RECONCILIATION OF SURPLUS AND EQUITY FROM UK GAAP TO FRS102	Note	Profit for the 31 March 2015 £000	Reserves as at 31 March 2014 £000	Reserves as at 31 March 2015 £000
Amount under old GAAP		60,755	223,237	287,569
Grant amortisation	(a)	4,500	59,941	64,441
Housing depreciation	(b)	(3,556)	(49,527)	(53,083)
SHPS Pension deficit	(c)	915	(11,745)	(11,366)
LGPS Pension deficit	(d)	205	-	-
Derivatives – effective	(e)	-	(29,902)	(58,567)
Derivatives - ineffective	(f)	(123)	(909)	(1,032)
Office premises	(g)	-	(2,540)	(2,540)
Effective interest	(h)	(153)	345	192
Holiday pay accrual	(i)	(7)	(142)	(149)
Investment properties	(j)	2,793	-	-
Financial instruments	(k)	2,738	-	-
Amount under FRS102		68,067	188,758	225,465

An explanation of adjustments is shown at the end of the note.

Receptionist Trudy being thanked for her valuable work and dedicated contribution to DCH

RECONCILIATION OF SURPLUS FOR 31 MARCH 2015 - COMPANY	2015		
	Adopted UK GAAP £000	Effect of transition to FRS102 £000	FRS102 £000
Turnover	101,820	4,500	106,320
Operating costs	(68,800)	(2,406)	(71,206)
Surplus on property sales	-	2,036	2,036
Gross profit	33,020	4,130	37,150
Surplus on property sales	2,036	(2,036)	-
Loss on sale of fixed asset investment	(83)	-	(83)
Interest receivable and other income	787	-	787
Interest payable and similar charges	(11,787)	(486)	(12,273)
Other finance costs – pensions	(200)	295	95
Change in the value of investment property	-	2,793	2,793
Measurement in fair value of financial instruments	-	2,615	2,615
Surplus on ordinary activities before tax	23,773	7,311	31,084
Exceptional item: gain on non-exchange transaction	37,141	-	37,141
Minority interest	-	-	-
Tax on surplus on ordinary activities	-	-	-
Surplus for the year	60,914	7,311	68,225

An explanation of adjustments is shown at the end of the note.

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RECONCILIATION OF SURPLUS AND EQUITY FROM UK GAAP TO FRS102	Note	Profit for the 31 March 2015 £000	Reserves as at 31 March 2014 £000	Reserves as at 31 March 2015 £000
Amount under old GAAP		60,914	199,605	264,101
Grant amortisation	(a)	4,500	59,941	64,441
Housing depreciation	(b)	(3,556)	(49,527)	(53,083)
SHPS Pension deficit	(c)	912	(11,679)	(11,299)
LGPS Pension deficit	(d)	205	-	-
Derivatives – effective	(e)	-	(29,902)	(58,567)
Derivatives – ineffective	(e)	(123)	(909)	(1,032)
Office premises	(f)	-	(2,540)	(2,540)
Effective interest	(g)	(153)	345	192
Holiday pay accrual	(h)	(5)	(126)	(131)
Investment properties	(i)	2,793	-	-
Financial instruments	(j)	2,738	-	-
Amount under FRS102		68,225	165,208	202,082

Notes to the reconciliation of surplus

(a) Grant is amortised to the Statement of comprehensive income over the life of the structure. Under GAAP, it was held at cost in the statement of financial position

(b) housing depreciation increases as a result of the difference in grant accounting where under GAAP a residual balance of grant was allocated to property structure and not depreciated. Under FRS102 the full cost of structure is depreciated

(c) the SHPS Pension deficit payment plan is recognised as a liability in the statement of financial position at 31 March 2014, resulting in an increase in surplus as payments made during the year are set off against this balance. Under GAAP the payments were recognised as paid in the Statement of comprehensive income

(d) the LGPS scheme has been recalculated which reallocates the revaluation between management costs, interest and actuarial changes

(e) derivatives are valued at market value at the statement of financial position date. Where hedges are effective, the movement is accounted for in the hedge reserve. If ineffective, the movement is accounted for in the Statement of comprehensive income

(f) office premises have been revalued to deemed cost resulting in a write down in the value

(g) the effective interest adjustment spreads loan arrangement fees over the life of the loan based on payments whereas previously they were amortised evenly

(h) employee holiday accrued at each year end is now recognised in the statement of financial position

(i) movement in the fair value of investment properties has been reclassified from the Statement of Comprehensive Income

(j) movement in the fair value of financial instruments has been reclassified from the Statement of Comprehensive Income.

