Plymouth Community Homes Ltd

Consolidated Financial Statements
For The Year Ended 31 March 2018

Chief Executive's Introduction

Whilst much has happened over the last year we are still coming to terms nationally with the tragic fire at Grenfell Tower which took the lives of 72 people and scarred the lives of many more. We cannot help but think of those people as more testimony is given each day at the enquiry into the fire.

As I wrote my introduction last year it was clear that we had 3 towers in Mount Wise which had combustible cladding which would need to be replaced. Whilst we were optimistic this could be done quickly it soon became apparent that detailed analysis of the buildings and the cladding solutions needed to be undertaken before we could agree a way forward. I am pleased to say that in June 2018 after extensive research our Board agreed to enter into a contract to remove and replace the cladding with a non-combustible External Wall Insulation product of a high fire safety standard. We will be on site later in the year to begin this work.

Whilst the specification for replacement was being developed we drew up detailed plans for remedial fire safety works to the Mount Wise Towers. We have already installed a new centrally-controlled fire alarm with heat and smoke detectors in every flat and work is underway to install a fire sprinkler system throughout each of the buildings.

Given the uncertainty about the costs and operational delivery of replacing the cladding on the Mount Wise Towers we very quickly took the decision to delay significant contracts for investment in low rise blocks across Plymouth. This allowed us to create enough financial capacity to accommodate the cladding replacement costs and secure the support of all of our lending partners who were understanding of our position.

We welcomed the news that the Government will fund the costs of removal and replacement of the cladding which we estimate will be around £10m of which we have included a provision of £4.5m in these financial statements. This also enables us to get back on track with our deferred investment in existing homes and to feel confident in funding our plans to build 600 homes in Plymouth, complete the large-scale regeneration of North Prospect and acquire homes in the travel to work area.

Last year saw us make in-roads with the volume of new homes built for affordable rent or shared ownership. We delivered 124 homes during the year and ended the year with 230 more homes under construction including 72 highly environmentally friendly Passivhaus homes. This is our most ambitious development programme yet – and we intend to do even more.

The day after the Grenfell fire we completed our refinancing which has strengthened our financial position and increased the capacity to borrow more and build more new homes. We have increased our overall facilities to £170m including our first capital markets issue with a private placement of £60m backed by a South Korean and US investors. As part of the refinancing we paid £38.4m to remove the forward fix derivative embedded in our loan agreement. This is separately identified in the accounts for clarity.

The financial performance for the year was influenced by the impact of both of these events giving an overall deficit of £35m before adjustments for pension funds. Looking at our underlying position on a comparable basis to other years (i.e. excluding the impact of the provision for work on the Towers and the cost of buying out our forward fix) our operating surplus was £14m up £2m on the previous year and our operating margin 20% up 1%.

Crucially our EBIDTDA-MRI interest cover was very strong at over 300% and gearing remained low with debt per home under £8,000.

As we catch up on our investment programme in the coming year we expect a dip in financial outcomes which will then pick up again in subsequent years.

Performance in our core services remained strong with 99.7% of repairs completed within our service standards, empty homes repaired and re-let in just over 17 days and just 0.4% of our income lost through void rent loss.

As the rollout of Welfare Reform continues alongside uncertain economic times due to Brexit, we support residents who are making the transition to Universal Credit or dealing with other financial hardship so that they can pay their rent and sustain their tenancy. As a result, we have seen our rent arrears reach the lowest ever figure with just 1.28% of almost £59m outstanding. In addition eviction levels remain amongst the lowest in the sector at just 23 as we continue to support tenants to stay in their homes, mindful of the negative impact eviction has on the cost to the public purse and the well-being of those affected.

As well as maintaining the support of our funders we have throughout the year kept the Ministry of Housing, Communities & Local Government (MHCLG) and The Regulator of Social Housing informed of our plans. The Regulator confirmed our G1 rating for governance and V2 rating for financial viability at our annual stability check which took place in January 2018. The refinancing resulted in a stronger commentary around the basis for the financial viability rating and puts us in a similar position to many other registered providers.

As part of maintaining our viability we review activities across PCH. The manufacturing division is always under close scrutiny and the core operation of window supply and fit remains competitive and is supported by the Board as are the joinery and signs workshops. However after over 40 years of quality craftsmanship the financial realities of a competitive market became too much for the metal fabrication workshop and we had to make the hard decision to close it.

Finally I wish to end my report with a heart-felt thank you from all of PCH to our retiring Chair Elaine Pellow. Elaine was a shadow Board Member before we transferred from Plymouth City Council (PCC) and has been the bedrock of the Board through the entire existence of PCH. She provided us with the challenge and leadership that has brought us to the confidence we show today in being a leading growing independent housing association with strong social values at our core.

Our new chair of the Board Nick Lewis comes with years of experience in the housing sector, working as a Finance Director for Devon and Cornwall Housing, Chair of North Devon Homes, as well as having been Vice Chair of Northern Devon NHS Trust and Deputy Chief Executive for the South West Regional Development Agency.

The work of the Executive Management Team and Board ensures that we have clear financial and operating plans and we are confident that these will enable us to continue to grow our investment in both existing and new homes and the communities that live in them.

Report of the Plymouth Community Homes' Board

Strategic Report incorporating the Board Report

The Board is pleased to present its report and the audited financial statements for the year ended 31 March 2018.

(A) Principal Activities

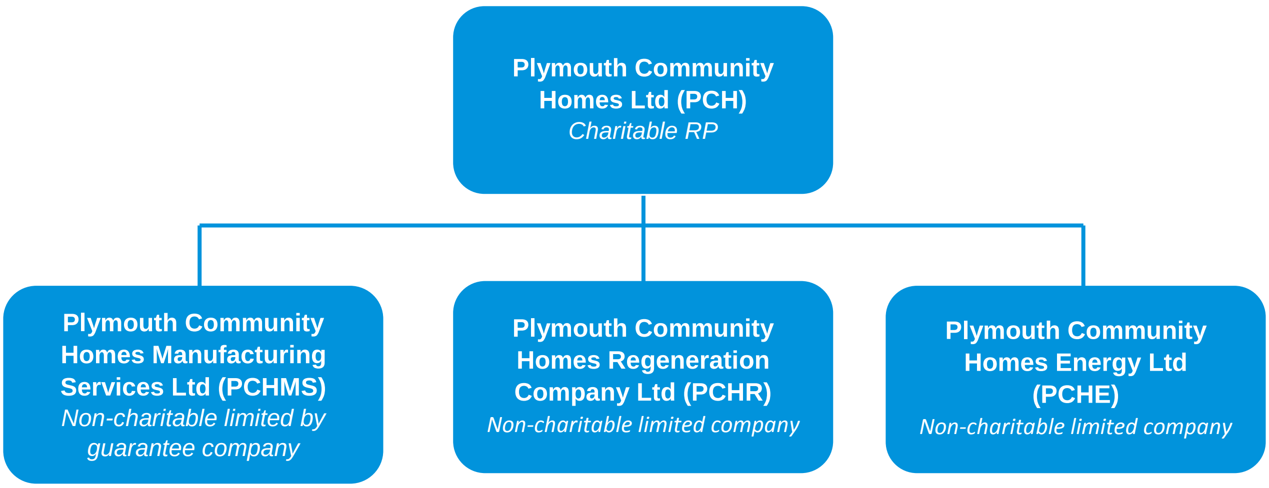
Profile of Plymouth Community Homes Ltd

Plymouth Community Homes (the 'Association' or 'PCH') is a leading, growing, independent housing association with a clear social purpose, providing homes and services people want and can afford.

Plymouth Community Homes Group ('the Group') has a clear corporate structure with the Association being the parent company of three subsidiary companies. It is the principal asset owning company and all debt sits with the Association.

The Association Board is ultimately responsible for the control of the Group, which includes approving the overall strategies and policies, and for monitoring performance against targets, within a clearly defined framework of delegation and system of control.

The three subsidiaries allow us to trade in a for-profit context whilst reducing the risks associated with such activities.



Subsidiary Companies

The three subsidiary companies are registered with Companies House and are for-profit organisations. They are not registered with the Regulator for Social Housing (RSH). Surplus funds generated by these companies are usually Gift Aided to Plymouth Community Homes to support its work.

The PCHMS Board contains a mixture of PCH Board members and members of the Executive Management Team. In June 2015 the decision was taken that the PCHR and PCHE Boards would contain members of the Executive only, due to the operational nature of those Boards' business. This will be reviewed during 2018/19.

Plymouth Community Homes Manufacturing Services Ltd (PCHMS)

The principal activity of this company is the sale of windows, doors, joinery and signs outside the PCH Group.

The key objective of the company is to grow its trading in a sustainable way, maintain product quality and workforce skills, achieve a high level of customer satisfaction and offer a value for money portfolio of products and services.

In March 2018, after full consultation with staff and trade unions, the decision was made to close the Metal Fabrication workshop. The remaining products will continue to be sold through PCHMS on a commercial basis.

PCHMS is a company limited by guarantee, and has five company directors, consisting of three PCH Board members and two members of the Executive. This Board met six times during 2017/18.

Plymouth Community Homes Regeneration Company Ltd (PCHR)

This subsidiary oversees the new-build design and build work for PCH. In 2018/19 we also expect to start our first open market sale joint venture project which is estimated to generate a 20% gross profit of c£650k. The company also owns four residential properties which are let at market rent. The profits of the company are paid to PCH under Gift Aid.

PCHR is a company limited by shares, and has four company directors, consisting of the Executive Management Team. This Board met three times during 2017/18. The Board composition is to be reviewed during 2018/19.

Plymouth Community Homes Energy Ltd (PCHE)

The principal activity of this subsidiary is to install and manage photovoltaic panels, under a license agreement, on properties owned by PCH Ltd.

Photovoltaic cells are installed on 2,339 properties. The company receives the Feed in Tariff and Export Tariff from the panels and sells electricity generated to PCH, which is then passed on free to tenants during the day.

PCHE is a company limited by shares, and has four company directors, consisting of the Executive Management Team. This Board met three times during 2017/18.

The Plymouth Community Homes Ltd Board

The Board members holding office during the period 1 April 2017 to 31 March 2018 are listed in note 9 (Board members and Executive Directors).

The Board consists of members from a wide variety of backgrounds with a good range of skills and knowledge. There are no members of the Executive on the PCH Board.

The principal obligations of the Board are:

- To determine the vision and ensure that its achievement underpins all strategic planning and decision making.
- To ensure that PCH keeps within the law and complies with all necessary regulatory requirements.
- To maintain overall control through:
  - strong governance arrangements
  - clear and appropriate levels of delegated authority and systems of control
  - agreed frameworks for strategic planning, risk management, policy making, performance management and review

Individual Board members are required to exhibit the highest standards of probity and in particular to:

- have no financial interest either personally or through a related party in any contract or transaction of the Association, except as permitted under the Association's Rules
- act only in the interests of the Association (or its subsidiaries) whilst undertaking its business

Committee Structure

Reporting to the Board are:

- **The Audit and Risk Committee:** They convened four times during 2017/18, addressing internal and external audit issues, and ensuring compliance with systems of internal control. It advises the Board on risk management policies and processes. This Committee is also responsible for approving governance policies relating to staff and information management, and ensuring that health and safety is delivered and monitored regularly.
- **The Customer Focus Committee:** They convened four times during 2017/18 and are tasked with monitoring compliance with the consumer related standards in the RSH's Regulatory Framework, approving service delivery related policies and monitoring the implementation of customer service related strategies and the implementation of the stock investment programme.

