North Hertfordshire Homes

Report and Financial Statements

for the year ended 31 March 2016

Contents

Board Members, Executive Officers, Advisors and Bankers

Board: served during year

Chair:

Martin Nurse

Vice Chair:

Peter Lipman

Chair of Committee

Philip Day

Board Members

Douglas Kell
(Resigned 23 September 2015)

David Barnard

William Davidson

Jaqueline Thomas
(Resigned 23 September 2015)

Marie Li Mow Ching

Howard Marshall

Colin Chivers
(Resigned 15 June 2015)

David Pickering
(Resigned 28 July 2015)

Christine Anthony

Stacey Brewer

Jane Gray
(Appointed 26 September 2015)

Executive Officers

Chief Executive

Kevin Thompson
(Resigned 5 June 2015)

Gavin Cansfield

Director of Finance and Company Secretary

Alan Park

Director of Property

Paul Murtagh
(Resigned 31 October 2015)

Director of Operations

Victoria Hisgrove
(Resigned 31 October 2015)

Director of Customer Experience

Shaun Holdcroft
(Appointed 16 May 2016)

Registered Office

Rowan House
Avenue One
Letchworth Garden City
Hertfordshire, SG6 2WW

Registered Number: 30003R

Auditors

Grant Thornton UK LLP
Grant Thornton House
202 Silbury Boulevard
Central Milton Keynes, MK9 1LW

Solicitors

Winkworth Sherwood LLP
Minerva House
5 Montague Close
London, SE1 9BB

Bankers

Barclays Bank PLC
1 Churchill Place
London, E14 5HP

Operating and Financial Review and Board Report

The Board presents its report and audited financial statements for the year ended 31 March 2016.

North Hertfordshire Homes Limited (NHH) is a registered Co-operative and Community Benefit Society with charitable objectives. It is registered with the Homes and Communities Agency (HCA) and is governed by a non-executive Board. The Group operates throughout Hertfordshire and South Bedfordshire, with its head office in Letchworth Garden City. The majority of its properties are situated in North Hertfordshire. The Group commenced trading in April 2003 after the housing and ancillary land was purchased from North Hertfordshire District Council.

The Group's principal activities are the management and development of affordable and supported housing. The Group's performance during the year and position at the year-end are summarised in this report.

Activities

North Hertfordshire Homes Limited comprises one registered housing provider, with two wholly owned subsidiaries, Rowan Homes (NHH) Limited, being incorporated in May 2011, and Allunite Limited purchased in March 2014 (together, 'The Group'). The aim of the subsidiaries being to generate returns on residential development to provide cross subsidy for non-grant funded affordable housing.

The Group operates five key business streams:

- Affordable housing for rent
- Supported housing and care for people who need additional housing-related support or additional care
- Temporary housing to house those who are statutorily homeless
- Shared ownership developments
- Property development for sale

The organisation manages over 9,000 social housing properties in addition to over 2,500 commercial properties (primarily garages). The Group is also a developer of new affordable housing primarily via Rowan Homes (NHH) Limited.

In addition to rental housing, the Group also lets a number of commercial properties to operate community based services in the neighbourhoods, it also has a motor repair service workshop to repair vehicles and to carry out MOTs, primarily for our own fleet of building services vehicles, but also available to the public to generate additional income. The Group's focus remains its housing activities and this is expected to continue.

Housing property assets

Details of the changes to the Group's tangible and intangible fixed assets are shown in notes 12 to 16 of the Financial Statements. Housing property values are considered in the Operating and Financial Review.

Reserves

The Group is required by legislation to report the accounts using Financial Reporting Standards 102 and in doing so have restated the accounts for the financial year ended 31 March 2015. The restatement has reduced the previously reported reserves from £62m to £18m which is mainly due to the valuation of financial instruments. The movement relating to the restatement can be found in note 34.

The Group has recorded a surplus for the year of £11m (2015: £5.8m), the year-end Group reserves (revenue & revaluation) amounted to £28.9m (2015: £18.5m).

Stock transfer obligations

The terms of the transfer agreement for the transfer of housing to the Group contained a promise to carry out specified improvements works over a five-year period to improve the general condition of the housing stock. The Group met these promises in full and spent £150m to March 2013 on these and other improvement works. The Group will continue to invest in its housing stock during 2016/17.

Rent and service charges policy

Social rents have historically been set on the basis of location and size of accommodation and were reviewed on an annual basis. A new formula was introduced by the government to reflect 1% rent reductions for four years beginning April 2016. Service charges are set to recover the costs that NHH incur in providing the services. The Group is fully compliant with the current regulatory guidelines on rents and service charges.

The Board and Executive Directors

The Group's Board and Executive Directors are listed on page 1 of this report. The Board has a provision for twelve non-executive members composed of three tenant members, three nominees from North Hertfordshire District Council (NHDC) and six independent members. Subsequent to the end of the financial year, there are three vacancies.

Each tenant and independent board member holds one fully paid £1 share in the Group and NHDC corporately holds the remaining one share and exercises one third of the votes at shareholders' meetings.

The Executive Directors hold no interest in the Group's share capital and, although they do not have the legal status of directors, they act as Executives within the authority delegated by the Board. The Executive Directors are the Chief Executive and the other members of the Group's executive management team, who served during the year.

During the financial year there were six Board meetings held and all meetings were quorate.

Group insurance policies

These indemnify Board members and directors against liability when acting for the Group.

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Service contracts
Tenant and Independent Members of the Board are required to retire by rotation every three years. They are entitled to offer themselves for re-election by the membership of the Group if they so choose. They are engaged via a service contract and are paid for their services. All members of the Board must retire after nine years' service.

The Chief Executive and other Executive Directors are appointed on an employment contract which has the same terms as other staff, other than different arrangements for annual leave and the notice period for the Chief Executive being for a period of six months.

Pensions
The Executive Directors are members of the North Hertfordshire Homes Ltd Stakeholders Pension Scheme (NHSPS). The NHSPS is a money purchase scheme. They participate in the schemes on the same terms as all other eligible staff and the Group contributes to the schemes on behalf of its employees.

Other benefits
The Executive Directors are entitled to other benefits such as the provision of a car allowance and health care insurance.

Objectives and strategy
The North Hertfordshire Homes vision statement is:

"To be recognised as a high quality, successful and progressive housing association".

We have set out six key values that we will all follow in our work. We are:

- **Trusting**
  This is a great place to work where we trust each other to want to do the best we can, every time.
- **Collaborative**
  Working together in a straightforward way gets the best out of our colleagues and partners, so our customers get the right service every time.
- **Pioneering**
  Fostering a dynamic & agile business that loves the new; a place where staff can be creative.
- **Entrepreneurial**
  An ethical business that balances profit and purpose; efficient, investing money wisely and focusing on return on investment.
- **Bold**
  Constantly challenging ourselves about the why, the what and the how.
- **Proud**
  Of the social value of good housing and neighbourhoods

We have organised our activities around four strategic priorities.

1. Delivering great customer service
We want to make our services simple and straight forward for customers – being able to access services 24/7 on line, a single point of contact, resolving issues at the first point of contact whenever possible, and care and support that is centred on the individual. Through our continuous improvement programme, we will drive out waste, duplication and work with frontline colleagues to improve our services bit by bit, day by day.

2. Flourishing Neighbourhoods
Being a great landlord and delivering great customer service is the core offer – but at NHH we do more than this, we want our neighbourhoods to be vibrant places, places where people know their neighbours, where people look out for each other, feel at home and where a great place to live can be a springboard to help people realise their potential.

3. One NHH – a great place to work
We want NHH to be a place where colleagues feel they are genuinely engaged with improving the business, collaborate effectively and have a real commitment to our collective purpose. We need to make NHH a place where people are able and encouraged to do the best they can, to be creative, make a real difference, have pride in what they do and have some fun while they are doing it.

4. Growth, products and profile
Part of our social purpose is to provide the much needed new homes whether for rent, shared ownership or outright sale. We need to balance the money we invest in existing customers and their homes, meeting the demand from people who are homeless and in poor housing, helping people who need to downsize or want more support and helping people buy their own home.

The Board continues to be committed to delivering an effective and efficient service to tenants and other stakeholders, as well as developing new homes to meet local housing needs.

Performance and development for the year ended 31 March 2016

Development
The Group developed or acquired 143 new homes during this financial year. Of these 18 were for social rent (let at target rent) 35 units of supported housing, 41 units of hostel accommodation, and 49 for outright sale. A further 129 new homes were under construction at the year end.

The 30-year Business Plan Model, approved by the Board in March 2016, demonstrates capacity for future development and investment in the Groups existing housing.

Asset management
Over the last year, we have continued to improve our general needs and retirement living accommodation with £7m being invested to improve the condition, structure and longevity of our homes and the communities in which they are located. This included a further £0.4m on scheme enhancements, £0.4m on aids and adaptations, £2.0m on structural works and electrical wiring, £2.9m on central heating systems and insulation, £0.7m on replacing the roofs to some of our properties and £0.6m on fire alarms and emergency lighting.

As a result of the investment made, we continue to ensure that all of our homes meet and exceed the Decent Homes Standard and are in line with our Asset Management and Corporate Social Responsibility Strategies. We continue to ensure that investments in all of NHH's assets are properly planned from a value for money, operational and environmental sustainability perspective.

Operations

Key Performance Indicators

The Group's performance against its key performance indicators is summarised below:

Key Performance Indicators 2015/16

Emergency repairs: and general repairs completed within 24 hours	Actual: 98.8% (2014/15: 99.7%)
Urgent repairs: general repairs completed within 7 calendar days	Actual: 99.5% (2014/15: 99.5%)
Rent Arrears: All social housing	Actual: 1.75% (2014/15: 1.54%)
Rent losses through voids and bad debt	Actual 2.03% (2014/15: 1.51%)
Average re-let time: All social housing	Actual: 13.8 days (2014/15: 15.3 days)
Number of homes developed	Actual: 143 (2014/15: 38)

The Group are currently working on an updated asset management strategy to be agreed with the Board in September 2016.

Rent arrears

Despite concern over the impact of Welfare Reform, rent arrears for the year were lower than the target of 2.5%. The Groups rent arrears were 1.75% (2015: 1.54%) an increase from 2015. The Group continue to deploy resources to reduce and monitor arrears.

Voids

The rent loss through voids has increased to 2.03% (2015: 1.51%). However, the re-let time has decreased to 13.8 days (2015:15.3 days), and the rent loss increase has been due to both the increase in rent for 2015/16 and a higher number of voids. The Group are currently looking at void turnaround times to reduce this further. Any longer term voids are being reviewed regularly.

Repair response times

Performance in this area has a direct impact on the majority of our customers and so we are pleased to report once again that we have delivered a high level of service and met or exceed all our targets. Across all categories of repairs, 98.9% were completed within our service standard completion times compared with 98.8% in 2014/15. The key performance indicators above show a breakdown of emergency repairs and urgent repairs.

Staff turnover and sickness

The Board recognises that the success of the business depends on the quality of the Group's managers and staff. Staff turnover, calculated as the number of leavers in the year divided by the permanent staff headcount at the end of the year, was 41.9% (2014/15: 21.6%). The increase was due to a voluntary redundancy programme which was initiated during the financial year in response to the government's 1% rent reduction for four years. See page 7 for more details.

Staff sickness levels for the whole organisation including our building services team and supported housing team was 4.3% (2014/15: 3.72%) against a target of 4.5%.

Value for money

Balancing cost and performance

The Board drives delivery of strategy. It sets the direction, priorities and targets for the organisation.

To meet changing demands made of us by government, local authorities and our customers, the Board is balancing the emphasis on service performance with an understanding of the costs behind that performance. In particular, we want to explore what adds value for the customer. This will give us the information we need to provide efficient, effective, valued and low cost services.

As part of this change in emphasis, we are adopting an organisation-wide approach to achieving cash savings, supporting our staff with system improvements that give a better understanding of the relationship between cost, value and quality.