At such a time of change our strong finances place us in a robust position and enable us to face changes flexibly, whilst delivering customer services for the long term.

Michael is one of our team members delivering the £33m investment we made to maintain and improve our homes across Devon, Cornwall and Somerset

12 Companies within the group, board members, executives and advisers

Our flagship scheme Churchfields, at Churchstow in South Devon, is just one of our developments. We look forward to playing our part in delivering the Government's commitment to building one million new homes

Companies within the group, board members, executives and advisers

Each year we invest all surplus from the sales of our open market homes to support the development of affordable homes across the south west.

Companies within the group

During the year, the DCH board agreed a restructure of the group, which resulted in Call24Hour Limited being sold to Appello Limited on 1 June 2015 and changes to our Cornwall and Devon CICs as noted below.

As at 31 March 2016 DCH had seven direct subsidiaries and one associated company which have been consolidated as required under Financial Reporting Standard 2 (FRS2).

Details of these companies and their roles within the group are shown below. All companies trade under the single identity of DCH.

Company	Role in the group
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 £532m of the group's borrowing facilities.
Devon and Cornwall Leasehold Solutions Limited (DCLS)	DCH's stock owning landlord for new housing purchased without grant. DCLS also manages over 3,033 shared ownership and leasehold properties (including private retirement schemes).
Penwith Housing Ancillary Services External Limited (PHASE)	Prior to amalgamation with West Devon Homes in March 2015, this was our VAT cost sharing exemption vehicle. The company will be registered as dormant in 2016/17.
Advantage SW LLP (ASW)	Our procurement consortium jointly owned by Westco and three other registered providers.

Executive Management team

Group Chief Executive	**Paul Crawford**
Group Director of Finance	**Melvyn Garrett**
Group Director of Asset Management	**Doug Stein**
Group Director of Development	**Russell Baldwinson** (appointed 14 September 2015)
Group Director of Housing and Communities	**Sue Coulson** (resigned 27 August 2015)
Group Director of People and Communications	**Sheila Whelan**
Group Director of Strategy and Performance	**Tom Woodman**

Board members

Angela Dupont
Group Chairman

Paul Crawford
Group Chief Executive

Melvyn Garrett
Group Director of Finance

Jenefer Greenwood
Remuneration committee Chairman

Nick Hardie
Senior Independent Director
Audit and Risk committee Chairman

Mike Jane
Treasury committee Chairman

Andy Joss
Westco board Chairman

Paul Love

Mark Rowan

Andrew Wiles
CICs board Chairman

Tim Larner
(appointed 1 July 2015)

Laurence Clarke
(appointed 1 July 2015)

Phil Huff
(resigned 11 May 2015)

Secretary:	Jill Farrar
Registered office:	72 Paris Street, Exeter, EX1 2JZ
Company registration number:	7096
Homes and Communities registration:	4818
Auditors:	KPMG LLP, Plym House, 3 Longbridge Road, Plymouth PL6 8LT
Treasury advisers:	Centrus Advisers LLP, 3rd Floor, Mermaid House, 2 Puddle Dock, London EC4V 3DB

Fast facts about DCH

- 22,882 homes, including rent, leasehold and shared ownership
- turnover of £131m for 2015/16, generating a surplus of £27m for reinvesting in services and homes
- one of the region's largest housing developers building over 550 homes in 2015/16
- a significant development pipeline over the next five years across all tenures, including rent, shared ownership and open market sale
- largest housing organisation operating solely in the south west, with high-quality homes and services across Cornwall and Devon, and expanding into new areas
- over 850 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