- **The Development Committee:** They convened five times during 2017/18, and are tasked with overseeing the implementation of the PCH development strategy and programme, including the approval of development contracts.

- **The Remuneration Panel:** They convened twice during 2017/18, and are tasked with reviewing the salaries of the Executive Management Team and ensuring that Board member pay is reviewed in line with the agreed Pay and Performance policy. During the year the panel also requested an independent benchmark review of Board member pay to ensure the pay levels are commensurate with the scale of the business.

- **The Financing sub-committee:** This was set up to consider re-financing proposals. They convened once during the year as this time limited committee stood down at the conclusion of the re-financing work in June 2017.

Board Skills, Recruitment and Training

The Board is drawn from a wide background and its members are selected to ensure that they bring relevant experience, skills and understanding to the discussions and decision making process of the Board. A new Chair took up office on 1 October 2017.

On an annual basis, the Board reviews the effectiveness of governance arrangements within the Association. The Board's skills matrix is regularly updated and is used as a basis for the Board's succession planning process. During the year the Board conducted a committee effectiveness review which resulted in changes to the skills matrix and amendments to the Terms of Reference for individual committees and the PCHMS Board. The PCH Board also reviewed membership of the committees and the PCHMS Board which resulted in a number of changes which are detailed in note 37.

Two tenants have been co-opted to the Customer Focus Committee as part of the process of succession planning for the existing tenant board members.

Board members are paid for their services, with pay levels confirmed following an independent benchmarking exercise. Board pay is accompanied by clear expectations of individuals and collective Board member performance.

The Association has adopted and complies with the National Housing Federation's Code of Governance 2015. The Board are aware that in June 2018, two Board members will have served the maximum nine years on the Board. It is anticipated that these two members will remain on the Board until September 2018. Whilst this is compliant with our Rules, it will exceed the maximum length of office permitted by the Code of Governance, thereby creating a non – material breach of the Code.

Plymouth City Council's share in Plymouth Community Homes was removed on 15th May 2018 in compliance with the Regulation of Social Housing (Influence of Local Authorities) (England) Regulations 2017.

These Regulations also require that the number of board members who are local authority officers do not exceed 24% of the total number of board members. PCH complies with this requirement.

Executive Management Team

The Chief Executive and the Executive Management Team (EMT) of the Association and subsidiaries are responsible for the day to day operations and the subsequent monitoring and reporting of performance to the Board and its committees. Details of the directors are given in Note 9: Board members and Executive Directors.

Regulation

During the year, the Homes & Communities Agency split into two entities - Homes England and the Regulator for Social Housing (RSH). The RSH, as our Regulator, has assessed our compliance with its Governance and Financial Viability Standard. This is expressed as grading G1 to G4 for governance and V1 to V4 for viability.

The RSH undertook an in-depth assessment (IDA) during 2017. The latest regulatory judgement for the Association, following the annual stability check, was published in January 2018 and states:

G1: “the Provider meets our governance requirements”.

V2: “The provider meets our viability requirements. It has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continues compliance”

This judgement is unchanged from the previous rating of March 2017. However, the basis of the V2 viability grade changed with the RSH noting that:

- PCH’s financial profile has changed materially since the last assessment, primarily as a result of a major refinancing exercise. This has contributed to an improvement in the interest cover position. PCH continues to charge rents which are typically well below sector averages, however recent certainty regarding inflation linked rent increases in the longer term has lessened its exposure to inflationary pressures.

- Whilst some aspects of PCH’s financial performance have improved there remain materials risks which it needs to manage. PCH’s Board has taken a strategic decision to increase the supply of new homes and has diversified from its recent activity in the form of a programme of development for open market sale. This increases its risk profile over a sustained period and introduces an exposure to an operating market in which PCH is inexperienced. This exposure will need to be appropriately managed in order to ensure PCH’s viability.

After consideration of reports by the Executive and other third party reports, the Board certifies that to the best of its knowledge the Association complies with the RSH Governance and Financial Viability Standards in all material respects.

Throughout the year we have complied with Data Protection policies and practices under the 1998 act and have an extensive action plan in place to work towards full compliance of the new GDPR principles.

(B) Business Strategy

We are a leading, growing, independent housing association with a clear social purpose, providing homes and services people want and can afford.

This is who we are and what we do – and we can only achieve this with strong financial performance.

Our strategy is to deliver excellent homes and services for residents whilst building more homes for the people of Plymouth and the surrounding areas.

Our purpose, themes, objectives and organisational values can be seen in the diagram below:

Accompanying our business objectives, we have a set of deliverables for each of our themes of People, Pounds and Place.

By accomplishing our key deliverables, we will achieve our strategic objectives of building more homes for the people of Plymouth and the surrounding area, delivering excellent quality housing and neighbourhood services and sustainably growing our business through core and non-core activities.

People

- Understand our customers better to enable evidence-based decisions about services
- Maintain or improve customer satisfaction for all our services
- Continually drive improvement in the quality of our services
- Provide online self-service options to improve access to digital services
- Maintain our Gold Equality and Diversity Accreditation
- Attract and retain the best people by engaging and motivating them
- Ensure our people are skilled and knowledgeable for personal and business benefit
- Maintain 5 star health and safety standards
- Contribute to city, regional and national agendas through effective partnership working
- Maximise resources through partnership working

Pounds

- Generate at least £12M over the next 5 years through subsidy and non-core services to invest in new homes and core services
- Maintain strong financial viability and credit ratings
- Optimise rental income whilst maintaining sustainable, affordable homes
- Maintain G1 governance rating
- Support people to maximise income through community development, employment and financial inclusion work
- Create and fund an 'Ideas Lab' to develop and improve our services and maximise resources through innovation
- Maximise local, regional and national opportunities to strengthen the business

Place

- Create and deliver individual neighbourhood plans
- Invest in a programme to continually improve and modernise our homes, ensuring they are safe and appealing
- Develop a homes and community PCH standard to drive quality and consistency throughout our neighbourhoods
- Deliver 600 homes through a mixed tenure development programme by 2022 to support the housing needs of the city
- Complete North Prospect development programme by 2022
- Build or acquire new homes within the Plymouth travel to work area by 2022
- Continue to build and refurbish homes to increase energy efficiency and reduce fuel poverty for our tenants
- Invest in green technology to be more environmentally sustainable

For futher reading about our ambitions, the full 2017-2022 Strategic Business Plan can be accessed on our website.

Our Proudest Moments

Here we summarise our key achievements for 2017/18:

People

- We launched a new online self-service portal called MyPCH so that residents can view their account information, update their own details and request repairs online. Almost 2,000 residents have signed up to use this facility.
- We were awarded the prestigious Investors in People Gold award reflecting our strong workforce development practices.
- Our Learn for Free programme won the national TPAS Excellence in Employment and Skills Award. This programme supports residents with gaining skills to find employment.
- We embarked on a New Home, New You initiative in partnership with Livewell SW, the NHS and Plymouth Public Health. This initiative supports new residents who want to make a fresh start and adopt positive lifestyle changes when moving into their home.

Pounds

- We undertook a major refinancing exercise, taking our borrowing capacity to £170milllion and significantly reducing our financing costs. We increased the number of lenders and raised funds from a private placement.

Place

- Following the tragic fire at Grenfell Tower, we gave our residents living in tower block accommodation intensive support to help them feel safe in their homes. This involved additional fire safety works to the Mount Wise Towers, provision of 24-hour on-site fire wardens and Housing Officer presence to listen to residents' concerns.
- During the year we completed 124 new affordable homes for rent or shared ownership not only continuing with the regeneration of North Prospect but also providing new homes in other parts of Plymouth.
- As a result of residents' feedback, we started a block refurbishment programme to improve the look and feel of some of our blocks of flats.

(C) Business and Financial Review

The year has been dominated by the tragedy of Grenfell Tower on 14th June 2017 and our subsequent discovery that we have 3 towers where the cladding needs replacing and also by the conclusion of our refinancing which took place the day after the Grenfell Tower fire.

At a glance our key financial outcomes for the year are:

	2017/18 £m	**Difference from 2016/17**
Turnover	£69.3m	+4%
Operating surplus	£13.7m	+10%
Impact of provision for cladding removal	(£4.5m)	-
Reported Operating Surplus	£9.2m	-26%
Surplus before tax*	£7.5m	+32%
Impact of provision for cladding removal	(4.5m)	-
Buyout of forward fix rate swap	(£38.4m)	-
Reported loss before tax	(£35.4m)	-722%
Operating Cash Flow	£22.0m	-23%
Housing assets	£488.3m	+3.4%
Net debt	£94m	+98.5%

* Excluding the impact of the provision for cladding removal and the cancellation of the hedge

During the year the Board approved a set of financial Golden Rules setting clear risk parameters for financial planning and performance which are reported in section (D) Capital Structure and Treasury Policy and Section (E) Other Risks and Uncertainties.

In addition the Board approved a simple to understand financial strategy to maintain the financial strength of the association as shown in the table below. The focus is on operating performance and debt servicing rather than asset strength since we currently have low gearing and large amounts of unencumbered security.

Measure	**Result***	**Target**
EBITDA operating margin	36%	>25%
EBITDA – MRI Interest cover*	342%	>150%
Debt / EBITDA MRI*	4	<15

* Excluding the impact of the provision for cladding removal and the cancellation of the hedge

Financial results have significantly exceeded the targets due to operating efficiency, deferral of spend on block refurbishment as we evaluated the impact of replacing cladding, and lower interest costs from refinancing.

The Management Teams and Board use a variety of management information and performance indicators, both financial and non-financial, which are spread through the report, to assist with the effective management of the Association's activities.

Statement of Comprehensive Income

	Group March 2018 £'000	Group March 2017 £'000	Group March 2016 £'000	Group March 2015 £'000
Turnover	69,307	66,444	66,841	62,904
Costs*	(60,134)	(54,039)	(58,099)	(63,482)
Operating surplus	**9,173**	**12,405**	**8,742**	**(578)**
(Deficit) on sales of fixed assets	(1,334)	(1,469)	(1,722)	(1,083)
Net interest payable	(5,230)	(5,240)	(3,366)	(4,639)
Cost of cancellation of interest rate hedge	(38,380)	-	-	-
Change in value of investment property	411	(7)	(889)	629
Surplus/(Deficit) for the year before Tax	**(35,360)**	**5,689**	**2,765**	**(5,671)**
Tax	(150)	-	32	(41)
Surplus/(Deficit) for the year before Tax	**(35,510)**	**5,689**	**2,797**	**(5,712)**
Actuarial gain/(loss) on pension scheme	5,461	(17,932)	10,478	(10,232)
Total (deficit)/surplus after actuarial adjustments	**(30,049)**	**(12,243)**	**13,275**	**(15,944)**

*Includes the impact of £4.5m provision for the removal of cladding on Mount Wise Towers.