Transparency in our financial performance, our return on assets, understanding our costs, cost reductions and customer performance are therefore key to this aspiration.

Financial Performance

The aggregated accounts for all large Registered Providers are published every year following external audit and submission of statutory accounts to the Regulator. The aggregated accounts for the largest organisations allow us to compare our financial performance with the average for the housing sector, as well as traditional providers and for stock transfer organisations.

The result of this analysis, compared to the average across the LSVT sector is that North Hertfordshire Homes had the following outcomes on a range of financial ratios for the most recent year of publication:

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Operating Margin	Higher than average
Net Margin	Higher than average
Debt per unit	Higher than average
Interest cover	Lower than average
Gearing Ratio	Higher than average
Average cost of funds	Lower than average

This analysis indicates some favourable results where we achieve more profitability and have potential to undertake growth, however, this will require to be done in a way that recognises our constraints in relation to debt obligations.

We will continue to compare our relative financial performance against averages in the sector but have also extended that analysis to make comparisons with a selection of individual providers that share common features with us, such as geography, size and diversity of turnover.

VFM Targets

A number of VFM targets for 2015-16 were aspired to with varying success as summarised below:

Savings from closure of three offices	Achieved
Savings from Centralised Procurement of goods and services £2.2m	Achieved
Savings in planned maintenance and capital works of £3.2m	Achieved
Turnover in development of £40m	Not achieved
Margin for development of 15%	Not achieved
Generate cash in market sales for low cost housing	Achieved
Achieve operating margin of 30%	Achieved

Please see page 7 for explanations of those noted as not achieved

Customer Satisfaction

NHH has been using a quarterly tracking survey to measure customer satisfaction and collect certain other information about their communication with the organisation. Seven of the satisfaction questions are taken from the Housemark STAR survey which enables us to benchmark our results with that of other similar associations.

Combined results for general needs and housing for older people

	2016	2015	Change
Percentage of tenants satisfied with overall service	86%	85%	↔
Percentage of tenants satisfied with the overall quality of their home	85%	82%	↔
Percentage of tenants satisfied with your neighbourhood as a place to live	88%	88%	↔
Percentage of tenants satisfied that their rent provides value for money	82%	80%	↔
Percentage of tenants satisfied that their service charges provides value for money	82%	80%	↔
Percentage of tenants satisfied that NHH listens to their views and acts upon them	70%	62%	↔
Percentage of tenants satisfied with the way that NHH deals with repairs and maintenance	79%	80%	↔

Key to symbols used

↑ Getting better ↓ Getting worse ↔ Little or no change

Value from market sales
The most recently published financial results for the sector show the extent to which non-social housing development has contributed to the income base of NHH compared to other organisations.

Generally, housing associations are increasingly trying to offset falls in grant and social rent streams by delivering market sales products that meet customer demands.

Relative to other housing associations for the year ended March 2015, North Hertfordshire Homes had total turnover of £68 million which represented a ranking of 53rd largest of the 114 housing associations in England which were analysed.

The relative ranking against other relevant indicators were as follows: -

- Margin achieved on non-social housing development – 33rd
- Surplus achieved on non-social housing development – 25th
- Income achieved on non-social housing development – 20th
- Development activity share of total turnover – 16th

The return that NHH is able to achieve from the non-social housing development activity is relatively higher than comparative organisations in previous years. We strive to achieve positive contributions from this activity that can be re-invested in our core social purpose.

The profit achieved in 2015-16 from our market sales activity has been less than anticipated due to construction and sales delays and as a result we have not achieved the 15% net margin target. Despite this, we are comparatively well placed to continue to undertake profitable market sales in future.

Return on assets
NHH has undertaken an analysis of the returns that are achieved from our properties, both from different tenure types and from the different geographic areas that we operate within.

This has highlighted that whilst we can ascertain that the average return from our general needs properties is 8.1%, we have identified that the range of returns varies from a low 3.7% to a high 14.3%.

Whilst our general needs activities represent the vast majority of our total income base, it is important for NHH to also understand the comparable averages and range of returns for other social housing activities including hostels, intermediate rent, temporary accommodation, shared ownership and sheltered housing as follows: -

Property portfolio

Annual Return at March 2016	Average	Highest	Lowest
General Needs	8.1%	14.3%	3.7%
Hostels	8.6%	9.0%	5.3%
Intermediate Rent	7.4%	7.6%	7.0%
Temporary Lets	8.4%	10.7%	6.6%
Shared Ownership	4.4%	6.9%	2.6%
Sheltered Housing	7.0%	11.2%	8.3%

A geographic analysis has been compiled that identifies the same average and range analysis for the key postcodes within our area of operational activity. The overall average return across our entire operational area is 8.2%, however there are some significant regional variations as follows: -

The lowest return in any particular postcode is SG4 [Hitchin] of 3.2%, whilst the lowest return in the SG2 [Stevenage] postcode is 11.3%.

Similarly, the highest returns in a particular postcode are SG8 [Royston] of 14.3%, whilst the highest return in the AL1 (St Albans) postcode is only 5.8%.

The greater understanding of the returns that NHH achieves from the assets under our management is intended to help influence our strategic and development ambitions by optimising the returns when possible and appropriate to do so.

Understanding our Cost Data
NHH is receptive to comparative cost information that explores the relativity of our costs with regards to other providers. An analysis of the social housing costs per property, derived from the 2015 Global Accounts data provides some context for the costs of running the NHH business. The summary of this analysis is as follows: -

Cost per unit	Upper Quartile	Median	Lower Quartile	NHH
Social Housing	4.30	3.55	3.19	3.21
Management	1.27	0.95	0.70	1.05
Service Charge	0.61	0.36	0.23	0.53
Maintenance	1.18	0.98	0.81	0.61
Major Repairs	1.13	0.80	0.53	0.84
Other costs	0.41	0.20	0.08	0.18

Whilst acknowledging the result of this analysis tends to show NHH operating around the lower quartile for the headline social housing cost per unit, we believe the underlying data may reveal more relevant comparisons that will allow us to target more significant improvements in our future cost base. We anticipate that re-modelling our service provision in the support of maintenance activity, combined with a new development strategy and asset management strategy will allow us to reduce our costs per unit in several of these categories, especially major repairs and maintenance. The Housemark benchmarking analysis that we participate in also suggests that these areas represent relatively higher costs compared to our peers, therefore these will be priority areas in 2016/17.

We will therefore aim to look beyond this headline analysis in order to pursue greater efficiencies and value for money that can be extracted from the business for our customer's benefit and are working in partnership with external consultants to enhance our key processes.

Cost reduction programme
As a result of the 1% rent reduction change that was announced last year, we have had to plan to cope with lower income than originally anticipated for the next four years.

We estimated that this would have an adverse impact of £17 million over this period resulting in both lower surpluses and reduced levels of cash available to the business to invest in its priority activities.

We sought to mitigate this impact by embarking on a cost reduction programme to review a variety of efficiency saving opportunities that would avoid disruption to our core service provision to our customers.

Detailed plans were drawn up and approved by our Board that achieved this aim and our budgets and financial projections have factored in these cost reductions over the longer term planning period. The approved budget and business plan reflected a range of cost reduction initiatives such as the cessation of some discretionary spending, more focused training, centralisation of back-office contact arrangements, office closure and a reduced employee base. Whilst the target saving of £5m for 2016/17 is on schedule, the efficiencies are expected to be recurring benefits and as such will contribute to the savings aspirations for the remaining £12m target in the following years.

A major aspect of the cost reduction programme was a Voluntary Redundancy Programme that was offered to employees in late 2015. As a result of this, 48 colleagues were accepted to be released under this programme which makes a substantial saving to the business.

This proposal had an attractive financial payback and was not considered to be detrimental to the service provision because of contingency plans and continuous improvement plans that are expected to maintain and improve our service delivery.

The reduction in the average employee base during the financial year of 14 full time equivalents (FTE's) illustrates the initial effect of the programme, as these colleagues participating in the scheme began to be released in the fourth quarter of the financial year.

Procurement
For the period January to December 2015, NHH spent a total of £59.2m; this is an increase of 25.7% for the period January to December 2014 when £47.1m was spent. The vast majority of this increase was due to higher development activity on the construction of new homes, including for market sale.

The total value of framework agreements tendered for 2015 was £45.3m which secured commercial benefits of £4.58m over the duration of the various Agreements, or 10.2% of the amount tendered. There are 34 tenders planned for 2016 amounting to £37.03m in value, which should produce total cost savings of £3.94m over the duration of the framework agreements tendered.

Detailed cost reports are circulated to Budget Holders on a monthly basis detailing costs incurred by spend category and supplier to enable budget holders to identify opportunities where Procurement involvement and/or tendering opportunities exist to increase VFM and save costs.

North Hertfordshire Homes Limited's Value for Money self-assessment 2015/16 can be viewed in full at:
www.nhh.org.uk/publications

Risks and uncertainties

The risks that may prevent the Group achieving its objectives are considered and reviewed quarterly by the senior management team and the Audit and Risk Committee. The Board also consider the Risk Register twice per annum in a format that sets out the significance of their potential probability and impact should they materialise, together with action plans to mitigate them and a Heat map.

The highest level risks are identified in the following table:

Key risk:	Actions being taken
Failure to collect revenue Increase in rent arrears due to changes in the welfare benefit system, inefficient voids and lettings process or erosion in calculation and collection of service charges.	■ *Increased support for tenants through additional funding for advice agencies.* ■ *Review of voids process.* ■ *Restructuring of neighbourhood services to increase resources for and focus on arrears prevention.* ■ *Robust systems in place to collect billed service.*
Failure to respond appropriately to changes in housing policy Changes in operating environment could undermine the viability of current activities or plans. The consequences of changes may require a significant response to avoid potential negative consequences. Failure to plan ahead to manage the reviews associated with fixed term tenancies could leave us unable to complete these on time.	■ *Constant monitoring of media for policy announcements and their implications.* ■ *Attending relevant courses, conferences and briefing sessions.* ■ *Only developing 'affordable homes' where social and affordable rents are very close.* ■ *Put in place arrangements and procedures for initial and subsequent five year tenancy reviews so we are fully prepared for ending of tenancies.*
Rowan Homes fails to meet its objective of generating surpluses Appraisals of the profitability of projects may prove inadequate. Development costs may rise higher than prices or there may be a fall in house prices. Properties may not sell for the prices estimated. We may overpay for land. We may fail to secure sufficient land acquisitions to use the capacity in the business plan.	■ *Rigorous scrutiny of commercial investment decisions and monitoring of performance targets by the Rowan Homes Board.* ■ *Enlist specialist support for land acquisition.* ■ *Implement enhanced financial appraisal models which are reviewed regularly to ensure they are competitive.* ■ *Strictly adhere to the outcomes of feasibility studies, appraisal analysis, obtain specialist advice in each case.* ■ *Commission market research for each new scheme, undertake effective marketing campaigns and monitor sales, taking remedial action when necessary.*
Failure to meet our strategic aspirations for the existing housing stock Inadequate ongoing investment in maintenance. Inadequate knowledge of stock condition. Failure to appraise and take appropriate decisions on underperforming assets.	■ *Alignment of maintenance and repair budgets with the current stock condition database.* ■ *Refresh of 2013 stock condition survey to be completed by Autumn 2016.* ■ *Implementation of active asset management strategy owned by commercial services and development teams.*

Key risk:	Actions being taken
Failure to fully understand assets and liabilities Business critical decisions are poorly informed. Bank loan and other covenants not fully understood. Inaccurate asset valuations leading to uncertainty over capacity for investment. Failure to satisfy the regulator on compliance with regulatory requirements.	■ *Consolidated sources of information on our assets and liabilities.* ■ *Explore and rectify duplicated data on key assets and liabilities.* ■ *Ensure loan agreement details fully understood.* ■ *Obtain and make use of regular asset valuations.* ■ *Maintain monthly two-year cash flow forecast.* ■ *Maintain a £10m funding buffer.* ■ *Daily reports from advisors of NHH's position give minimum 1 working days' notice of potential call for additional security.*

Key risk:	Actions being taken
Failure to maintain financial viability ISDAs lead to covenant breaches Insufficient stress testing Reduced property valuations due to low inflation etc. Insufficient stock to secure funding Fraud Income suppressed while costs increase Unexpected stock investment spend Failure/overspend on large development scheme Inability to sell/let newly developed homes.	■ *Rigorous stress testing of business plan.* ■ *Weekly monitoring of ISDAs.* ■ *Ensure sufficient liquidity available at all times to deal with any margin calls on derivatives.* ■ *Best practice, comprehensive procurement procedures in place and adhered to.* ■ *Monthly monitoring of financial performance through management accounts and review of business plan ensuring that covenants can be met in each year of trading over 30-year time frame.* ■ *Loan covenant ratios forecast for the next short, medium and long term.*

Financial position

The Group income and expenditure account and balance sheet for the past five years are summarised in Table 1 (page 13) and the following paragraphs highlight key features of the Group's financial position at 31 March 2016.