Statement of Financial Position

The following table summarises elements within the Group Statement of Financial Position and the notes for the last 4 years:

	Group March 2018 £'000	Group March 2017 £'000	Group March 2016 £'000	Group March 2015 £'000
Fixed assets - Housing	488,302	472,424	468,721	456,306
Tangible assets - Other	36,626	36,315	27,495	28,561
Total fixed assets	**524,928**	**508,739**	**496,216**	**484,867**
Cash	15,927	12,186	14,467	9,460
Other Current Assets	15,742	10,264	10,242	9,614
Current Liabilities	(18,691)	(17,110)	(13,800)	(13,399)
Net current assets	**12,978**	**5,340**	**10,909**	**5,675**
Creditors falling due > 1 year				
Of which Bank loans				
Due in five years or more	110,500	63,500	67,000	62,000
Deferred loan costs	(266)	(686)	(851)	(1,014)
THFC Holding Account	(440)	(3,335)	(3,269)	-
Total Housing Loans	109,794	59,479	62,880	60,986
Grant Funding	26,176	24,516	21,323	11,673
Pension liability	28,043	30,890	11,485	19,721
Total	**164,013**	**114,885**	**95,688**	**92,380**
Provision : Removal of Tower Cladding	(4,495)	-	-	-
Net assets / Reserves	**369,398**	**399,194**	**411,437**	**398,162**
Homes in management	14,218	14,183	14,285	14,336
Ave Staff employed (full time equivalent)	593	568	602	645

Turnover

Group	March 18 £'000	March 17 £'000	March 16 £'000
Turnover	69,307	66,444	66,841
% of income from social housing lettings	86%	90%	87%
Growth/(decrease) in turnover	4%	(1%)	6%

Turnover for the year to 31 March 2018 increased by 4% to £69.3m (2017: decrease of 1% to £66.4m). This was due to increases in income from other social housing and non social housing activities as well as an increase in affordable rents and an increase of 35 homes to 14,218 from 14,183. PCH continues to be the main provider of social housing with c63% of Plymouth's social rental market.

Social Housing lettings share of turnover decreased from 90% to 86%, mainly as a result of increases in non-social housing income. Social housing rental income increased to £55.3m (2017: £55.2m) despite the year being the 2nd of the 4 year 1% annual rent reductions. The increase in rental income is due to letting properties at formula rent that were previously below formula rent and also the growth in affordable rents of 35% to £2.7m (£2.0m in 2017). Affordable rents are used to support new housing development.

The table below shows the PCH General Needs average rents compared to other social landlords in Plymouth, national social rent averages and the private sector.

	PCH Affordable Rent 2016/17	Plymouth Social Rent 2016/17	National Social Rent 2016/17	Plymouth Private Rent June 2018	Local Housing Allowance Maximum
One Bedroom	£292	£328	£388	£452	£408
Two Bedroom	£334	£373	£429	£675	£530
Three Bedroom	£358	£408	£460	£808	£630
Four Bedroom	£398	£460	£542	£1,021	£790
Five Bedroom	£479	£480	£605	£1,272	£790

The social rents we charge continue to be some of the lowest in England and, combined with the need to invest in new homes, this presents a financial challenge. The rent for a three-bedroom PCH home is on average £50 less per month than a socially rented home from other Plymouth-based registered providers. Compared to the private rented sector the gap is £450 per month.

Charging sub-market rents is our social dividend because it helps those on low incomes have a secure home and with almost 60% of our rental income coming from welfare benefits it also keeps costs down for the taxpayer.

As part of the development agreement with Homes England we have a programme to convert socially-rented homes to affordable rent when they become vacant. This means we can charge up to 80% of market rent levels with the income from the additional rent being ring-fenced for development. As at 31 March 2018 we had converted 2,112 homes to affordable rent at an average of £446 per month and this is on-target with our development funding bids. This compares to £315 for a General Needs socially rented home.

For the next two years, our social and affordable rents will continue to reduce by 1% in line with the Welfare Reform and Work Act 2016 after which time we expect to return to increases of CPI + 1% in line with the Government's approved rent policy.

Value for Money Indicators – Income Management

	On Target?	Benchmark Quartile	March 2018	March 2017	March 2016
Rent Collected as a % of Rent Due		1st	100.75%	101.44%	101.07%
Current tenant rent arrears as % annual debit		1st	1.28%	1.28%	1.61%
Occupancy Rate		2nd	99.4%	99.7%	99.6%
Average number of days to relet routine voids		1st	17.38	18.12	16.26
Rent lost during the year due to voids as %		1st	0.42%	0.39%	0.39%

Although the absolute number of tenants receiving universal credit was 665 at 31 March 2018 there has been an increasing number moving onto the benefit. From April 2019 all existing tenants receiving housing benefits will begin to be transferred to universal credit in a phased approach. Whilst this creates a risk of increased arrears, we will continue to support residents to sustain their tenancies and therefore we have put additional resource into rent collection and managing our arrears. Compared to other similar landlords we are top quartile for our efficacy in these areas. The support for sustainment keeps occupancy rates high with the number of evictions in the year being very low at only 23. We are also top quartile for the speed of re-letting our homes when they become void and hence keeping loss of rent to a minimum in these circumstances.

The level of non-core income for the Group remains at a modest level being around 14% of turnover and is a mixture of other social housing income, non-social housing income and external income from our subsidiaries. Surpluses are used to support the objective of providing £12m over 5 years for new homes.

Other Social Housing income of £3.4m (2017: £3.6m) mainly came from shared ownership first tranche sales of £1.5m (2017: £1.0m) and garage/parking space lettings £1.4m (2017: £1.4m). Non-social housing income for the association of £3.1m (2017: £1.5m) mainly came from overage received on a development phase £1.2m (2017: £0), commercial lettings of mainly shops at £1.8m (2017: £1.4m), with our Head Office at Plumer House now fully let, contributing revenues of over £400,000 per annum as part of this.

In addition we also made profits from our subsidiary companies as follows:

Year to 31 March 2018	Turnover £'000	Costs £'000	Profit £'000
PCH Manufacturing Services	2,177	(2,118)	59
PCH Energy	998	(839)	159
PCH Regeneration	28,076	(26,760)	1,316

The income and costs from PCHMS and PCHE are consolidated into the group figures. PCHE's income was the same as the previous year at £1m (2017: £0.95m). PCHMS is moving the focus to securing external contracts and managed to increase it's turnover to £2.2m (2017: £1.0m) and increased costs by c£1m. Sadly a decision was made to close the metal fabrication workshop which had ceased to be a profitable line of business.

The majority of turnover and costs of PCHR do not add to the consolidated group figures as they predominantly arise from intercompany transactions. The profits of PCHR and PCHMS were transferred to PCH Ltd under Gift Aid after the year end whereas PCHE made tax losses and hence had no taxable profit to gift aid.

Operating costs

Group	March 18 £'000	March 17 £'000	March 16 £'000
Costs*	(60,134)	(54,039)	(58,099)

*includes £4.5m impact of provision for removal of cladding.

Our total costs for the Group increased by 11% over the year to £60.1m (2017: £54.0m). The increase can mainly be attributed to the impact of the provision made for the cost of removing external cladding on the Mount Wise Tower blocks (£4.5m) which is a constructive obligation and increase in the costs of manufacturing sales to external customers by £1m as a direct consequence of increasing sales.

	March 2018	March 2017	March 2016
	£'000	£'000	£'000
Running costs social housing lettings excl Depn and major repairs	29,924	28,378	28,919
Increase / (Decrease) in costs	5%	-2%	-2%
Major repairs (revenue cost)	7,053	8,120	11,474
(Decrease) in costs	-13%	-29%	-39%
Total running costs and major repairs	36,977	36,498	40,393
Increase / (Decrease) in costs	1%	-10%	-16%
Running costs other social housing	3,172	2,474	3,577
Increase / (Decrease) in costs	28%	-31%	1%

Between March 2015 and March 2017 running costs continued on their downward trajectory as we maintained efficiency gains. The 5% increase in 2018 was within our anticipated budgets with the £1.5m largely reflecting increased resource in management costs to assist with refinancing and support the implementation of the new repairs system launched in 2018 and the investment in the MY PCH Portal. It also reflects increasing staff numbers to deal with the increasing volume of tenants on universal credit and also investing in the family intervention programmes to reduce Anti Social Behaviour (ASB) and sustain tenancies in difficult circumstances. We also gave a 1% pay rise in 2017/18 after a pay freeze in 2016/17.

This increase is reflected in the management cost per unit below but is anticipated to reduce in 2018/19 as the investment starts to create further efficiencies.

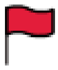
Further to this the repairs costs per unit increased. This was partly due to 2017 being an unusually lower cost year with the factors for the increase beyond the more normal 2016 costs being due to increased repairs in the severe cold periods and carrying some costs of non production in the manufacturing unit as a short term result of putting work on hold as we determined our approach to the removal and replacement of cladding on the Mount Wise Towers. It is not anticipated that there will be further increases in 2018/19.

The deferment of major repairs is clearly reflected in this lower cost for the year both in the Headline Social Housing cost per unit and the overall major repairs costs per unit. Both of which are significantly higher if the £4.5m provision for the removal of cladding is included.

The movement in other social housing costs is mainly associated with Shared Ownership, surpluses from which are used to fund new build development and improvements to core services.

Value For Money Indicators - Operating Efficiencies

	On Target?	Benchmark Quartile	March 2018	March 2017	March 2016
Headline Social Housing cost per unit*		3rd	£3,229	£3,316	£4,721
Management cost per unit		1st	£622	£577	£562
Maintenance cost per unit		1st	£730	£678	£697
Major repairs cost per unit*		4th	£1,245	£1,483	£2,900
Service charge cost per unit		3rd	£294	£294	£316
Other social housing cost per unit		4th	£338	£284	£246
Ratio of Response to Planned Maintenance*		1st	59%	46%	24%

	On Target?	Benchmark Quartile	March 2018	March 2017	March 2016
% repairs completed within published timeframes		-	99.74%	99.82%	99.82%
Average number of days sickness per FTE		1st	7.71	9.38	8.44
Overheads as a % of Adjusted Turnover		4th	Not available	11.52%	12.08%

Note: CPU costs for 2016/17 differ to those published in last year's accounts because of a definition change in the FVA.
** Costs exclude £4.5m for tower cladding replacement. If included the Headline cost would be £3,546 and Major repairs £1,561*

The Regulator provides guidance on calculating costs per unit from the statutory accounts with both major repairs and the headline social housing cost per unit including the capital cost of major works. The major works remains at 4th quartile reflecting that we still have a considerable programme of major works to complete. These are being carried out on a block-by-block approach to a level which is above Decent Homes Standard.

Compared to other years, excluding the impact of the provision for work on the Mount Wise Towers, both the headline and major repairs indicators continued to fall. This was partly due to the deferral of some block refurbishments as we paused to evaluate the financial and operational commitments needed for the Tower blocks.