The table shows restated accounts under Financial Reporting Standards 102 for both financial year ends 31 March 2016 and 2015. The years to 31 March 2014 are shown under UK Generally Accepted Accounting Principles and will therefore not provide comparable data.

The change in accounting framework has had a significant impact upon North Hertfordshire Homes in terms of the reserves and reported profitability. This is due primarily to the valuation of the Groups derivatives, which under FRS 102 are valued at fair value and the treatment of grants as deferred income. Details on the valuations used are included in note 32. More information on the impact of FRS 102 can be found in note 33.

The Groups operating surplus for the year is £23.7m (2015: £20.7m).

Group borrowings are £287.6m; the Group has undrawn loan facilities of £8.3m that will be used to fund future improvement programmes and new developments. Restated revenue reserves are £28.9m (2015: £18.5m).

Accounting policies

The Group's principal accounting policies are set out on pages 24-28 of the financial statements.

The policies that are most critical to the financial results relate to accounting for housing properties and include capitalisation of interest for developments; housing property depreciation and capitalisation of major improvements to the housing stock and financial Instruments which under FRS 102 is valued at fair value and recognised in the financial statements.

The Group's financial statements include a provision for pension liability. The liability has been calculated by a qualified actuary in accordance with the pension's technical actuarial standards adopted by the financial reporting council, which came into effect on 1 January 2013. The pension liability relates solely to the Group's membership of the Hertfordshire Local Government Pension Scheme.

Properties in ownership

At 31 March 2016 the Group owned and managed 11,983 properties (2015: 11,914). This comprises 9,065 social housing properties and 2,918 commercial properties primarily garages. The properties are carried in the balance sheet at historical cost (after depreciation) of £361m (2015: £353m). The Board appointed professional valuers Jones Lang Lasalle to value the Group's housing properties at existing use valuation for social housing (EUV-SH) values. These EUV-SH values are used to calculate the Gearing Ratio in accordance with the loan covenants that are included in the loan facility agreements of the Group's long term lenders. At 31 March 2016, the EUV-SH values of the properties, on an existing use for social housing valuation basis were £519.2m (2015: £500.4m). This excluded garages and uncharged properties. A separate valuation of the uncharged properties was undertaken and a valuation of £44.3m was attributed to these.

Pension costs

The Group participates in two pension schemes, the Hertfordshire Local Government Pension Scheme (LGPS) and the North Hertfordshire Homes Stakeholder Pension Scheme (NHSPS). The LGPS is a final salary scheme, while the NHSPS is a money purchase scheme. Both offer good benefits for staff. The Group has contributed 21.2% of payroll to the LGPS scheme in accordance with the contribution rate set by the actuaries, and contributes between 5% and 12.5% of payroll to the NHSPS depending on the age of employees. The latest actuarial valuation of the LGPS was for the 31 March 2016. Contributions to the scheme are 21.2% (2015: 21.2%) of pensionable salaries. The pension scheme has had a triennial valuation as at 31 March 2016, results of this will be available in the autumn.

The repayment profile of this debt is as follows:

Maturity	2016 £m	2015 £m
Within one year	2.0	–
More than one year less than two years	9.0	4.0
More than two years less than five years	36.0	13.6
After five years	240.6	270.0
	287.6	**287.6**

Capital structure and treasury policy

The Group borrowed no new funds in the 2016 financial year (2015: £4m) at the year-end Group borrowings amounted to £287.6m (2015: £287.6m).

The Group has long term bank funding, consisting of a syndicated loan facility and a bi-lateral loan. It also has borrowings via bond aggregators. This debt has been issued by Harbour Funding Plc and GBSH. The bonds have a fixed coupon. The bank funding interest rate is based on LIBOR and a margin. Interest rate swaps are used to manage the Group's exposure to variable interest rate fluctuations and to secure the interest rate profile that can be supported within the 30-year business plan model.

The Group's treasury strategy includes maintaining an interest rate management policy that focuses on achieving cost savings through holding short-term debt but not missing the opportunity to tie into historically low long-term rates. The balance and split of hedging will be dependent on the nature of any revision in debt facilities and sources of finance accessed. At the year-end, 66.5% of the Group's borrowings were at fixed rates after taking account of interest rate swaps (2015: 66.5%).

Variable rates of interest (LIBOR) have been swapped for fixed rate payments on a notional £95m of original debt; the swap fixed rates range from 4.51% to 4.8% for periods of 15 to 27 years.

The Harbour Bond has a coupon rate of 5.28%. In 2006 the bond was increased by £21.5m at a net coupon cost of 4.9%, and a premium of £841k was paid, which has been accounted for as deferred income and will be released across the remaining life span of the bond.

The Group has approved loan facilities of £287.6m and will seek to refinance these loan facilities as opportunities arise. The Groups' policy is to borrow new funds only for development purposes.

Cash flows

Cash inflows and outflows during the year are shown in the cash flow statement (page 23). The cash inflow from operating activities increased this year to £38m (2015: £24m). Cash flows from operating activities have increased as a result of increased rental income and sales of shared ownership, outright sale housing, land and asset sales.

Table 1 – Group Highlights, five-year summary For the year ended 31 March 2016		**2016**	**2015**	**2014**	**2013**	**2012 (restated)**
Group Income & Expenditure accounts (£000s)						
Total Turnover		83,980	68,063	60,767	53,943	46,749
Turnover from lettings		51,519	50,515	48,558	46,259	42,731
Operating Surplus		23,682	20,683	19,509	13,512	12,787
Net Surplus		10,991	5,020	8,019	3,735	4,158
Total Comprehensive surplus/(deficit)		10,316	(11,772)	–	–	–
Group Balance Sheet (£000s)						
Housing Properties, net of depreciation		361,110	353,240	339,297	334,376	325,443
SHG and other capital grants			–	(47,810)	(46,236)	(44,678)
Housing Properties net of depreciation and grant		361,100	353,240	291,487	288,140	280,765
Pension Assets		–	–	406	–	–
Other Fixed Assets, net of depreciation		6,225	7,265	7,524	6,644	6,613
Investments		8,364	7,166			
Total Fixed Assets, net of depreciation		375,699	367,671	299,417	294,784	287,378
Net Current Assets		33,892	30,959	30,394	15,474	13,576
Creditors (due over one year)		379,744	378,199	283,946	272,922	267,339
Less investments to secure interest		–	–	(6,699)	(6,634)	(6,066)
Pension Liability		978	1,951	–	1,659	1,102
Net loans (due over one year)		380,722	380,150	277,247	267,947	262,375
Total Net Assets		**28,869**	**18,480**	**52,564**	**42,311**	**38,579**
Reserves	Revaluation	(31,778)	(31,103)	1,059	994	426
	Revenue		49,583	51,505	41,317	38,153
	Total reserves	**28,869**	**18,480**	**52,564**	**42,311**	**38,579**
Total Funding included in creditors due over one year		285,636	287,632	329,811	310,258	300,954
Accommodation figures: Total properties at year end						
Social Housing		9,065	9,001	9,031	9,050	9,005
Commercial Properties		2,918	2,913	2,913	2,908	2,914
Total		**11,983**	**11,914**	**11,944**	**11,958**	**11,919**
Statistics						
Operating Surplus % of Turnover		28.2%	30.34.%	32.10%	25.05%	27.35%
Operating surplus excluding non core social housing activity % of Turnover excluding non core social housing activity.		35.59%	35.40%	32.99%	22.04%	28.97%
Net Surplus % of Turnover		13.17%	8.51%	13.2%	6.92%	8.89%
Rent losses through voids and bad debts % of annual rent and service charges receivable		2.03%	1.51%	1.36%	2.38%	2.67%
Rent Arrears % of annual rent and service charges receivable		1.75%	1.54%	3.64%	2.67%	2.25%
Interest Cover (EBIT divided by interest payable)		1.98	1.51	1.60	1.60	1.89
Liquidity (current assets divided by current liabilities)		2.77	2.73	3.57	2.98	2.48
Gearing (total loans as % assets, housing properties at value as valued by valuer)		56%	57%	52%	53%	53%
Asset Cover Ratio (housing assets at value divided by loan debt)		1.80	1.76	1.74	1.76	1.76
Debt per rental unit		£31,796	£32,024	£33,417	£32,127	£31,627

Internal Controls Assurance

The Board is the ultimate governing body. It is responsible for ensuring that adequate systems of financial control are in place, and are appropriate to the business environment in which the Group operates. These systems of internal control can only provide reasonable, but not absolute, assurance against 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 Group is exposed. The process for identifying, evaluating and managing the significant risks faced by the Group is on-going and has been in place throughout the year commencing 1 April 2015 up to the date of approval of the annual report and financial statements. The Board has delegated the detailed monitoring of risk management and control arrangements to the Audit and Risk Committee which receives a report on this from management at each of its meetings. A comprehensive review of risk management arrangements is carried out by the Board annually.

The Board has adopted the following arrangements to review the effectiveness of the system of internal control:

- All major investments in existing properties, new properties, plant, equipment and software are subject to appraisal and individual approval by the Leadership Team or the relevant committees as determined by the delegated financial authority and Board terms of reference;
- Management and reporting structures that provides clear accountability and effective decision making within the Group. Operations such as housing, property services and finance are managed by separate directors who report to the Group's Chief Executive;
- An internal audit function which is directed by the Audit and Risk Committee to audit the Group's controls and systems based on a three-year risk assessment and audit plan. The Group uses the services of an independent firm of auditors to carry out its internal audit function;
- Forecasts, budgets and regular management accounts are prepared which allow the Group's Board and management to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; and
- An on-going risk management strategy that defines and, where possible, minimises risks across the Group. Responsibility for the overall strategy for the management of risk, and the continuing review and approval of the Group's Risk Map rests with the Board.

The Board, through the reports of the Audit and Risk Committee, has reviewed the effectiveness of the systems of financial control. The Audit and Risk Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Group and the annual report of the internal auditor and has reported its findings to the Board. These findings are that, in general, laid down procedures and controls are adequate to meet management objectives and that the internal controls operating were reasonable. Improvements to the control environment identified during the year have been prioritised in order to provide a broader assurance. In addition, a retender of the Internal Audit Service has been undertaken.

Whilst the Board has historically used dedicated Internal Audit Services to provide reviews on internal controls, it supplements this by undertaking a wide range of reviews from specialist experts, over the course of the year this has assessed a number of activities including care services, governance, development, data protection and property repairs. This helps to ensure continuous improvement approach to our control environment that recognises best practice evidence.

NHH has a whistle blowing policy and takes allegations seriously. It also has a Fraud Policy. The police will be notified in all cases where it is appropriate. No cases of fraud have been reported during 2015/16.

National Housing Federation (NHF) Code of Governance

The Group complies with the principal recommendations of the NHF Code of Governance (revised 2015). At the commencement of the financial year the Board had 12 members, reducing to 9 at year end, thereby complying with the recommended size for boards.

The principal recommendations are set out in formal Codes of Governance and Board Member Conduct which are consistent with the NHF model codes.

The Group certifies that it complies with the HCA's Governance and Financial Viability standards and are not aware of any areas of non-compliance of which it is required to disclose.

Donations

During the year ended 31 March 2016 the Group donated a total of £167k (2015: £168k) primarily focussing on those agencies that provide support or services to residents within our area of operation.

Statement of the Responsibilities of the Board
The Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and registered social landlord legislation require the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (Financial Reporting Standard 102 and applicable law). Under the Co-operative and Community Benefit Societies legislation the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and income and expenditure of the Group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2014, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Post Balance Sheet Events
A Deed of Clarification with Affinity Water has been signed on 6th July 2016, which helps to mitigate the Contingent Liability that existed at the 31st March 2016, with regards to potential claims against North Hertfordshire Homes Limited breaching the 2006 Water Supply Order.

Since the 31 March 2016, interest rates have fallen significantly in the money markets. This has increased the Mark to Market liability of the business's Interest Rate Swaps. The business has cash deposits and uncharged property it can place on security to meet the margin calls, associated with these obligations.

On 23 June 2016 the UK voted to exit the European Union. Although it is hard to predict the impact of this decision NHH has been exposed to volatility in the derivatives valuation, which has been caused by the short term turmoil created. The business plan to monitor the medium and long term trends and in particular review the following areas:

- House prices and property valuation: this has an impact in the valuation of our housing stock and also the value of future market sales;
- Lower than forecast growth in the economy;
- Mortgage lending: no impact so far but need to maintain view on lending criteria;
- Consumer confidence;
- Low interest rates: this could represent an opportunity;
- Cost of living: this has an impact on our customers and future rents;
- Skilled Labour: access to qualified skilled labour for development activities.

Payment to creditors
The Group estimates on average creditors are paid within 30 days. (2015: 30 days).

Employees
Details of employees are set out in note 9 of the Financial Statements.

The Board considers that the involvement of staff in all its relevant business activities is essential in providing a high quality service to the Group's tenants and clients. The Group is committed to consulting staff on all aspects of its operations through recognised unions, its formal staff consultation Group, management team meetings, through monthly Team Briefs and through written newsletters and circulars. All staff are entitled to join a trade union. The Group operates an equal opportunities policy and has encouraged disabled people to apply for jobs. The Group's policy on training, career development and promotion of disabled people is, as far as possible, identical to that established for other employees and if employees become disabled every effort is made to ensure their continued employment, with appropriate adjustments and training, as necessary. The Group achieved accreditation as an Investor in People in April 2003, was accredited again in 2008 and has been awarded the Silver Level Award in 2011.

Health and Safety
The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

The Group has a standing Health and Safety Committee, comprising staff, managers and the trade unions and has appropriate staffing arrangements for maintaining the health, safety and wellbeing of its workforce and compliance with legislation.

Annual General Meeting
The Annual General Meeting will be held on the 14 September 2016.

Disclosure of information to auditors
At the date of making this report each of the Group's board members, as set out on page 1 confirm the following:

- So far as each board member is aware, there is no relevant information needed by the Group's auditors in connection with preparing of their report of which the Group's auditor is unaware.
- Each board member has taken all the steps that one ought to have taken as board members in order to make themselves aware of any relevant information needed by the Group's auditor in connection with preparing their report and to establish that the Group's auditor is aware of that information.

External Auditors
A resolution to reappoint Grant Thornton UK LLP as auditors of the Group will be proposed at the forthcoming Annual General Meeting.

Statement of Compliance
In preparing this Operating and Financial Review and Board Report, the Board has followed the principles set out in the SORP 2014 update.

The Operating and Financial Review and Board Report was approved by the Board on 12 September 2016 and signed on its behalf by:

Martin Nurse
Chair

Independent Auditor's Report to the Members of North Hertfordshire Homes Limited

For the year ended 31 March 2016

We have audited the financial statements of North Hertfordshire Homes Limited for the year ended 31 March 2016 which comprise the consolidated and association statements of comprehensive income, the consolidated and association statements of changes in reserves, consolidated and association statements of financial position, consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Society, as a body, in accordance with sections 87(2) and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society 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 Society as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 14, the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent society's affairs as at 31 March 2016 and of the Group's and the parent society's income and expenditure for the 31 March 2016 then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes

12 September 2016

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Turnover	3	**83,980**	68,063
Operating expenditure	3	**(60,298)**	(47,410)
Operating surplus	5	**23,682**	20,653
(Loss)/gain on disposal of property, plant and equipment	6	**(1,144)**	2,752
Interest receivable	7	**532**	367
Interest and financing costs	8	**(11,257)**	(11,200)
Movement in fair value of ineffective financial instruments	32	**(218)**	(6,453)
Surplus before tax		**11,595**	6,119
Taxation	11	**(531)**	(325)
Surplus for the year		**11,064**	5,794
Other Comprehensive Income			
Actuarial gain/(loss) in respect of pension schemes	25	**1,224**	(2,210)
(Increase) in the revaluation of effective financial instruments	32	**(2,331)**	(14,582)
Increase in the revaluation of investments	16	**432**	–
Total comprehensive surplus/(deficit) for the year		**10,389**	(10,998)

The financial statements were approved by the Board on 12 September 2016.

Martin Nurse
Chairman

Peter Lipman
Vice Chair

Alan Park
Secretary

The Associations' results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

Association Statement of Comprehensive Income for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Turnover	3	**78,713**	59,005
Operating expenditure	3	**(55,619)**	(39,669)
Operating surplus	5	**23,094**	19,336
(Loss)/gain on disposal of property, plant and equipment	6	**(1,144)**	2,752
Interest receivable	7	**981**	702
Interest and financing costs	8	**(11,257)**	(11,200)
Movement in fair value of ineffective financial instruments	32	**(218)**	(6,453)
Surplus before tax		**11,456**	5,137
Taxation	11	**(465)**	(117)
Surplus for the year		**10,991**	5,020
Other Comprehensive Income			
Actuarial gain/(loss) in respect of pension schemes	25	**1,224**	(2,210)
(Increase) in the revaluation of effective financial instruments	32	**(2,331)**	(14,582)
Increase in the revaluation of investments	16	**432**	–
Total comprehensive surplus/(deficit) for the year		**10,316**	(11,772)

The financial statements were approved by the Board on 12 September 2016.

Martin Nurse
Chairman

Peter Lipman
Vice Chair

Alan Park
Secretary

The Associations' results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Reserves
for the year ended 31 March 2016

	Income and Expenditure Reserve £'000	Investments Revaluation Reserve £'000	Financial Instrument Hedging Reserve £'000	Total £'000
Balance as at 1 April 2014	44,442	1,059	(16,023)	29,478
Total Comprehensive deficit for the year	(10,998)	–	–	(10,998)
Revaluation of Financial Instruments	–	–	(14,582)	(14,582)
Transfer from revaluation reserve to other comprehensive income	14,582	–	–	14,582
Balance at 31 March 2015	48,026	1,059	(30,605)	18,480
Total Comprehensive surplus for the year	10,389	–	–	10,389
Revaluation of Financial Instruments	–	–	(2,331)	(2,331)
Revaluation of Investments	–	432	–	432
Transfer from revaluation reserve to other comprehensive income	1,899	–	–	1,899
Balance at 31 March 2016	60,314	1,491	(32,936)	28,869

Association Statement of Changes in Reserves at 31 March 2016

	Income and Expenditure Reserve £'000	Investments Revaluation Reserve £'000	Financial Instrument Hedging Reserve £'000	Total £'000
Balance as at 1 April 2014	44,557	1,059	(16,023)	29,593
Total Comprehensive deficit for the year	(11,772)	–	–	(11,772)
Revaluation of Financial Instruments	–	–	(14,582)	(14,582)
Transfer from revaluation reserve to other comprehensive income	14,582	–	–	14,582
Balance at 31 March 2015	47,367	1,059	(30,605)	17,821
Total Comprehensive Surplus for the year	10,316	–	–	10,316
Revaluation of Financial Instruments	–	–	(2,331)	(2,331)
Revaluation of Investments	–	432	–	432
Transfer from revaluation reserve to other comprehensive income	1,899	–	–	1,899
Balance at 31 March 2016	59,582	1,491	(32,936)	28,137

Consolidated and Association Statement of Financial Position at 31 March 2016

	Note	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Fixed assets					
Intangible Assets	12	**254**	183	**254**	183
Tangible fixed assets – Housing	13	**361,110**	353,240	**361,110**	353,240
Tangible fixed assets – Other	14	**5,971**	7082	**5,971**	7,082
Investment properties	15	**1,150**	–	**1,150**	–
Investments	16	**7,136**	6,699	**7,136**	6,699
Investment in subsidiaries		**78**	467	**135**	523
		375,699	367,671	**375,756**	367,727
Current assets					
Properties held for sale	17	**31,487**	35,514	**19,091**	23,678
Stock		**128**	217	**128**	217
Trade and other debtors	18	**1,980**	2,448	**13,208**	13,246
Cash and other cash equivalents		**19,484**	10,661	**19,434**	10,611
		53,079	48,840	**51,861**	47,752
Creditors: amounts falling due with one year	19	**(19,187)**	(17,881)	**(18,758)**	(17,508)
Net current assets		**33,892**	30,959	**33,103**	30,244
Total assets less current liabilities		**409,591**	398,630	**408,859**	397,971
Creditors: amounts falling due after more than one year	20	**(379,744)**	(378,199)	**(379,744)**	(378,199)
Provision for liabilities					
– Pension liability	25	**(978)**	(1,951)	**(978)**	(1,951)
Total net assets		**28,869**	18,480	**28,137**	17,821
Reserves					
Income and expenditure reserve		**60,314**	48,026	**59,582**	47,367
Investments revaluation reserve		**1,491**	1,059	**1,491**	1,059
Financial instrument hedging reserve		**(32,936)**	(30,605)	**(32,936)**	(30,605)
Total reserves		**28,869**	18,480	**28,137**	17,821

The accompanying notes form part of these financial statements. The financial statements were approved by the Board on 12 September 2016.

Martin Nurse
Chairman

Peter Lipman
Vice Chair

Alan Park
Secretary

North Hertfordshire Homes
Company number: 30003R

Consolidated Statement of Cash Flows
year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Net cash generated from operating activities	27	**37,635**	23,514
Cash flow from investing activities			
Purchase of construction and improvements of housing properties		**(21,564)**	(21,737)
Purchase of other fixed assets	12 & 14	**(606)**	(944)
Proceeds from sale of tangible fixed assets	6	**3,877**	3,845
Grants received	21	**1,258**	2,389
Interest received		**139**	233
Corporation Tax		**(424)**	(249)
Net cash outflow from investing activities		**(17,320)**	(16,463)
Cash flow from financing activities			
Interest paid		**(11,492)**	(10,785)
New secured loans		**–**	4,000
Total cash outflow from financing activities		**(11,492)**	(6,785)
Net change in cash and cash equivalents		**8,823**	266
Cash and cash equivalents at beginning of the year		**10,661**	10,395
Cash and cash equivalents at the end of the year		**19,484**	10,661

The accompanying notes form part of these financial statements.

Notes to the financial statements
for the year ended 31 March 2016

1 Legal status

The association is registered under the Cooperative and Community Benefit Society Act 2014 and is a registered housing association. Company number: 30003R.

Principal Activities
The Group's principal activities are the management and development of affordable and supported housing.

2 Accounting Policies

Accounting policies
The financial statements of the Group and association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 33 for an explanation of this translation.

The financial statements are presented in Sterling (£).