Overhead as % of adjusted turnover is influenced by our low rents; if PCH rents were at similar levels to other housing associations in Plymouth we would be around a median.

Other cost per unit indicators are in upper quartiles reflecting a tightly managed operating performance. This is illustrated by strong performance measures on repairs and by a significant decrease in the average number of days sick across the organisation. Over the next year we will be implementing a new repairs management system which we anticipate will bring further efficiencies into our operational performance.

Value for Money Indicators - Outcomes Delivered

Indicator	On Target?	Benchmark Quartile	March 2018	March 2017	March 2016
Customer Satisfaction with Services (STAR)		1st	91.2%	90.5%	88%
% residents satisfied with the repairs service (transactional)		-	97.10%	97.23%	96.75%
% residents satisfied with major works service delivery (transactional)		-	95.75%	95.01%	99.24%
% residents satisfied with the outcome of their anti-social behaviour complaint		2nd	91.73%	89.9%	87.71%
% homes with a valid gas safety check		3rd	99.99%	99.98%	99.97%
% reinvestment in new and existing stock	New PI	New PI	8%	7%	8%
£s invested in communities £000's	New PI	New PI	£712k	£714k	£772k

Costs are only one aspect of looking at value for money and we place a strong emphasis on quality and customer satisfaction. With core satisfaction figures above 90% we believe that we are successfully delivering our core social purpose, nevertheless the Regulator also has a tightly defined measure of investment in communities. Whilst this is a substantial figure of over £700,000 it does not fully reflect that the majority of our work on managing tenancies, supporting those in debt, dealing with anti-social behaviour and much more is a significant contributor to sustaining communities but is not caught in the definition.

Value for Money Indicators - Operating Margin

VFM Indicators	On Target?	Benchmark Quartile	March 2018	March 2017	March 2016
Operating surplus* £000's		-	13,668	12,405	8,742
Operating Margin/ turnover*		4th	20%	19%	13%
Operating Margin - (EBITDA / turnover)*		-	36%	36%	27%
Operating Margin (Social Housing Lettings)*		4th	18%	17%	11%

** Costs exclude £4.5m for tower cladding replacement; reported operating surplus is £9,173,000*

The operating surplus for the year, excluding the impact of the provision for recladding the Towers at £4.5m, increased by 10% to £13.7m from £12.4m. The operating margin on a similar basis increased to 20% from 19% in 2017. The average for the sector, from the 2017 Global Accounts, was 29%. Using the EBITDA measure, £25.2m (2017: £25.1m), the operating margin has remained stable at 36%.

The operating margin is lower than others predominantly because of our low rents and because of high depreciation charges of over £10m which are an adjusting factor for the EBITDA margin. The operating margin from social housing is low for similar reasons. Cost control remains tight and a financial upside would come from a change in Government policy which allowed us to converge rents upwards and downwards to the levels that other housing associations charge in Plymouth.

Sale of Fixed Assets

There was a net loss on sale of Right to Buy (RTB) of £1.9m (2017: £2.0m). This loss arises due to the payment to Plymouth City Council for their 100% share of the RTB, in accordance with the stock transfer agreement, and also because of the higher valuation of the properties used as deemed costs at 31 March 2014 which has to be written out on sale.

Interest costs

Interest payable and similar charges has increased to £43.6m (2017: £5.3m) owing primarily to the £38.4m cost of cancelling the forward fixed interest rate swap with RBS in June 2017. Excluding this cancellation cost the figure was very close to that of 2017 at £5.3m. These total interest figures comprise, as well as interest, non-utilisation fees, amortisation of arrangement fees, legal and professional charges, and pension interest expense but are net of interest capitalised upon development schemes in the year.

The weighted average cost of debt was 4.7% (2017: 7.5%); these percentages exclude the pension interest expense and do not net off the interest capitalised upon development schemes as these amounts are both independent of the level of debt. The amount of facility non-utilisation costs incurred during the year was £0.4m (2017: £0.7m) and the actual cash interest paid during the year was £3.5m (2017: £5.4m).

During the year loans increased to £110.5m at the end of the year from an opening level of £63.5m. The average level of borrowings during the year was £102.9m (2017: £66.5m).

Value for Money Indicators - Interest cover

	On Target?	Benchmark Quartile	March 2018	March 2017	March 2016
EBITDA Interest cover*		-	444%	435%	617%
Interest Cover (EBITDA MRI) Group*		1st	342%	294%	289%
Interest Cover (EBITDA MRI) Association*		-	353%	299%	284%

* For 2018 the calculations exclude the impact of the provision for the removal of the cladding on the Towers of £4.5m and the buy out of the embedded forward fix of £38.4m. The definition of interest payable has been changed to an accruals rather than cash basis with all depreciation rather than just housing depreciation being added back. This is more comparable with previous years as it gives a full year of interest costs rather than a part year if cash only is used. This is in line with the definition used in the VFM metrics however if the provision and the buyout are added back then the EBITDA MRI interest cover is 34%.

The underlying result is a strong financial performance reflecting the low gearing of the association and the effectiveness of debt management; further detail of which is given in section D on Capital Structure and Treasury Policy.

Surplus

There is a deficit for the year before tax of £35.4m (2017: surplus £5.7m) due to the one off cost of £38.4m cancelling the interest rate hedge. Excluding this cost and the impact of the provision for the towers the underlying surplus for the year before tax is £7.5m (2017: £5.7m).

The tax charge is £150k, arising from overage earned on developments and tax on sundry income (2017: £ nil).

Including other comprehensive income, which is the reduction on the pension liability of £5.4m (2017 increase in liability £17.9m), there is a deficit before tax for the year of £30m (2017: deficit £12.2m).

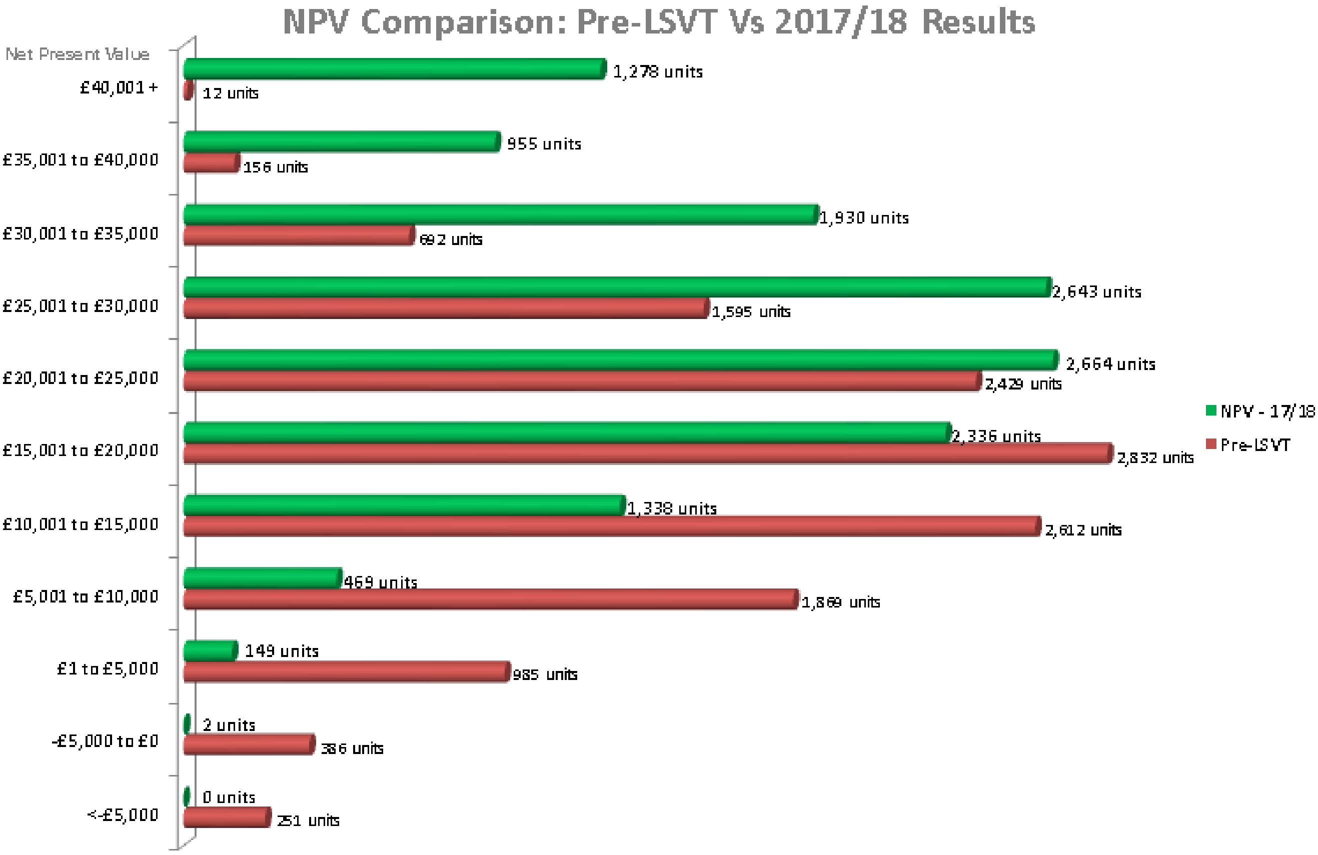
Housing Properties

PCH continued with its substantial investment in its homes. During the year, £39.4m was spent on improving and acquiring housing properties and £1.9m was spent on other fixed assets.

Including both capital and revenue expenditure, PCH spent £12.8m improving its existing properties excluding the impact of the provision for a further £4.5m for the removal of the external cladding at the Mount Wise Towers. The work carried out is significantly above the minimum required to maintain the decent homes standard giving us choices in the future over the programme of works carried out.

Strategic asset management is a core element of our business. We have over 14,000 socially rented homes which are our main focus but we also have over 170 shops, 2,339 sets of solar panels, a large office building and thousands of garages and parking spaces.

All of our homes were improved to a standard above the minimum Decent Homes requirements as part of a large-scale investment programme which took place between 2009 and 2015. Our future asset management strategy is to ensure we maintain this standard.



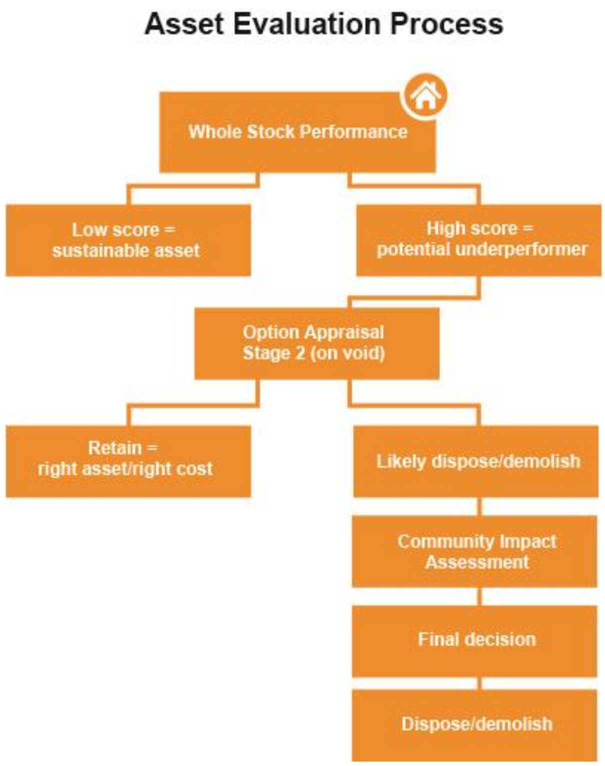
The above graph shows the 2017/18 Net Present Values of our housing stock compared to the position pre-transfer. The overall average NPV for the stock is £26k excluding the impact of the provision for the Mount Wise Towers.