The individual accounts of North Hertfordshire Homes have also adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes
- Financial instrument disclosures, including:
- categories of financial instruments
- items of income, expenses, gains or losses relating to financial instruments, and
- exposure and management of financial risks.

Basis of consolidation
The Group accounts consolidate the accounts of the association and all its subsidiaries at 31 March using the acquisition method. The Statutory financial year end of Allunite Limited a wholly owned subsidiary company does not coincide with the financial year of the Group. However, the Group has consolidated the financial position and results of Allunite Limited based on the management accounts made up to the financial year end of the Group.

Investment in subsidiaries
The consolidated financial statements incorporate the financial statements of the association and entities (including special purpose entities) controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-Group transactions, balances, income and expenses are eliminated in full consolidation.

Investments in subsidiaries are accounted for as cost less impairment in the individual financial statements.

Going Concern
The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term debt facilities which provide adequate resources to finance to committed reinvestment and development programme, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements
In determining the carrying amounts of certain assets and liabilities the Group makes assumptions of the effects of uncertain future events. The Group's estimates and assumptions are based on historical experience and the expectation of future events. The items in the financial statements where these judgements and estimates have been made include:

- **Fair Value of Financial Instruments –** Interest rate swap contracts allow the company to swap the prevailing three month LIBOR rate of interest for a fixed rate, on a defined level of principal. The Company has three of these contracts which are independently measured at fair value. The fair value is used in the accounts and is derived from the difference between the fixed and variable rate and discounted across the relevant period of the yield curve.
- **Valuation of Investment Properties and impairment of the carrying value –** the valuation has been externally produced with agreed assumptions based on length of lease and monthly rental value.
- **Defined benefit pension scheme –** actuarial assumptions have been made in determining the valuation, note 24 details the assumptions used.
- **Tax –** determining the Corporation tax provision requires the judgement of the tax treatment of certain transactions.
- **Assessment of loans as basic –** Assessing the loans as basic required judgements based on the loan agreements.

Capitalisation of property development costs
The Association maintains regular development updates with management and board members of which they monitor all pipeline costs to distinguish the point at which a project is more likely than not to continue. This allows capitalisation of associated development costs and requires judgement. After capitalisation management monitor the asset and consider

whether changes indicate that impairment is required. The total amount capitalised in the year was £14m relating to the following schemes:

Caroline Sharp House	£6m
Alexander Road and Offa's Way	£2m
Ditchmore Lane and Fairlight Close	£5.5m
Cotslandswick	£0.5k

Supporting people
Management judgement is applied in determining the extent to which the risks and benefits are transferred to the association when considering income to be recognised. £379k of supporting people income was recognised in the year (2015: £687k).

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2016 was £60.5m (2015: £52.5m)

Defined benefit obligation (DBO)
Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 25). The liability as 31 March 2016 was £978k, (2015: £1.9m).

Fair Value measurement
Management uses valuation techniques to determine the fair value of financial instruments' including loans and derivatives (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices. Fair value measurements were applied to one loan which included options. The total value of this instrument was £46m at 31 March 2016 (2015: £43m).

Turnover and revenue recognition
Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included in the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Deferred taxation
Deferred tax is recognised in respect of all timing differences as the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be removed against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the Group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset, except for investment property that has a limited useful life and is held in a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entries which intend either to settle current tax liabilities and assets on net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the financial statements
for the year ended 31 March 2016

Value Added Tax
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 that is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest payable
Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents:

a) interest on borrowing specifically financing the development programme after deduction of related grants receive in advance; or

b) a fair amount of interest on borrowings of the association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to statement of comprehensive income in the year.

Financial instruments
Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Non-basic financial instruments include all non-basic debt instruments and derivatives, such as: interest rate swaps. All are recognised in the statement of financial position and measured as fair value through the surplus or deficit. At each period end the instrument is revalued to fair value with the movement posted to statement of comprehensive income, with the exception of those financial instruments for which hedge accounting is applied. The movement on financial instruments where hedge accounting is applied is reflected in the statement of changes in reserves.

Debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors
Short term trade creditors are measure at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits
Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Pensions

Defined Benefit Pension Scheme
The Group operates a defined benefit pension scheme (Local Government Pension Scheme) contracted out of The State Scheme for employees who were transferred under TUPE from the North Hertfordshire District Council. The pension scheme, which is closed to new employees, is valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rate.

For the Local Government Pension Scheme, assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that is recoverable by the Group through reduced contributions or through refunds from the plan.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

Money Purchase Scheme
The Group also operates a stakeholder's money purchase scheme for new employees hired after the 1st April 2003. Pension costs are based on a fixed percentage of the employee's salary according to the age of the employee and are accounted for by charging the cost to the income statement

Housing properties
Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less depreciation.

Completed housing and shared ownership properties are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. Impairment reviews are made with sufficient regularity to ensure the carrying amount does not materially differ from the fair value or the properties at year end.

Housing properties under construction are stated at cost. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related to sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in the housing properties at cost, less any provisions needed for depreciation or impairment.

Community Benefit Agreement
A Community Benefit Agreement exists between the Group and North Hertfordshire District Council to record the surpluses on sales of assets that were part of the original stock transfer and the savings made under the VAT plan that had been approved by HM Revenue and Customs. A contracted sum which is indexed linked to RPI for the current year is recognised as income to North Hertfordshire Homes, the remaining proceeds are recycled to the Fund.

Donated land and other assets
Land and other assets donated by local authorities and other government sources added to cost as the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as non-monetary grant and recognised on the statement of financial position as a liability. The terms of the donation are deemed to be performance related conditions. Where the donation is from a non-public source, the value of the donation is included as income.

Investment properties
Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in the statement of comprehensive income.

Government grants
Government grants include grants receivable from the Homes and Communities Agency, local authorities, and other government organisations. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as liability. For Social Housing Grant this means the grant is recognised as revenue on completion of the property.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HCA. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or replay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in the statement of comprehensive income. Upon disposal of the associated property, if the Group is required to recycle grant proceeds it is recognised as a liability.

Other grants
Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Association is recognised only when these conditions are met. A grant received before the revenue criteria are satisfied is recognised as a liability.

Intangible Fixed Assets
Software is treated as an intangible fixed asset and is amortised 25% on a straight line basis.

Depreciation of housing properties
The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The Group depreciates the major components of its housing properties at the following annual rates:

Structure	1%
Roofs	1.67%
Kitchens	5%
Bathrooms	3.33%
Boilers	6.67%
Windows and doors	3.33%
Mechanical systems (heating plumbing, ventilation)	3.33%
Garages	2%

Freehold land is not depreciated.

Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment
Annually housing properties are assessed for impairment. Where indicators are identified an assessment for impairment is undertaken comparing the assets carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based in its service potential. The resulting impairment loss is recognised as expenditure in income and expenditure. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

Other tangible fixed assets
Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings	2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	10%
Computers and office equipment	25%
Motor vehicles	25%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expenses equal to amounts owed to the lessor.

The aggregate benefit of lease incentives is recognised as a reduction to the expenses recognised over the lease term on a straight line basis.

Properties for sale
Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Hedge reserve
On revaluing the derivatives, the derivatives are split into effective derivatives which are debited to the revaluation reserve and ineffective derivatives which are transferred to the Statement of Comprehensive Income.

Pension Reserve
An actuarial valuation is received for the LGPS defined benefit pension scheme, the liability is recognised in the statement of financial position and the movement of the liability is transferred to the pension reserve.

Investment Reserve
A valuation is received on the Group's investments; the movement on the valuation is recognised in the investments revaluation reserve.

3 Particulars of turnover, cost of sales, operating costs and operating surplus
3a Group – continuing activities

	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	2016 Operating surplus £'000
Social housing lettings	**51,519**	**(15,504)**	**(18,127)**	**17,888**
Other social housing activities				
Current asset property sales	**1,920**	**(1,535)**	**(262)**	**123**
Charges for support services	**1,206**	**(1,163)**	**–**	**43**
Supporting people	**380**	**(404)**	**–**	**(24)**
Other	**2,254**	**(246)**	**(220)**	**1,788**
	5,760	**(3,348)**	**(482)**	**1,930**
Non-social housing activities	**26,701**	**(20,198)**	**(2,639)**	**3,864**
	83,980	**(39,050)**	**(21,248)**	**23,682**

	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	2015 Restated Operating surplus £'000
Social housing lettings	50,515	(16,130)	(17,700)	16,685
Other social housing activities				
Current asset property sales	393	(144)	(210)	39
Charges for support services	1,002	(1,051)	–	(49)
Supporting people	687	(392)	–	295
Other	2,287	(126)	(149)	2,012
	4,369	(1,713)	(359)	2,297
Non-social housing activities	13,179	(10,740)	(768)	1,671
	68,063	(28,583)	(18,827)	20,653

3 Particulars of turnover, cost of sales, operating costs and operating surplus (continued)
3a Association – continuing activities

				2016
	Turnover	**Cost of sales**	**Operating expenditure**	**Operating surplus**
	£'000	**£'000**	**£'000**	**£'000**
Social housing lettings	**51,519**	**(15,504)**	**(18,127)**	**17,888**
Other social housing activities				
Current asset property sales	**1,920**	**(1,535)**	**(262)**	**123**
Charges for support services	**1,206**	**(1,163)**	**–**	**43**
Supporting people	**380**	**(404)**	**–**	**(24)**
Other	**2,254**	**(246)**	**(220)**	**1,788**
	5,760	**(3,348)**	**(482)**	**1,930**
Non-social housing activities	**21,434**	**(15,835)**	**(2,323)**	**3,276**
	78,713	**(34,687)**	**(20,932)**	**23,094**

				2015 Restated
	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings	50,515	(16,130)	(17,700)	16,685
Other social housing activities				
Current asset property sales	393	(144)	(210)	39
Charges for support services	1,002	(1,051)	–	(49)
Supporting people	687	(392)	–	295
Other	2,287	(126)	(149)	2,012
	4,369	(1,713)	(359)	2,297
Non-social housing activities	4,121	(3,539)	(228)	354
	59,005	(21,382)	(18,287)	19,336

3b particulars of income and expenditure from social housing lettings Group and Association

	2016					2015 Restated
	General needs housing	**Supported housing and housing for older people**	**Temporary social housing**	**Low cost home ownership**	**Total**	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	£'000
Rent receivable net of identifiable service charges	**41,426**	**3,605**	**721**	**701**	**46,453**	45,054
Service charge income	**284**	**484**	**3**	**43**	**814**	738
Other revenue income	**2,826**	**529**	**101**	**92**	**3,548**	4,158
Amortised government grants	**514**	**6**	**–**	**39**	**559**	476
Government grants taken to income	**145**	**–**	**–**	**–**	**145**	89
Turnover from social housing lettings	**45,195**	**4,624**	**825**	**875**	**51,519**	50,515
Management	**(6,359)**	**(2,150)**	**(361)**	**(89)**	**(8,959)**	(8,761)
Service charge costs	**(3,822)**	**(1,408)**	**(178)**	**(9)**	**(5,417)**	(5,897)
Routine maintenance	**(2,073)**	**(118)**	**–**	**(77)**	**(2,268)**	(2,604)
Planned maintenance	**(4,605)**	**(783)**	**–**	**(25)**	**(5,413)**	(6,671)
Major repairs expenditure	**(608)**	**(32)**	**–**	**(24)**	**(664)**	(958)
Bad debts	**(187)**	**2**	**–**	**–**	**(185)**	(29)
Depreciation of housing properties	**(7,378)**	**(852)**	**–**	**–**	**(8,230)**	(7,075)
Other costs	**(2,231)**	**(205)**	**(38)**	**(21)**	**(2,495)**	(1,835)
Operating costs on social housing lettings	**(27,263)**	**(5,546)**	**(577)**	**(245)**	**(33,631)**	(33,830
Operating surplus on social housing lettings	**17,932**	**(922)**	**248**	**630**	**17,888**	16,685
Void losses	**301**	**105**	**64**	**107**	**577**	447

We have restated notes 3a and 3b for the year ended 31 March 2015 to aid with comparability to show improved costing methods now employed by the Group.