The number of units yielding a higher NPV per unit is increasing because of a combination of new-builds with a low maintenance requirement and more homes being let at the higher affordable rent.

However, this year we have seen a slight decrease in NPV for the units in the middle of the graph. This is going to be a gradual effect as these units move closer to major capital renewals whilst continuing to be let at lower social rents for the coming years.

Taking the above into account, where the planned investment costs of a void property exceed the future projected rental income, the asset is subject to an evaluation process which may result in its sale or demolition if it no longer fits with our portfolio.

The process is shown in the diagram below:



Our focus is to increase the energy efficiency of our block accommodation and improve the look and feel of the surrounding areas by investing in the external environments around the homes.

We have set a budget of £23.4m on major works and improvements to our existing properties of which £6.4m will be spent refurbishing the building and communal areas in some of our blocks of flats over the coming year. Other works include delivering our programmes of planned maintenance, fire compliance and roof replacement works as well as some kitchen and bathroom replacements. We are also delivering other smaller projects to ensure we continue to maintain our homes at the Decent Homes Standard.

Following the tragic fire at Grenfell Tower, we have a programme of exceptional fire-safety works to undertake over the coming year. Residents' safety is paramount so the works will involve removing and replacing the over-cladding system to three tower blocks and installing fire sprinkler systems to each of the flats. This work is valued at around £10m but the Government has given a public undertaking to cover the costs of the removal and replacement of cladding.

Value for Money Indicators - Effective Asset Management

	On Target?	Benchmark Quartile	March 2018	March 2017	March 2016
Return on Capital Employed		4th	2%	2.12%	1.44%
Operating surplus less deficit on fixed asset sales £m		-	£7.8m	£10.9m	£7m
Total assets less current liabilities £m		-	£548m	£525m	£482m

Return on capital employed (ROCE) remains low which is to be expected for a housing association focussed on the provision of social and affordable housing. As reported in the section on Turnover we regard our low rents as providing a social dividend with social rents average at 60% of market rents, which is around £450 a month lower, and affordable rents at 80% of market rents.

This is a key aspect of our lower operating margins and also drives lower valuations. Our EUV–SH valuation for all homes is £394m the balance sheet carrying value is more than this at £493m (as new build assets are included at cost which is higher than EUV-SH). However both are significantly less than the estimated open market value of £1.2 billion.

As the ROCE is a calculation of the operating surplus less the deficit on fixed asset sales divided by the assets it is self-evident that with low rents the return will be very low. The size of the development programme and the focus on affordable rents will only marginally add rental income and proportionately add more to asset costs and so will not increase the ROCE. In fact with the following year seeing a further -1% cut in rents, even with more conversions from social to affordable rents there will not be an increase in the ROCE.

Value for Money Indicators - Development (Capacity)

	On Target?	Benchmark Quartile	March 2018	March 2017	March 2016
Gearing		1st	19%	10%	11%
Debt per home £		1st	7,722	4,194	4,402

Refinancing of the Association's debts means that in addition to the existing development programme we have been able to build a 15-year programme of future mixed development into the 30-year financial plan.

Although the ROCE is low we remain a very low-geared association given our relatively low level of debt to asset values thus giving assurance that we have capacity to take on more debt to support our planned development programme.

Value for Money Indicators - Development (Supply)

	On Target?	Benchmark Quartile	March 2018	March 2017	March 2016
New Supply Delivered (Social Housing)		2nd	124	60	70
New Supply Delivered as % of Homes Owned (Social Housing)		3rd	0.87%	0.42%	0.56%
New supply delivered – number of non-social housing homes		-	0	0	0
New supply delivered as a % of stock – non-social housing homes		-	0%	0%	0%

Between stock transfer in 2009 and April 2018 PCH has built 459 new homes, 324 for rent and 135 shared ownership; 362 (261 for rent and 101 shared ownership) of these homes are in North Prospect. During 2017-2018 we took handover of 124 new affordable homes, 78 for rent and 46 shared ownership. This is more than twice the number handed over in previous year and moves us into the second quartile for completions but we remain third quartile when completions are assessed as a percentage of our homes owned. Although 124 homes were built in the year the net increase for the year was only 35 due to Right to Buy and other sales.

The regeneration of the North Prospect estate was a promise when we transferred from PCC and to date we have built 362 new homes and an impressive community facility known as The Beacon which contains a library, shops, business offices, and community meeting space. We are onsite with Phase 3 of the programme with 23 homes completed and a further 80 expected to complete in 2018/19. We have financial provision within the plan for a further 180 homes across the two remaining Phases which will complete the planned new build regeneration; the refurbishment regeneration having been completed within the first five years after transfer. An additional benefit from this regeneration is that we have been able to let empty houses scheduled for demolition on short term leases including shared move-on type accommodation for young people managed on our behalf by PATH; a local homeless charity.

We expect to complete 230 homes in 2018/19 mostly from the three main projects of North Prospect Phase 3, Southway Primary School and Passivhaus within Plymouth but with eleven coming from a non-grant funded scheme in Yelverton; these latter being our first new build homes outside of Plymouth.

The Passivhaus scheme on Bodmin Road, Plymouth is the largest of its type in the South West and comprises 72 highly energy-efficient homes for rent and sale which meet the stringent Passivhaus certification.

We expect during 2018/19 to start upon several other non-grant funded s106 affordable housing projects within Plymouth and its wider travel to work area. Subject to planning consents we will be starting our first joint venture project which comprises market sales, forecast to generate a gross profit of c.£650k (20%), as well as affordable housing to be retained by PCH. Profits from the joint venture will be used to subsidise future affordable homes.

There is a generic fifteen year development programme within the Financial Plan which has been enabled by the new flexible financing structure. This programme currently provides for c.100 additional homes each year although we would hope to significantly improve upon that figure as new opportunities arise and the organisation grows. These homes would ideally all be built within Plymouth however the shortage of available development land in Plymouth means that building will occur in the wider Plymouth travel to work area within which 58 homes have come under contract post year-end.

The building of social housing requires a financial subsidy in order to make it viable. The funding for our build programmes consists of a mixture of government grants, subsidy from Plymouth City Council, additional income from temporarily re-letting social rented homes at higher affordable rent levels, internal costs savings made, budget out-performance, cross-subsidy from market sale homes, and a very limited number of disposals of existing homes which are either unpopular with residents, have very high maintenance costs, or both.

Business Assets

We own our headquarters building and the shop where our city centre office is based. We also purchased our fleet of vehicles and IT equipment outright. We have an additional three leased premises - Prince Rock Depot used by Manufacturing and Environmental Services plus two small industrial units, one of which is used for our repair stores and the other which is a PCH recycling centre used by our Environmental Services team.

The main business asset is the headquarters building (Plumer House) which PCH occupies part of and generates an additional income for the business by leasing office space to other organisations and letting out the conference facilities. The building is now fully occupied and we will continue to review our accommodation strategy as our business evolves and embraces more digital technology.

Our business strategy is focussed on increasing digitalisation of services and our investment in IT was £0.9m in capital and more on revenue as we came closer to the implementation of a new mobile system for the management and planning of repairs. This is part of a planned programme of work which will see similar levels of investment over the next 3 years.

We also plan to review the use of our fleet over the next year which is currently held in the balance sheet at £0.8m.

Social-Commercial Assets

These are our shops, solar panels and manufacturing equipment and we describe them as social-commercial assets because they are used to bring income into PCH which is then used to deliver services for residents and build more homes. Our shops don’t just bring us an income - many of them are home to vital community services such as post offices and grocery stores. We are proud to host a library in The Beacon in North Prospect which is a much valued and well used community resource.

The manufacturing equipment is owned by PCH and is used as a vertical supply chain to provide windows, doors, fences, railings and much more across our homes and neighbourhoods.

We have invested £9.9m in installing solar panels to some of our homes which over their lifecycle have a positive net present value and bring in a financial return through feed in tariffs. Residents can use the electricity generated free of charge and reduce their household costs. There are currently no plans for further investment.

Group Cash Flow

The operating activities of PCH show a strong cash generation with a cash inflow of £22.0m (2017: £28.6m). After allowing for capital expenditure and financing movements, there was an overall increase in net cash of £3.7m (2017: decrease of £2.3m). During the year £47.0m of loans were received (2017: decrease £3.5m). Proceeds from RTBs and sundry properties generated £3.8m and we also received government grants of £2.4m which were used towards the building of new properties. A significant proportion of the new loans were used to pay for the cancellation of the interest rate hedge.

(D) Capital Structure and Treasury Policy

Treasury Management

PCH operates a centralised Treasury Management function. Its primary duties are to manage liquidity, funding, investment and financial risk including that from interest rate volatility.

Treasury policies are approved by the PCH Board with the latest addition to the Policy being the board approved Golden Rules to provide a risk management framework for planning and performance.

Golden Rules

Area	Rule	at 31st March 2018
Cash on Hand	Higher of £5m or 3 months' cashflow	£15.9m cash balance April – June 18 cash need: £10.3m Headroom to rule: £5.6m
Liquidity	Ready to draw facilities (with security in place) for at least 18 months.	Compliant More than > 2 years facilities
	Maintain a forecast minimum of 10% of bank loan facilities undrawn - currently £80m so £8m.	£17.5m projected undrawn as at March 2020.
	No development contracts may be entered into unless sufficient funding is in place to maintain these liquidity rules when the development contract cashflows are included.	Compliant Funding is in place to meet all contracts entered into and schemes approved by the Board as at 31st March 2018.
Interest Cover	Interest Cover and forecast Interest Cover for the next five years is to exceed the tightest covenant by a margin of at least 10%.	Compliant
Gearing	Maintain a minimum of 5% headroom between the tightest covenant over the next five years.	Compliant Gross debt at 31st March 2018 is £110.5m Housing Assets are £488.3m

All of the rules were met during the year and are met in future business plan projections on the assumption that additional funds can be raised in a timely manner.