3c Particulars of turnover from non-social housing lettings

	Group		Association	
	2016 **£'000**	2015 £'000	**2016** **£'000**	2015 £'000
Market sales	**26,281**	12,699	**21,014**	3,641
Vehicle workshop	**112**	107	**112**	107
Solar panel income	**302**	368	**302**	368
Other	**6**	5	**6**	5
	26,701	13,179	**21,434**	4,121

4 Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	Group		Association	
	2016 **No of properties**	2015 No of properties	**2016** **No of properties**	2015 No of properties
Social Housing				
General housing: – social rent	**7,323**	7,344	**7,323**	7,344
Supported housing for older people	**794**	759	**794**	759
Low cost home ownership	**212**	196	**212**	196
Temporary social housing	**163**	134	**163**	134
Leased housing properties	**573**	568	**573**	568
Other	**2,918**	2,913	**2,918**	2,913
Total owned	**11,983**	11,914	**11,983**	11,914
Accommodation managed for others	**–**	–	**–**	–
Total managed	**11,983**	11,914	**11,983**	11,914
Accommodation in development at year end	**93**	246	**93**	246

The Group owns 7 supported housing units (2015:7) that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the financial risk relating to the supported housing units.

Other includes garages and commercial units transferred to the Association on stock transfer; these are rented at less than a commercial rent and therefore held as social assets.

5 Operating surplus

The operating surplus is arrived at after charging/ (crediting):

	Group		Association	
	2016 **£'000**	2015 £'000	**2016** **£'000**	2015 £'000
Depreciation of housing properties	**8,230**	7,075	**8,230**	7,075
Impairment of investment property (note 15)	**382**	–	**382**	–
Impairment of Investment (note 16)	**388**	–	**388**	–
Depreciation of Intangible Assets	**86**	–	**86**	–
Depreciation of other tangible fixed assets	**553**	647	**553**	647
gain/(loss) on disposal of other tangible fixed assets	**116**	(68)	**116**	(68)
Amortisation on Capital Grants	**(559)**	(476)	**(559)**	(476)
Operating lease rentals				
– land buildings	**31**	81	**31**	81
– office equipment and computers	**31**	48	**31**	48
Auditors' remuneration (excluding VAT)				
– Fees payable to the Association's auditors for the audit of financial statements	**29**	27	**29**	27
– Fees payable to the Association's auditors for other services: Service c harge review and loan covenant compliance	**5**	1	**5**	1
– Audit of the financial statements subsidiaries	**7**	7	**0**	–
Total audit services	**41**	35	**34**	28

6 (Loss)/gain on sale of fixed assets – housing properties

	Group		Association	
	2016 **£'000**	2015 £'000	**2016** **£'000**	2015 £'000
Disposal proceeds	**3,877**	6,623	**3,877**	6,623
Carrying value of fixed assets	**(1,507)**	(1,245)	**(1,507)**	(1,245)
	2,370	5,378	**2,370**	5,378
Capital grant recycled (see note 21)	**(98)**	(35)	**(98)**	(35)
Disposal proceeds fund (note 22)	**(1,580)**	(2,658)	**(1,580)**	(2,658)
(Loss)/profit on sale of other fixed assets	**(1,836)**	68	**(1,836)**	68
	(1,144)	2,753	**(1,144)**	2,753

7 Interest receivable and other income

	Group		Association	
	2016 **£'000**	2015 £'000	**2016** **£'000**	2015 £'000
Interest receivable on deposits	**20**	105	**20**	105
Intercompany interest	**–**	–	**449**	335
Interest received on investment bonds	**116**	116	**116**	116
Other interest received	**396**	146	**396**	146
	532	367	**981**	702

8 Interest and financing costs

	Group		Association	
	2016 **£'000**	2015 £'000	**2016** **£'000**	2015 £'000
Defined Benefit Pension Charge	**(458)**	–	**(458)**	–
Loans and bank overdrafts	**(11,572)**	(11,548)	**(11,572)**	(11,548)
Interest payable capitalised on housing properties under construction	**773**	348	**773**	348
	(11,257)	(11,200)	**(11,257)**	(11,200)
Capitalisation rate used to determine the finance costs capitalised during the period	**3.9%**	3.86%	**3.9%**	3.86%

9 Employees

Average monthly number of employees expressed as full time equivalents (calculated based on a standard working week of 37.5hrs):

Group and Association – Average number

	2016 **No.**	**2016** **FTE**	2015 No.	2015 FTE
Central Office	**74**	**61**	65	58
Housing	**62**	**49**	70	61
Direct Labour	**86**	**75**	87	85
Care	**100**	**58**	74	48
Property Services	**43**	**36**	39	37
Development	**10**	**8**	10	9
Non Executive	**10**	**10**	13	13
	385	**297**	358	311

9 Employees (continued)

The full time equivalent number of staff who received remuneration (excluding directors):

	2016 No.	2015 No.
£60,001 to £70,000	**5**	4

Employee costs:	**Group**		**Association**	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Wages and salaries	**10,048**	9,633	**10,048**	9,633
Social security costs	**951**	895	**951**	895
Other pension costs	**831**	776	**831**	776
	11,830	11,304	**11,830**	11,304
Restructuring costs	**1,163**	–	**1,163**	–
	12,993	11,304	**12,993**	11,304

As a result of the unplanned requirement to accommodate four years of 1 % rent reductions into our financial projections and financial business plans, we embarked on a cost reduction programme that would mitigate the adverse financial impact of the reduction in income that would be borne by the organisation. The cost reductions included a Voluntary Redundancy programme and an internal restructure which was approved by the Board. The FTE as at the 31 March 2016 was 215.

The Association's employees are members of the Local Government Pension Scheme (LGPS) or the General Stakeholder Scheme. Further information on each scheme is given note 25.

10 Board members and executive directors

Executive directors	**Basic salary £'000**	**Benefits in kind £'000**	**Pension contributions £'000**	**2016 Loss of office £'000**	**Er's Pension £'000**	**Er's NI £'000**	**Total £'000**	**2015 Total £'000**
Chief Executive								
Kevin Thompson	**32**	**1**	**6**	**–**	**6**	**4**	**49**	**196**
Gavin Cansfield	**118**	**1**	**15**	**–**	**15**	**16**	**165**	**–**
Director of Finance								
Alan Park	**120**	**7**	**15**	**–**	**15**	**17**	**174**	**149**
Director of Operations								
Victoria Hisgrove	**58**	**4**	**11**	**80**	**11**	**14**	**178**	**136**
Director of Property								
Paul Murtagh	**55**	**4**	**11**	**70**	**11**	**12**	**163**	**136**
	383	**17**	**58**	**150**	**58**	**63**	**729**	**617**

10 Board members and executive directors (continued)

The Group conclude that the executives are the key management personnel; the total cost for the personnel is £729k. (2015: £617k). Post year end Neil Brooks was appointed as Director of New Business. He is not an executive director however is deemed to be part of key management personnel. Neil Brooks has not been paid during this financial year.

During the Financial year the Chief Executive retired who was a member of the LGPS scheme; a new Chief Executive was appointed by the Board and is a member of the Legal and General Stakeholder Pension Scheme.

During the year an amount of £23,400 was paid to HACT of which Gavin Cansfield is the Chair of the Board. NHH works with the Housing Association Charitable Trust (HACT) on a range of initiatives to support the organisations development during challenging times for the sector. Work includes the assistance to Board in designing an appropriate housing future that will support us recognise the needs and aspirations of our customers and the neighbourhoods that we work in. HACT have provided assistance in strategic planning and assisting us develop community investment activities that go beyond our core responsibilities to our direct customers.

The Director of Operations left during the year and received £79,500 in respect of the loss of office of director.

The Director of Property left during the year and received £69,900 in respect of the loss of office of director.

The Group paid £58,500 to Capita Sourcing for making available the services of Kate Franklin as acting Director of Customer Experience.

The Group paid £63,814 to New Edge for making available the services of Ed Barnes as acting Director of Property and Development.

The emoluments of the highest paid director, the Director of Finance, excluding pension contributions, was £120,829 (2015: Director of Finance £114,950; Chief Executive: £139,542).

Board Members	**2016 Total £'000**	2015 Total £'000
Chair of Board		
Gordon Johnson	**–**	5
Martin Nurse	**13**	6
Vice Chair		
Peter Lipman	**9**	8
Chair of Committee		
David Kearns	**–**	1
Philip Day	**7**	5
Board Members		
Douglas Kell	**3**	6
David Barnard	**5**	3
Heather McKinlay	**–**	2
William Davidson	**5**	4
Jaqueline Thomas	**2**	4
Marie Li Mow Ching	**7**	2
Howard Marshall	**2**	4
Colin Chivers	**1**	1
David Pickering	**3**	7
Tom Brindley	**–**	1
Christine Anthony	**5**	4
Stacey Brewer	**5**	4
Jane Gray	**1**	–
Victor Dove	**2**	–
	70	67

Remuneration in respect of:	**2016 Total £'000**	2015 Total £'000
Board duties	**70**	**63**
Board Champions	**–**	4
	70	67

Remuneration is payable at the following annual rates:	**2016 Total £'000s**	2015 Total £'000s
Chair of the Board	**12,600**	10,558
Vice Chair	**9,000**	6,334
Chair of the Committee	**7,000**	5,596
Other Board Members	**5,000**	4,223
Chair of Rowan Home	**4,000**	3,167
Other Rowan Homes Board Members	**1,600**	1,584

11 Tax on surplus on ordinary activities

	Group		**Association**	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Current tax				
UK corporation tax on surplus for the year	**(586)**	(363)	**(520)**	(155)
Adjustments in respect of prior years	**55**	38	**55**	38
	(531)	(325)	**(465)**	(117)

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

	Group		**Association**	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Total tax reconciliation				
Surplus on ordinary activities before tax	**11,595**	6,118	**11,456**	5,136
Theoretical tax at UK corporation tax rate 20% (2015:21%)	**2,319**	1,284	**2,291**	1,079
– tax on other comprehensive income items	**135**	(3,358)	**135**	(3,358)
– depreciation on non-qualifying assets	**(1,774)**	(1,622)	**(1,774)**	(1,622)
– Amortisation on Grants	**112**	100	**112**	100
– other non-deductible expenditure	**(44)**	(1,355)	**(44)**	(1,355)
– on charitable activities not taxable	**(1,224)**	4,664	**(1,130)**	5,077
– adjustments to tax charge in respect of prior periods	**(55)**	(38)	**(55)**	(38)
Total tax charge	**(531)**	(325)	**(465)**	(117)

During the year the UK corporation tax rate was decreased. Following Budget 2016 announcements there will be a further reduction in the main rate on corporation tax to 17% from 1 April 2020.

12 Intangible Fixed assets

	Software £'000
Cost	
As at 1 April 2015	298
Additions	157
As at 31 March 2016	455
Depreciation	
As at 1 April 2015	(115)
Charge for the year	(86)
As at 31 March 2016	(201)
Net book value	
At 31 March 2016	**254**
At 31 March 2015	183

13 Fixed assets – housing properties

Group & Association – housing properties

	Social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	Total housing properties
	£'000	£'000	£'000	£'000	£'000
Cost	Restated				
At 1 April 2015	367,162	15,407	20,149	1,025	403,743
Additions		11,271	404	2,539	14,214
Reclassifications	(9,660)	–	9,660	–	–
Works to existing properties –Additions	6,187	–	–	–	6,187
Works to existing properties – Enhancements	342	–	–	–	342
Interest capitalised	–	773	–	–	773
Schemes completed	13,739	(13,739)	346	(346)	–
Moved to investment properties	–	(1,524)	–	–	(1,524)
Moved to other fixed assets	–	(185)	–	–	(185)
Disposals	(2,805)	–	(1,532)	–	(4,337)
At 31 March 2016	374,965	12,003	29,027	3,218	419,213
Depreciation and impairment					
At 1 April 2015	(50,503)	–	–	–	(50,503)
Depreciation charged in year	(8,230)	–	–	–	(8,230)
Released on disposal	630	–	–	–	630
At 31 March 2016	(58,103)	–	–	–	(58,103)
Net book value					
At 31 March 2016	**316,862**	**12,003**	**29,027**	**3,218**	**361,110**
At 31 March 2015	307,001	15,406	29,809	1,025	353,240

Within the Housing property note there is an amount of £577k which represents social housing grant netted off against the associated assets. As social housing grant is no longer presented within housing properties, the cost of the asset and social housing have respectively been increased by this amount to enable the required reclassification to take place as part of the transition to FRS 102 as set out in note 33.