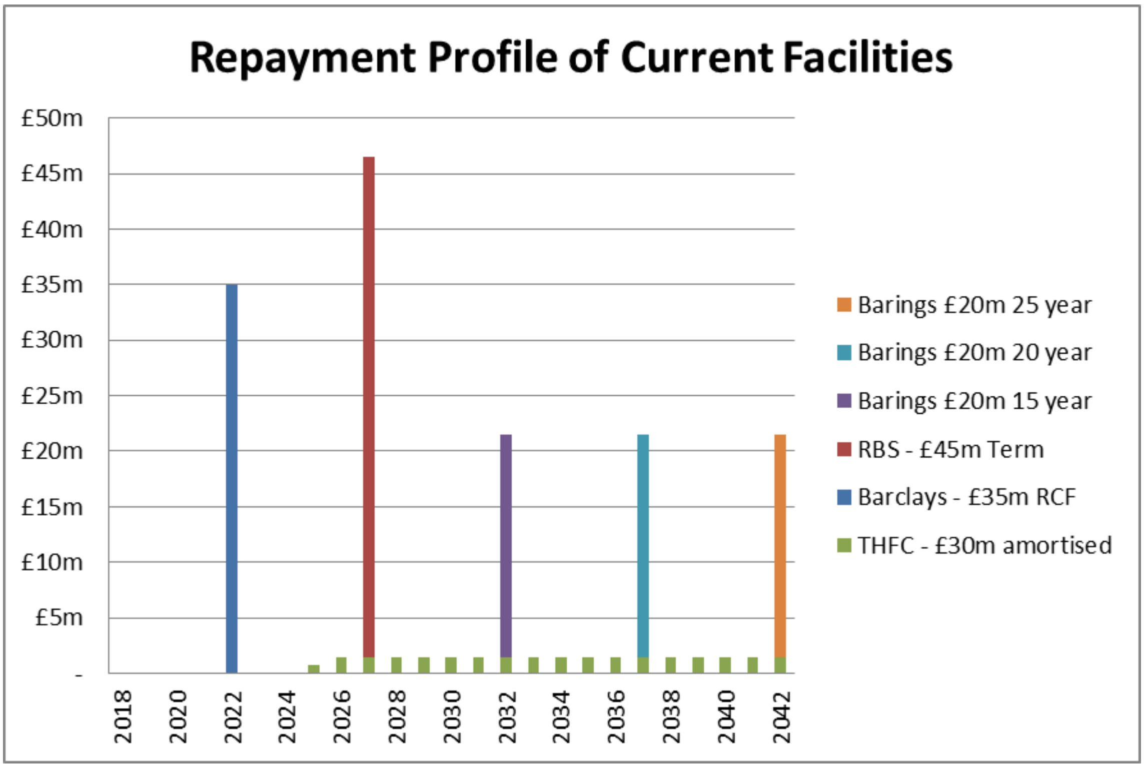
Capital Structure

PCH refinanced its main £110m RBS facility in June 2017 replacing this facility which was costing c. 7.0% per year with £60m of fixed interest private placements and £80m of bank facilities with an average cost of c. 3.0% whilst leaving the c. 2.9% £30m facility with THFC unchanged.

Prior to re-financing, the main loan facility was a £110m facility with RBS which had a significant embedded forward fixed interest rate swap (interest hedge) and a fully drawn £30m facility with the European Investment Bank (EIB) via The Housing Finance Corporation (THFC).

The RBS facility was amended with the interest hedge being fully bought out for £38m, the maximum loan reduced from £110m to £45m and the facility length taken back from a remaining 23 years to ten. Substitute finance was raised through a Private Placement with Barings fronting US and South Korean noteholders for three £20m notes of 15, 20 and 25 years respectively. Additional flexible finance was raised with Barclays with a £35m revolving credit facility for 5 years.

This is a combined £170m of facilities; an increase of £30m over the previous year end. All agreements give the flexibility to obtain additional funding without lender approval.



The maturity profile of the current capital structure spreads the refinancing risk making sure that there is only ever one counterparty to refinance at any one time except for 2042.

Group	March 2018	March 2017	March 2016
Net debt / turnover	158%	90%	94%
Debt / EBITDA x	4.38	2.69	3.67
Debt per home	£7,722	£4,194	£4,402
Gearing	19%	10%	11%

A key measure of our ability to support these loans is the level of security of the housing stock that either is or can be put in charge to secure them. The £170m facility is fully secured and there are a further 5,707 homes available for charging in the future giving confidence in the ability to raise future funding. This is reflected in the low gearing and debt per home. Although there are low operating margins, debt multiples of turnover and revenue cash generation are both low which demonstrates a healthy ability to meet additional costs of debt.

Funder	Valuation Date	Rented homes	Valuation	Facility	Drawn
RBS	June 17	2,192	£53m	£45m	£12.5m
Barclays	June 17	1,789	£66m	£35m	£8m
THFC	March 18	1,631	£53m	£30m	£30m
Barings	June 17	2,896	£80m	£60m	£60m
Total		**8,508**	**£252m**	**£170m**	£110.5m
Unallocated/Unencumbered		5,707	£143m		
Total		**14,215**	**£394m**		

The valuations are based on EUV-SH Valuation Basis 1 assuming that the properties will be re-let as social housing. All completed housing properties were valued as at 31 March 2017 by Bruton Knowles Ltd. The valuations were refreshed in June 17 (except THFC) to support the refinancing with Savills completing the valuation for Barclays.

Additional homes were put into charge with THFC in March 18 and at this point Savills provided a valuation for all the homes in charge.

Valuation Basis 2 assumes that a number of voids would be sold on the open market with vacant possession as they arise. The resultant figures for the housing stock were £661m (2017: £658m).

Interest Rate Strategy

Our policy is to have a mix of fixed and variable rate debt with the split being agreed by the Board each year. With £90m of fixed funding, being 81% of drawn funds at 31 March 2018, the board has continued with the policy of drawing down all bank debt on variable rates taking advantage of the current very low rates.

The £60m Private Placement has been drawn at fixed rates of c. 3.4% and the £30m EIB / THFC at c.2.9%. The average all in rate for variable debt during the year including payment of commitment fees was 3.3%.

Cash Investment Strategy

Surplus cash is invested according to policies approved by the Board keeping to the golden rules and with the preservation of capital value as the primary objective.

The organisation's target cash holding is set at the higher of £5m or three months' expected cash spend although higher cash levels may be held in anticipation of significant capital expenditure or in periods of higher risk in the financial markets.

At the year-end, cash holdings were £15.9m (2017: £12.2m). Funds are deposited with a limited list of approved banks, whose ratings are monitored regularly, and may also be invested in approved Money Market Funds. In addition to these holdings, a cash balance of £0.4m (2017: £3.3m) is held within a sinking fund controlled by THFC as security for the EIB loan. This can be accessed in the future by substituting existing unencumbered housing properties for this cash.

Liquidity Strategy

The policy requires balance sheet cash holdings as explained above. Committed facilities for at least 18 months future funding with headroom of 10% (currently £8m) on banking facilities and sufficient facilities to cover all committed development schemes.

At 31 March 2018 facilities were sufficient to cover over 2 years of future financing needs with projected undrawn bank debt of £17.5m in March 2020.

Counterparty

PCH has approved lending and investment counterparties and monitors counterparty risks based upon independent credit intelligence supported by our Treasury Advisors.

(E) Other Risks and Uncertainties

Risk Management Principles

The Golden Rules are used as a financial risk management framework. There is one additional rule to those set out in the Treasury Management section C which is that the level of committed and planned open market and shared ownership sales must not exceed 20% of gross turnover thus limiting our exposure to a downturn in the residential property market.

Golden Rule		
Area	**Rule**	**31 March 2018**
Sales Risk	Shared ownership & open market sales as % of turnover should not be more than 20%	2%

As part of the corporate planning processes, the risks that may prevent the Association achieving its objectives are considered and reviewed six-weekly by the Executive Management Team (EMT), quarterly by Audit & Risk Committee (ARC), and biannually at scheduled meetings of the Board as well as at the biannual Board Away Day Risk Workshops.

The risks are recorded and assessed in terms of their impact and probability with major risks being reported together with action taken to manage the risks, including assessments of key controls, levels of assurance and the outcome of the action.

The Board has also defined its risk appetite as follows

Averse	Avoidance of risk and uncertainty
Cautious	Potential for safe delivery options which have a low degree of risk and may only have limited potential for reward
Open/Optimistic	Prepared to consider all potential delivery options and choose the one that is most likely to result in successful delivery an acceptable level of reward and value for money
Significant	Willing to be innovative and choose options offering potentially higher business rewards (despite greater inherent risk).

Currently the risk appetite across all activities is balanced between cautious and open/optimistic with no significant risks being taken but avoiding being unduly risk averse.

Financial Stress Testing

There is a formal process of stress testing against strategic risks to which the thirty year financial plan is subject in order to demonstrate the Association's ability to both withstand and to react to particular adverse risks; both individually and in combination. The risks essentially divide into being either a decrease in income or increase in costs but their incidence can vary between an immediate short term impact and something that steadily worsens over time so are modelled as real world scenarios.

The modelling focussed on testing the business against:

- breach of funding covenants;
- running out of cash;
- running out of security (given the high levels of unencumbered assets available for security this is not a critical risk area).

This was looked at from the immediacy of a breach of covenant and loss of cash and then the testing was raised to the point at which viability could no longer be maintained in any circumstance other than through merger with another association.

Four main scenarios were tested, both individually and in combination:

- Further rent reductions;
- Adverse differential inflation – maintenance and repairs costs rising faster than expected;
- The impacts of Welfare Reform;
- Interest rate rise and housing market collapse.

With an initial three supplementary scenarios reviewed by the Audit & Risk Committee:

- A large exceptional cost of whatever cause;
- Loss of income upon solar panels;
- Loss of income for providing Supporting People services.

The actions available to reduce the impact of all the above scenarios are to:

- reduce the programme of building improvement down to a steady state level;
- to fix interest rates on short term lending;
- stop or delay development schemes.

In summary, the Association could withstand low impact shocks, mitigate against moderate shocks, but would have to take more severe action for a high level of adverse impact.

Annually the Board receives a report on how the association would practically implement the mitigating actions in the case of risk crystallisation such as cancelling contracts, selling assets, reviewing staffing resources etc.

If the risks crystallise to such an extent that all of the mitigating actions have to be carried out then the ultimate action would be to merge with another association. The Board annually sets out its approach to mergers which can be summed up as sticking to our values and being clear and accountable for any decisions.

(E) Value for Money (VFM)

Central to delivering our business strategy is value for money. This means using our money and other resources on the right things, at the right cost and at the right time so that we get the right outcome. Our Value for Money Strategy sets out the principles for how we will achieve value for money in the delivery of our strategic objectives. It is based on the following actions:

Achieving VFM is a key driver of the way we do business and is assessed in two simple yet effective ways:

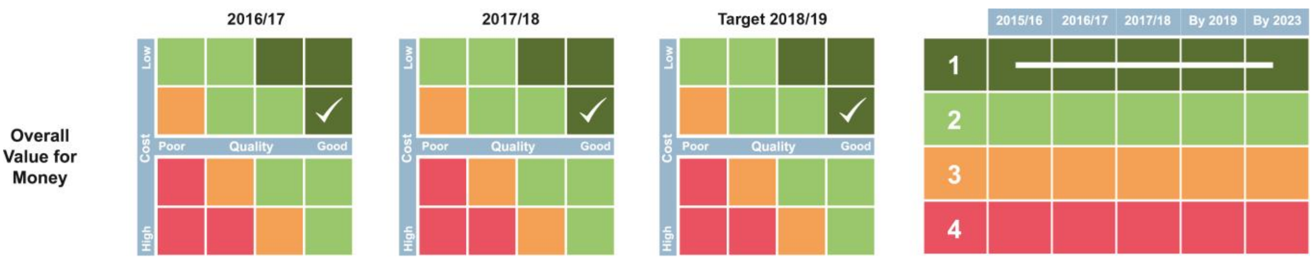
- Have we done what we said we would in our Strategic Business Plan?
- How does our financial and operational performance compare to other similar landlords?