13 Fixed assets – housing properties (continued)

13a Expenditure on works to existing properties

Group and Association	2016 £'000	2015 £'000
Improvements and component works capitalised	**6,528**	10,038
Amounts charged to income and expenditure	**8,795**	10,154
	15,323	20,192

Total accumulated Social Housing assistance	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Received or receivable at 31 March	**48,998**	48,228	**48,998**	48,228
Recognised in the statement of comprehensive income	**(1,060)**	(489)	**(1,060)**	(489)
Held as deferred income	**47,938**	47,739	**47,938**	47,739

Finance Costs	Group 2016 £'000	Group 2015 £'000	Association 2016 £'000	Association 2015 £'000
Aggregate amount of finance costs included in the cost of housing properties	**4,097**	3,324	**4,097**	3,324

Impairment

The Group considers individual schemes to be separate Cash Generating Units (CGU'S) when assessing for impairment, in accordance with the requirements of Financial Reporting 102 and Statement Of Recommended Practices 2014.

14 Tangible fixed assets – other

Group and Association	Freehold offices £'000	Long leasehold property £'000	Computers and offices equipment £'000	Furniture, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 April 2015	4,524	2,786	736	118	854	9,018
Additions	–	–	239	195	15	449
Disposals	(1,239)	–	(8)	(14)	(18)	(1,279)
At 31 March 2016	3,285	2,786	967	299	851	8,188
Depreciation						
At 1 April 2015	(728)	(559)	(426)	(60)	(162)	(1,935)
Charged in the year	(85)	(56)	(187)	(8)	(217)	(553)
Released on disposal	263	–	–	3	5	271
At 31 March 2016	(550)	(615)	(613)	(65)	(374)	(2,217)
Net book value						
At 31 March 2016	**2,735**	**2,171**	**347**	**234**	**477**	**5,971**
At 31 March 2015	3,796	2,227	309	58	692	7,082

15 Investment properties non-social housing properties held for letting

Investment properties were valued as at 31 March 2016. The Group's investment properties have been valued by Paul Quinn from NewBreed, professional external valuers. The full valuation of property was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors as follows:

	2016 £'000
At 1 April	–
Addition	1,532
Decrease in value	(382)
At 31 March	1,150

The assumptions used in the valuation was an annual rent receivable of £75k on a ten year lease with five yearly reviews which is in line with the current marketing plan.

16 Investments

Investment	**2016 £'000**	2015 £'000
At 1 April	**6,699**	6,699
Increase in valuation	**437**	–
At 31 March	**7,136**	6,699

The investments are charged as security for the Group's £86.3m bond with Harbour Funding Plc and are held by Royal Trust Corporation of Canada, the bond trustee on behalf of the Group. The investments were revalued at 31 March 2016 and are recorded in the accounts at the market value £7,136 at that date (2015: £6,699k).

Investment in Subsidiaries

As required by statute, the financial statements consolidate the results of North Hertfordshire Homes Limited, Rowan Homes (NHH) Limited (Company Number: 07635808) and Allunite Limited (Company Number: 06979640), which were both subsidiaries of the association at the end of the year, registered in England and Wales. The Association has the right to appoint members to the Board of the two subsidiaries and thereby exercise control over them.

Both subsidiaries are trading as developers of properties for sale and are non-regulated entities. None of the subsidiary companies are Registered Social Landlords.

North Hertfordshire Homes is the ultimate parent undertaking.

Rowan Homes (NHH) Limited

North Hertfordshire Homes Limited, a regulated entity, owns all £100 of the issued share capital.

During the year the Company had the following intra- Group transaction with:

Rowan Homes (NHH) Limited.	**2016 £'000**	2015 £'000	Allocation basis
Development Costs	**(5,952)**	(6,365)	Cost
Interest	**(624)**	(319)	4.28 % on loan balance
Overheads	**(1,287)**	(911)	Sq. Meterage
	(7,863)	(7,595)	

16 Investments (continued)

These amounts relate to all costs incurred for Rowan Homes' specific schemes and Development salaries apportioned by the schemes, based on total scheme costs. Of the total Development salaries for the year 58% (2015:50%) was recharged to North Hertfordshire Homes from Rowan Homes (NHH) Limited, to cover the cost of management of the development of social properties by Rowan Homes (NHH) Limited for North Hertfordshire Homes Limited.

Allunite Limited

North Hertfordshire Homes Limited, a regulated entity, owns all £100 of the issued share capital.

During the year the Company had the following intra- Group transaction with:

Allunite Limited.	**2016 £'000**	2015 £'000	Allocation basis
Development costs	**(3,090)**	(3,078)	Cost
Interest	**(275)**	(130)	4.28% on loan balance
	(3,365)	(3,208)	

The Group invested £3.9 million into Allunite. It is being sold for £3.5m. An impairment of £388k has been recognised, this is in respect of the goodwill purchased.

17 Properties for sale

	Group		**Association**	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Shared ownership first tranche development				
Completed properties	**–**	485	**–**	493
Work in progress	**2,016**	553	**2,016**	259
	2,016	1,038	**2,016**	752
Properties developed for outright sale				
Completed properties	**1,123**	–	**1,123**	–
Work in progress	**23,012**	28,597	**12,700**	21,866
Land acquired for development	**5,336**	5,879	**3,252**	1,060
	31,487	35,514	**19,091**	23,678

18 Debtors

	Group		Association	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Due within one year				
Rent and service charges receivable	**1,696**	2,401	**1,696**	2,401
Less: provision for bad and doubtful debts	**(844)**	(818)	**(844)**	(818)
	852	1,583	**852**	1,583
Amounts due from Group undertakings	**–**	–	**11,228**	10,803
Other debtors	**208**	474	**208**	470
Prepayments and accrued income	**920**	391	**919**	391
	1,980	2,448	**13,208**	13,246

The Intragroup balances are loans made to Rowan Homes (NHH) Limited and Allunite Limited (note 16); they are charged interest at 4.28%. The final repayment date of the loan is the 23 May 2019 and is repayable by the borrower upon the demand of the lender at any time or as otherwise agreed between the borrower and the lender.

19 Creditors: amounts falling due within one year

	Group		Association	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Debt (note 24)	**2,000**	–	**2,000**	–
Derivative Fair Value	**2,712**	3,474	**2,712**	3,474
Trade creditors	**1,332**	3,191	**1,332**	3,191
Rent and service charges received in advance	**1,137**	920	**1,137**	920
Social housing grant received in advance	**–**	13	**–**	13
Other capital grants received in advance (note 22)	**5,517**	3,937	**5,517**	3,937
Deferred Capital Grant (note 21)	**553**	479	**553**	479
Corporation tax	**470**	363	**521**	154
Other taxation and social security	**186**	229	**186**	229
Unpaid contributions for retirement benefits	**76**	93	**76**	93
Other creditors	**61**	106	**61**	84
Accruals and deferred income	**5,143**	5,076	**4,663**	4,934
	19,187	17,881	**18,758**	17,508

Other grants received in advance will be utilised against capital expenditure in 2016-17.

20 Creditors: amounts falling due after more than one year

	Group		Association	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Debt (note 24)	**285,137**	287,101	**285,137**	287,101
Derivative Fair Value	**46,178**	42,869	**46,178**	42,869
Recycled capital grant fund (note 22)	**224**	127	**224**	127
Deferred capital grant fund (note 21)	**47,385**	47,261	**47,385**	47,261
Deferred income	**820**	841	**820**	841
	379,744	378,199	**379,744**	378,199

21 Deferred capital grant

	Group		Association	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
At 1 April	**47,740**	45,800	**47,740**	45,800
Grant received in the year	**1,258**	2,429	**1,258**	2,429
Released to income in the year	**(1,060)**	(489)	**(1,060)**	(489)
At 31 March	**47,938**	47,740	**47,938**	47,740

22 Recycled capital grant fund

	Group		Association	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
At 1 April	**127**	91	**127**	91
Grants recycled	**98**	35	**98**	35
At 31 March	**225**	126	**225**	126

Of the amounts noted, none are considered to be due for repayment.

23 Disposal proceeds fund – Community Benefit Fund

	Group		Association	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
At 1 April	**3,937**	3,597	**3,937**	3,597
Net sales proceeds recycled	**1,580**	2,658	**1,580**	2,658
Interest accrued	**–**	25	**–**	25
Withdrawals	**–**	(2,342)	**–**	(2,342)
At 31 March	**5,517**	3,938	**5,517**	3,938

No withdrawals for the fund were made in 2016 (2015: £2,342).

24 Debt analysis

Borrowings	Group		Association	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Due less than one year				
Bank loans	**2,000**	–	**2,000**	–
Due after more than one year				
Bank loans	**189,300**	191,300	**189,300**	191,300
Harbour Funding Plc. 5.28% Bond 2044	**86,336**	86,332	**86,336**	86,332
GBSH Bond	**10,000**	10,000	**10,000**	10,000
	287,636	287,632	**287,636**	287,632
Less issue costs	**(499)**	(531)	**(499)**	(531)
Total loans	**287,137**	287,101	**287,137**	287,101

Security

The bank loans and bonds are secured by fixed charges on individual properties.

Terms of repayment and interest rates

The bank loans are repayable in instalments from 2016 to 2044, floating rates based on monthly LIBOR plus a margin between 33bpts and 210bpts.

The bonds are repayable in 2038 and 2044, at fixed rates of interest of 5.18% and 5.2% respectively.

At 31 March 2016 the Group had undrawn loan facilities of £8.3m (2015: £8.3m).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Group		Association	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Within one year or on demand	**2,000**	–	**2,000**	–
One year or more but less than two years	**9,000**	4,043	**9,000**	4,043
Two years or more but less than five years	**36,000**	13,565	**36,000**	13,565
Five years or more	**240,636**	270,024	**240,636**	270,624
	287,636	287,632	**287,636**	287,632

25 Pensions

A) Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a multi – employer scheme, administered by Hertfordshire County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2013 and rolled forward, allowing for the different financial assumptions required under FRS17, to 31 March 2015 by a qualified independent actuary.

The LGPS is closed to employees who join the Group after 31 March 2003. The liability in respect of past service for transferring members as at 31 March 2003 is to remain with North Hertfordshire District Council. The market value of the scheme's assets as at 31 March 2003, and any deficit or surplus relating to revaluation of these assets, are reflected in the financial statements of North Hertfordshire District Council.

The employer's contributions to the LGPS by the Group for the year ended 31 March were £361k. (2015: £420k) at a contribution rate of 21.2% of pensionable salaries.

Principal actuarial assumptions

Financial assumptions	**31 March 2016 % per annum**	31 March 2015 % per annum
Discount rate	**3.5**	3.2
Future salary increases	**3.7**	3.8
Future pension increases	**2.2**	2.4
Inflation assumption	**3.2**	3.0

A) Local Government Pension Scheme

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2016 and March 2015 are based on the PA92 series.