Performance against objectives is measured monthly at operational level and reported to Board on a quarterly basis.

We participate in HouseMark, Vantage and Sector Scorecard benchmarking annually, and we also use the Regulator's Global Accounts of Registered Providers as an alternative source of performance comparison.

Our main source of benchmarking is from HouseMark, using a peer group of LSVT landlords with more than 7500 units. More recently we have complemented HouseMark benchmarks with data from the Sector Scorecard and the Global Accounts by comparing ourselves to all Registered Providers.

Overall Value for Money Score



We believe that our overall value for money score is medium cost and high quality. This is evidenced though the re-financing exercise which has unlocked additional borrowing to build more homes, our operational performance which is consistently achieving challenging targets and customer satisfaction scores.

Sector Scorecard and Regulatory Metrics (marked ★)

Business Health	Development (Capacity and Supply)	Outcomes Delivered	Effective Asset Management	Operating Efficiencies
★ Operating Margin **20%** **[13%[1]]**	★ Units Developed **Social Hsg: 124** **Non-Social Hsg: 0**	Customer Satisfaction with Services **92.9%**	★ Return on Capital Employed (ROCE) **2.00%**	★ Headline social housing cost per unit **£3,229** **[£3,546]**
Operating Margin (Social Lettings) **18%** **[10%]**	★ Units Developed as % Units Owned **0.9%**	Reinvestment in new and existing stock **8%**	Occupancy rate **99.4%**	Rent collected as % rent due **100.75%**
★ EBITDA-MRI Interest Cover **353%** **[34%]**	★ Gearing **19%**	£ invested in communities **£712k**	Ratio of response repairs to planned maintenance **59%**	Overheads as % adjusted turnover (2017/18 not available)

[1] Note – Figures quoted in square brackets include costs incurred from interest buy-out and the impact of the provision for removal of the cladding on the Mount Wise Towers as relevant to the calculation.

The table above shows our 2017/18 Sector Scorecard results, incorporating the Regulator's metrics which are starred.

The metrics show that we have a strong balance sheet with low debt and high assets giving a low gearing. Interest cover is high due to strong cash generation and low financing costs but operating margins are at the lower end for the sector due to our low rents. Operating efficiency is good and our strong social values are reflected in top quartile customer satisfaction and a healthy investment in communities. We continue to play our part in new development which is one of the areas we are focussed on increasing in the coming years.

More detailed commentary is given on the metrics in appropriate sections of the main body of the report.

(F) Share Capital

During the year, 4 shares were issued and 3 were cancelled, leaving a balance in the share capital of the company of £45 (2017: £44).

(G) Statement of Compliance

In preparing this Operating and Financial Review and Board report, the Board has followed the principles set out in the 2014 Statement of Recommended Practice: Accounting by Registered Social Housing Providers (SORP).

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

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards including FRS 102. The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

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

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

The Board's Report on Internal Controls Assurance

The Board is responsible for the Group's systems of internal control and for reviewing their effectiveness. The Group's systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material mis-statements or loss.

A robust process for managing, evaluating, mapping and monitoring the significant risks faced by the Group is in place. This is continually being developed and is regularly reviewed by both the Audit and Risk Committee and the Board.

We have robust financial planning and monitoring systems and have established financial indicators which we use as a means to evaluate the risk to our business as we continue to change the way we work. This helps us to make good investment decisions and continue to keep within our financial covenants with the lenders as the business moves forward.

There is an Anti-Fraud, Bribery and Corruption Policy covering prevention, detection and reporting and the recovery of assets. This is also supported by a Whistleblowing Policy. We have registered with the Financial Conduct Authority in compliance with the Anti-Money Laundering Regulations.

The Audit and Risk Committee has reviewed the Fraud Register. During the year, significant fraudulent activity by a member of staff (in the form of theft) was uncovered. The member of staff was dismissed and has been charged by the Police. The internal control environment has been reviewed following an investigation carried out by our internal auditors. There were no other material incidents the year to 31 March 2018 and up to the date of signing these financial statements.

The Board exercises internal control through a framework, which comprises:

- Board overview of plans, finances and key policies
- Operational reports on key business drivers
- Performance information
- Risk management strategy and policy
- Assurance framework
- Compliance with quality management systems
- The Executive's management assurance and Members' review
- Internal audit
- External audit
- Health and safety audits
- Reports to regulators and funders.

The Audit and Risk Committee reviews reports received from management and from internal and external auditors and will make regular reports to the Board on the extent to which internal controls continue to take account of the major risks facing the Group. A formal process exists for the reporting and correction of significant control weaknesses.

The Board has received the Executive's annual report and has conducted its annual review of the effectiveness of the system of internal control. Account has been taken of any changes needed to develop and maintain the effectiveness of the risk management and control process.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Association. This process has been in place throughout the year under review, up to the date of the Annual Report.

Going Concern

The Group and Association have sufficient financial resources based on forecasts and current expectations of future sector conditions. As a consequence, the directors believe that the Association is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the Group and Association have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Internal Audit Annual Report

Mazars LLP completed 11 planned reviews during the year, including two compliance reviews and one follow up review. These identified 0 high, 2 medium and 16 low risk findings to improve controls.

Mazars confirmed:

"*In our opinion, Plymouth Community Homes has in place an appropriate framework for identifying, evaluating and managing the significant risks faced by the Association.*

In respect of the areas of activity which we reviewed, and subject to the weaknesses identified and reported in our internal audit reports, Plymouth Community Homes has an effective and reliable framework of internal control and effective risk management and governance processes which provides reasonable assurance regarding the effective and efficient achievement of the association's objectives.

No instances of actual or suspected fraud have been encountered during our audit work, however, we have been made aware by Plymouth Community Homes of one instance of fraud which was the subject of a criminal investigation and this has now been completed."

Disclosure of information to auditor

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

Auditor

Following a competitive tendering exercise, KPMG LLP was reappointed as external auditor of the Association at the Annual General Meeting in September 2014.

The appointment was for a term of five years - for the years ending March 2015 to 2019.

By order of the Board

Nick Lewis, Chair **Date :** 31/7/18

Plymouth Community Homes is registered with the Financial Conduct Authority (registration 30637R) and the Regulator for Social Housing (registration L4543).

Independent auditor's report to the members of Plymouth Community Homes Ltd

Opinion

We have audited the financial statements of Plymouth Community Homes Limited ("the association") for the year ended 31 March 2018 which comprise the statement of comprehensive income, statement of financial position, consolidated statement of changes in equity, group cash flow statement, association cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the group and the association as at 31 March 2018 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The association's Board is responsible for the other information, which comprises the Strategic Report, Group Structure and Corporate Governance, Board Report and the Statement on Internal Controls. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 38, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Harry Mears
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Plym House
3 Longbridge Road
Plymouth
PL6 8LT

3 August 2018

Statement of Comprehensive Income for the year ending 31 March

Continuing Activities	**notes**	**Group 2018 £000's**	**Group 2017 £000's**	**Association 2018 £000's**	**Association 2017 £000's**
Turnover	3	69,307	66,444	66,323	64,685
Cost of sales	3	(3,050)	(1,623)	(1,550)	(991)
Operating costs	3	(57,084)	(52,416)	(55,835)	(51,476)
Operating surplus	**3**	**9,173**	**12,405**	**8,938**	**12,218**
(Loss)/Gain on sale of :					
Properties	10	(1,363)	(1,515)	(1,363)	(1,515)
Fixed assets	5	29	46	50	78
Interest receivable	11	32	74	29	71
Interest payable and similar charges	12	(5,262)	(5,314)	(5,262)	(5,314)
Cancellation of interest rate hedge		(38,380)	-	(38,380)	-
Change in value of investment property	15	411	(7)	411	(7)
Gift aid receivable		-	-	1,376	931
Surplus / (Deficit) before taxation		**(35,360)**	**5,689**	**(34,201)**	**6,462**
Tax	13	(150)	-	(150)	-
Surplus / (Deficit) for the year		**(35,510)**	**5,689**	**(34,351)**	**6,462**
Other Comprehensive Income					
Movement of the net defined pension benefit liability	26	5,461	(17,932)	5,461	(17,932)
Total (Deficit) recognised for the year		**(30,049)**	(12,243)	**(28,890)**	**(11,470)**

Chair ________________ 31 July 2018 Board Member ________________ 31 July 2018

Secretary ________________ 31 July 2018

Statement of Financial Position at 31 March 2018	**Note**	**Group 2018 £'000**	**Group 2017 £'000**	**Association 2018 £'000**	**Association 2017 £'000**
Fixed Assets					
Tangible assets					
Housing Properties	14	488,302	472,424	492,556	475,381
Other tangible assets	14	20,516	22,674	12,395	14,043
Investments in subsidiary	15	-	-	9,400	9,300
Investments	15	80	60	80	60
Commercial Property	15	16,030	13,581	16,030	13,581
		524,928	**508,739**	**530,461**	**512,365**
Assets : amounts receivable after more than one year					
Development debtor	19	**9,642**	**11,043**	**9,642**	**11,043**
Current assets					
Shared ownership completed properties	17	-	203	-	203
Shared ownership properties in progress	17	6,284	3,067	6,284	3,067
Development Land held for sale		2,207	-	2,207	-
Stock	18	991	801	920	801
Debtors	19	6,260	6,193	7,333	6,877
Cash at bank and short term deposits	20	15,927	12,186	11,296	9,315
		31,669	**22,450**	**28,040**	**20,263**
Creditors : amounts falling due within one year	21	(18,691)	(17,110)	(16,739)	(15,852)
Net current assets		**12,978**	**5,340**	**11,301**	**4,411**
Creditors : amounts falling due after more than one year					
Loans	22	(109,794)	(59,479)	(109,794)	(59,479)
Grant funding	22	(25,595)	(24,043)	(25,595)	(24,043)
Development creditor	19	(9,642)	(11,043)	(9,642)	(11,043)
Disposal proceeds fund	22	(429)	(429)	(429)	(429)
RCGF	22	(152)	(44)	(152)	(44)
Pension liability	26	(28,043)	(30,890)	(28,043)	(30,890)
		(173,655)	**(125,928)**	**(173,655)**	**(125,928)**
Provision: Removal of Tower Cladding	24	**(4,495)**	**-**	**(4,495)**	**-**
Net assets		**369,398**	**399,194**	**373,254**	**401,891**