The assumed life expectations on retirement at age 65 are:

	2016 No. of years	2015 No. of years
Retiring today		
– Males	**22.3**	22.3
– Females	**24.5**	24.5
Retiring in 20 years		
– Males	**24.3**	24.3
– Females	**26.7**	26.7

Amounts recognised in surplus or deficit	**2016 £'000**	2015 £'000
Current service cost	**547**	527
Amounts changed to operating costs	**547**	527

	2016 £'000	2015 £'000
Expected return on scheme assets	**(393)**	(468)
Interest on scheme liabilities	**458**	508
Amounts credited to other finance costs	**65**	40

25 Pensions (continued)

Reconciliation of opening and closing balances of the present value scheme liabilities	**2016 £'000**
Opening scheme liabilities	**(14,321)**
Current service cost	**(547)**
Interest cost	**(458)**
Remeasurements	**1,432**
Benefits paid	**555**
Closing scheme liabilities	**(13,339)**

Reconciliation of opening and closing balances of the fair value of plan assets	**2016 £'000**
Opening fair value of plan assets	**12,370**
Interest income	**393**
Return on plan assets (in excess of interest)	**(208)**
Contributions by employer	**361**
Benefits paid	**(555)**
Closing fair value of plan assets	**12,361**

	2016 £'000	2015 £'000
Actual return on scheme assets	**(978)**	(1,951)

Major categories of plan assets as a percentage of total plan assets:	**2016 %**	2015 %
Equities	**63**	66
Bonds	**26**	24
Properties	**8**	7
Cash	**3**	3

26 Non Equity share capital

The shares provide the members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up. The composition of the Board and its shareholders was amended in 2015.

	2016 No	2015 No
Number of members		
At 1 April	**10**	11
Joining during the year	**–**	(1)
At 31 March	**10**	**10**

27 Cash flow from operating activities

	2016 £'000	2015 £'000
Surplus for the year	**23,682**	20,653
Adjustments for non-cash items:		
Depreciation of intangible fixed assets (note 12)	**86**	–
Depreciation of tangible fixed assets Housing Properties (note 13)	**8,230**	7,075
Depreciation tangible fixed assets Other Fixed Assets (note 14)	**553**	647
Amortisation of grant income	**(559)**	(476)
Impairment of assets	**770**	–
Decrease/(increase) in WIP	**4,034**	(6,836)
Decrease in stock	**89**	(22)
Decrease/(increase) in trade and other debtors	**469**	487
Increase in trade and other creditors	**5**	1,019
(Decrease)/Increase in provisions	**(66)**	680
Pension costs less contribution payable	**342**	287
Net cash generated from operating activities	**37,635**	23,514

28 Capital commitments

	Group		Association	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Capital expenditure				
Expenditure contracted for but not provided in the accounts	**3,508**	23,349	**3,508**	20,903
Expenditure authorised by the Board, but not contracted	**19,333**	52,069	**19,333**	45,073
	22,841	75,418	**22,841**	65,976

The above commitments will be financed primarily through operating cash flows, borrowings and Social Housing Grant

29 Operating leases

The Group has ended all the land and building leases during the financial year. There are no operating leases to report.

30 Contingent liabilities

The Group and Association have the following contingent liability (2015:nil):

A potential contingent liability exists at the year end in respect of the collection of water and sewage charges from tenants following two recent court cases. The Association is in the process of seeking legal advice and considering the Association's position. As the outcome is presently uncertain and a reliable estimate and potential liability cannot be made the Board has not included any provisions in the financial statements.

31 Related parties

The tenant members of the Board, Christine Anthony have tenancies which are on normal commercial terms and they are not able to use their position to their advantage. Rent paid for the financial year of £8,920, nothing outstanding as at the 31 March 2016.

The following members of the Board, Jane Gray, David Barnard and William Davidson are councillors with North Hertfordshire District Council, a local authority having nomination rights over tenancies for certain Group properties. All transactions with the Council are on normal commercial terms.

Disclosures in relation to key management personnel are included in note 10.

Subsidiaries

The Group has taken the exemptions available under FRS102, section 33 for disclosure of Intra Group transactions

Company Name	**Company Number**	**Shareholding**	Value of Shares
Rowan Homes (NHH) Ltd	07635808	100%	£100
Allunite Limited	06979640	100%	£100

32 Financial assets and liabilities

The Board policy on financial instruments is explained in the Board Report as are references to financial risks.

Categories of financial assets and financial liabilities

	2016 £'000	2015 £'000
Financial assets measured at amortised cost	**26,181**	17,360
Financial liabilities measured at fair value	**(48,890)**	(46,341)
Loan commitments measured at cost less impairment	**(287,636)**	(287,632)
Total	**(310,345)**	(316,613)

Financial liabilities measured at fair value (Interest Rate Swaps)	**2016 £'000**	2015 £'000
Prior Year Recognised losses on Hedges	**15,736**	9,283
Recognised Losses on Hedges through surplus	**218**	6,453
Unrecognised Losses on Hedges	**32,936**	30,605
Total	**48,890**	46,341

The fair values have been calculated by discounting cashflows at prevailing interest rates.

Financial assets

Other than short-term debtors, financial assets held are equity instruments in other entities, cash deposits placed on money markets at call, seven-day and monthly rates and cash at bank. They are sterling denominated and the interest rate profile at 31 March was:

	2016 £'000	2015 £'000
Floating rate	**19,482**	10,661
Fixed rate	**7,136**	6,699
Total	**26,618**	17,360

The financial assets on which no interest is earned comprise trade investments that have no fixed maturity. The remaining financial assets are floating rate, attracting interest rates that vary with bank rates.

Financial liabilities excluding trade creditors – interest rate risk profile

The Group's financial liabilities are sterling denominated. The interest rate profile of the Group's financial liabilities at 31 March was:

	2016 £'000	2015 £'000
Floating rate	**96,300**	96,300
Fixed rate	**191,300**	191,332
	287,600	287,632

The fixed rate financial liabilities have a weighted average interest rate of 4.9 % (2015: 4.9%) and the weighted average period for which it is fixed is 27 years (2015: 29 years).

32 Financial assets and liabilities (continued)

The debt maturity profile is shown in note 24.

Borrowing facilities

The Group have undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2016 £'000	2015 £'000
Expiring in one year or less	**8,300**	–
Expiring in more than one year but not more than two years	**–**	8,300
	8,300	8,300

33 Transition to FRS 102

The association has adopted FRS 102 for the year ended 31 March 2015 and has restated the comparative year amounts.

Explanations

Corrections of prior period errors

1. £577K of grants were netted off against the specific assets. This amount has been reclassified and has resulted in an increase in the cost of housing properties and an increase in Social Housing Grants see details in note 12.

2. It was noted that the consolidation of subsidiaries after the restatement needed to be corrected.

Changes for FRS 102 adoption

3. Amortisation of Government Grants
Grants are to be amortised by either using the performance method or the accruals method. An adjustment of £3,063m has been made in respect of amortisation under the accruals method. In addition, an amount of £60k was transferred to Recycled Capital Grant Fund in respect of properties sold in 2015.

4. Holiday pay accrual
An accrual is now made for entitlement to holiday at the year end which has not been taken by employees. This has been calculated based on payroll records and totalled £67k as a liability in opening reserves.

5. Financial instruments
Non-basic financial instruments include all non-basic debt instruments and derivatives, such as interest rate swaps. All are recognised in the Statement of Financial Position and measured as fair value through the surplus or deficit. At each period end the instrument is revalued to fair value with the movement posted to income and expenditure with the exception of those financial instruments for which hedge accounting is applied. The movement on financial instruments where hedge accounting is applied is reflected in the hedge reserve.

6. Pension Adjustment
The actuarial valuation under FRS 102 included a pension adjustment in the year ended 31 March 2014 £182k which was subsequently reversed on the 31 March 2015 revaluation. This was to enable the pension fund liability to be brought in line with the FRS102 Pension Valuation.

33 Transition to FRS 102 (continued)

Restated consolidated statement of financial position	**Note**	**31 March 2015 £'000**	**1 April 2014 £'000**
Original reserves		(61,924)	(52,564)
Amortisation of deferred grant income	2	(3,063)	(2,587)
Grant adjustments		60	–
Holiday pay accrual	4	67	76
Financial instruments at fair value	5	15,736	9,283
Financial instrument hedge reserve	6	30,605	16,023
Pension adjustment	7	–	182
Consolidation adjustment	2	37	110
Rounding		2	
Reserves		**(18,480)**	**(29,477)**

Restated association statement of financial position	**Note**	**31 March 2015 £'000**	**1 April 2014 £'000**
Original reserves		(61,227)	(52,570)
Amortisation of deferred grant income	2	(3,063)	(2,587)
Grant adjustments		60	–
Holiday pay accrual	4	67	76
Financial instruments at fair value	5	15,736	9,283
Financial instrument hedge reserve	5	30,605	16,023
Pension adjustment	6	–	182
Rounding		2	
Reserves		**(17,820)**	**(29,593)**

Restated Consolidated surplus or deficit for the year ended 31 March 2015	**Note**	**£'000**
Original profit on ordinary activities before tax		(12,077)
Holiday pay accrual	3	(8)
Grant adjustments		60
Amortisation of deferred grant income	2	(476)
Movement in financial instruments at fair value	4	6,452
Consolidation adjustment		(70)
Restated surplus for the financial year		**(6,119)**

Restated Association surplus or deficit for the year ended 31 March 2015	**Note**	**£'000**
Original profit on ordinary activities before tax		(11,165)
Holiday pay accrual	3	(8)
Grant adjustments		60
Amortisation of deferred grant income	2	(476)
Movement in financial instruments at fair value	4	6,452
Restated surplus for the financial year		**(5,137)**

34 Post Balance Sheet Events

Since the 31 March 2016, interest rates have fallen significantly in the money markets. This has increased the Mark to Market liability of the business's interest rate swaps. The business has cash deposits and uncharged property it can place on security, to meet the margin calls, associated with these obligations.

On 23 June 2016 the UK voted to exit the European Union. Although it is hard to predict the impact of this decision NHH has been exposed to volatility in the derivatives valuation, which has been caused by the short term turmoil created. The business plan to monitor the medium and long term trends and in particular review the following areas:

- House prices and property valuation: this has an impact in the valuation of our housing stock and also the value of future market sales;
- Lower than forecast growth in the economy;
- Mortgage lending: no impact so far but need to maintain view on lending criteria;
- Consumer confidence;
- Low interest rates: this could represent an opportunity;
- Cost of living: this has an impact on our customers and future rents;
- Skilled Labour: access to qualified skilled labour for development activities.

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You can also ask for a translation into another language.

এই বার্ষিক রিপোর্টটি অনুরোধক্রমে বড় প্রিন্টে বা
অন্যান্য ফরম্যাটে পাওয়া যাবে। আপনি অন্য ভাষায়
অনুবাদের জন্যও বলতে পারেন

ਇਹ ਸਲਾਨਾ ਰਿਪੋਰਟ ਬੇਨਤੀ ਕਰਨ ਤੇ
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ਮਿਲ ਸਕਦੀ ਹੈ। ਤੁਸੀਂ ਕਿਸੇ ਦੂਸਰੀ ਭਾਸ਼ਾ
ਵਿੱਚ ਅਨੁਵਾਦ ਦੀ ਵੀ ਮੰਗ ਕਰ ਸਕਦੇ ਹੋ

یہ سالانہ رپورٹ درخواست کرنے پر بڑی
چھپائی یا دیگر صورتوں میں دستیاب ہے۔ آپ
اس کا ترجمہ دوسری زبان میں بھی طلب کر
سکتے ہیں

Ten Roczny Raport dostępny jest dużym drukiem i w innych formatach na żądanie. Mogą Państwo również poprosić o tłumaczenie w innym języku.

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North Hertfordshire Homes is a Community Benefit Society registered with the Financial Conduct Authority: Registration number 30003R

North Hertfordshire Homes is registered with the Homes and Communities Agency: Registration number L4370

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