	Note	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Capital and reserves					
Share capital		-	-	-	-
Restricted reserves		361	-	361	-
Designated reserves		215	34	215	34
Revenue reserve		116,142	143,568	119,998	146,265
Revaluation reserve		280,723	286,482	280,723	286,482
Pension fund reserve	26	(28,043)	(30,890)	(28,043)	(30,890)
Total Funds		**369,398**	**399,194**	**373,254**	**401,891**

The financial statements and related notes on pages 51 to 90 were approved by the Board on 31July 2018 and were signed on its behalf by:

Chair 31 July 2018

Board Member 31 July 2018

Secretary 31 July 2018

Consolidated Statement of Changes In Equity

Association	**Restricted Reserve**	**Restricted Reserve**	**Designated Reserve**	**Revaluation Reserve**	**Revaluation Reserve**	**Revenue Reserve**	**Pension Fund Reserve**	**Total Equity**
	Property Sales	**Brock House**	**Property Sales**	***Housing***	***Commercial***			
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2017	**-**	**-**	**34**	**272,901**	**13,581**	**146,265**	**(30,890)**	**401,891**
Total comprehensive income for the period	-	-	-	-	-	(31,737)	(2,614)	**(34,351)**
Actuarial Gains	-	-	-	-	-	-	5,461	**5,461**
Funding from Brock Trustees	-	253	-	-	-	-		**253**
Reserves transfer	181	-	181	-	-	(362)	-	**-**
Reserves transfer	-	(73)	-	-	-	73		**-**
Reserves transfer	-	-	-	(6,170)	411	5,759	-	**-**
Balance at 31 March 2018	**181**	**180**	**215**	**266,731**	**13,992**	**119,998**	**(28,043)**	**373,254**

Consolidated Statement of Changes In Equity

Group	Restricted Reserve Property Sales	Restricted Reserve Brock House	Designated Reserve Property Sales	Revaluation Reserve *Housing*	Revaluation Reserve *Commercial*	Revenue Reserve	Pension Fund Reserve	Total Equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2017	**-**	**-**	**34**	**272,901**	**13,581**	**143,568**	**(30,890)**	**399,194**
Total comprehensive income for the period	-	-	-	-	-	(32,896)	(2,614)	**(35,510)**
Actuarial Gains	-	-	-	-	-	-	5,461	**5,461**
Funding from Brock Trustees	-	253	-	-	-	-	-	**253**
Reserves transfer	181	-	181	-	-	(362)	-	**-**
Reserves transfer	-	(73)	-	-	-	73	-	**-**
Reserves transfer	-	-	-	(6,170)	411	5,759	-	**-**
Balance at 31 March 2018	**181**	**180**	**215**	**266,731**	**13,992**	**116,142**	**(28,043)**	**369,398**

Group Cash Flow Statement
For the year ended 31 March 2018

	2018	2017
	£'000	£'000
Cashflows from operating activities		
(Defict)/Surplus for the year	(35,360)	5,689
Corporation tax	(150)	-
Depreciation	16,765	13,377
Interest receivable	(32)	(74)
Interest payable	43,642	5,314
Loss on sale of housing properties	1,363	1,515
Surplus on sale of other FA	(29)	(46)
Change in FV of investment properties	(411)	7
Increase in stock	(5,411)	(2,532)
(Increase) / decrease in debtors	(5)	2,682
Increase in creditors	667	2,300
Difference between pension charge and cash contributions	1,760	1,056
Grant amortised	(754)	(640)
Net cash from operating activities	**22,045**	**28,648**
Cashflows from investing activities		
Grants Received and land proceeds	2,406	4,267
Acquisitions of housing properties	(39,005)	(28,860)
Non-cash provision for cladding	4,495	
Sale of housing properties	11,056	7,072
Acquisitions of other fixed assets	(1,901)	(1,712)
Sale of other fixed assets	112	106
Payment to PCC	(3,521)	(2,865)
Net cash from investing activities	**(26,358)**	**(21,992)**
Cash flows from financing activities		
Interest received	32	74
Interest paid	(3,473)	(5,425)
Cost of cancellation of interest rate hedge	(38,380)	-
Loans Received / (Repaid)	47,000	(3,500)
Movement on investments	2,875	(86)
Net cash from financing activities	**8,054**	**(8,937)**
Net increase / (decrease) in cash and cash equivalents	**3,741**	**(2,281)**
Cash at beginning of year	12,186	14,467
Net increase / (decrease)	3,741	(2,281)
Cash at end of year	**15,927**	**12,186**

Association Cash Flow Statement
For the year ended 31 March 2018

	2018	2017
	£'000	£'000
Cashflows from operating activities		
(Deficit)/Profit for the year	(34,201)	6,462
Corporation tax	(150)	-
Depreciation	16,281	12,891
Interest receivable	(29)	(71)
Interest payable	43,642	5,314
Loss on sale of Housing Properties	1,363	1,515
Surplus on sale of other FA	(50)	(78)
Change in FV of investment properties	(411)	7
Gift Aid	(1,376)	(931)
Increase in stock	(5,340)	(2,532)
Decrease in debtors	50	2,439
(Decrease) / increase in creditors	(27)	1,996
Difference between pension charge and cash contributions	1,760	1,056
Grant amortised	(754)	(640)
Net cash from operating activities	**20,758**	**27,428**
Cashflows from investing activities		
Grants Received and land proceeds	2,514	4,022
Acquisitions of housing properties	(40,301)	(28,623)
Non-cash provision for cladding	4,495	-
Sale of housing properties	10,948	6,187
Acquisitions of other fixed assets	(1,901)	(1,712)
Sale of other fixed assets	108	97
Payment to PCC	(3,521)	(2,865)
Net cash from investing activities	**(27,658)**	**(22,894)**
Cash flows from financing activities		
Interest received	29	71
Interest paid	(3,473)	(5,425)
Cost of cancellation of interest rate hedge	(38,380)	-
Loans Received /(Repaid)	47,000	(3,500)
Movement on investments	2,774	514
Gift Aid received	931	668
Net cash from financing activities	**8,881**	**(7,672)**
Net increase/(decrease) in cash and cash equivalents	**1,981**	**(3,138)**
Cash at beginning of year	9,315	12,453
Net increase / (decrease) in year	1,981	(3,138)
Cash at end of year	**11,296**	**9,315**

Notes to Financial Statements

1. Principal Accounting Policies

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

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Association (Plymouth Community Homes Ltd) and its subsidiary undertakings, Plymouth Community Homes Manufacturing Services Ltd, Plymouth Community Homes Regeneration Company Ltd and Plymouth Community Homes Energy Ltd.

All entities are registered in England.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- Fair value or revaluation as deemed cost – The fair value at 1 April 2014 has been used as deemed cost for housing assets (as explained overleaf).
- For leases commenced before 1 April 2014 the Association continued to account for lease incentives under previous UK GAAP.

Key Estimates and Judgements

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 35.

FRS 102

In accordance with Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments of FRS 102 that deal with recognising, de-recognising, measuring and disclosing financial instruments, the Group has chosen to apply the requirements of FRS 102 Sections 11 and 12 and the presentation requirements, as appropriate, of 11.38A or 12.25B as permitted by paragraph 11.2(b) and 12.2(b).

Principal Accounting Policies (continued)

Measurement convention

The financial statements are prepared on the historical cost basis except that investment properties are stated at their fair value as are pensions and non-basic financial instruments.

Going concern

The Association and Group have sufficient financial resources based on forecasts and current expectations of future sector conditions. As a consequence, the Board believes that the Association and Group are well placed to manage their business risks successfully. The Board has a reasonable expectation that the Association and Group have adequate resources to continue in operational existence for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing these financial statements.

Basic financial instruments

Tenant Arrears, Trade and other debtors

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

Trade and other creditors

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

Bank loans classified as basic financial instruments

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

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

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

Tangible fixed assets

Tangible fixed assets, excluding Housing Properties are stated at cost less accumulated depreciation and accumulated impairment losses. Housing properties, except new build, were revalued to fair value on the 1 April 2014 and this value treated as deemed cost thereafter. New build housing properties are shown at cost.

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

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

Housing Properties

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses, or cost (for new build properties and components added since 1 April 2014). Cost includes the cost of acquiring land and buildings, directly attributable development costs, interest at the average cost of borrowing for the development period, and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties. Shared ownership properties are included in housing properties at cost related to the percentage of equity retained, less any provisions needed for impairment or depreciation.

Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each component part of housing properties. Land is not depreciated. The estimated useful lives are as follows:

Category	**Years**
Structure of Building	80
Kitchens	20
Bathrooms	30
Heating Systems	15
Windows	30
Cladding	25
Roofs:	15-80
Flat roofs – felt	15
Pitched roofs - Concrete	55
Pitched roofs – Slate	80
Guttering	30
Lifts	25
Alarm Systems	3
Photovoltaic Panels	20-25
Flooring	10
Capitalised Salaries	20
Tower Heat Sensors	10

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Association expects to consume an asset’s future economic benefits.

Non component works to existing properties

The amount of expenditure incurred which relates to an improvement, which is defined as an increase in the net rental stream or the life of a property, has been capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the income and expenditure account in the period in which it is incurred.

Interest capitalised

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. For the period ending 31st March 2017, interest has been capitalised at an average rate of 1.86% (2016: 2.67%) that reflects the weighted average effective interest rate on the Group’s borrowings required to finance housing property developments.

Other fixed assets

Other tangible assets include those assets with an individual value in excess of £1,000.

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:

Category	**Years**
Plant & Machinery	5
Motor Vehicles	5 - 7
Office and estate equipment and furniture	5
Computer equipment	5
Freehold Office Properties	50

Intangible assets

Software is held at cost less any accumulated depreciation.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful life of the asset which is assumed to be 5 years.

Grants

Social Housing Grant

Social Housing Grant (SHG) is initially recognised as a long term liability, specifically as deferred grant income and released through the income and expenditure as turnover income over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords accounting for housing properties at cost.

On transition to FRS 102, an election was taken to treat fair value as deemed cost for housing properties. As a result the performance method for accounting for grant has been applied as the fair value application to deemed cost is treated as a revaluation at the transition date and SHG in respect of those items has been taken to revenue reserves. An amount equivalent to SHG taken to revenue reserves is disclosed as contingent liability reflecting the potential future obligation to repay SHG where properties are disposed.

On disposal of properties, all associated SHG is transferred to the Recycled Capital Grant Fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

Other Government Grants

Other Government grant is initially recognised as a long term liability, and released through the income and expenditure over the life of the structure of housing properties. This is the accrual method applicable to social landlords accounting for housing properties at cost.

On transition to FRS 102, an election was taken to treat fair value as deemed cost for housing properties. As a result the performance method for accounting for grant was applied. At 1 April 2014 the government grant in respect of those items was therefore taken to revenue reserves.

Non-Government Grants

Non-government grants are recognised through income and expenditure in the year in which the terms of the grant are met.

Investment property

Investment properties are;

- the commercial properties (shops) which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost,
- the part of Plumer House that is rented to tenants to earn rental income.

Subsequent to initial recognition:

i. shops are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and

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

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

Properties held for sale and work in progress

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

Impairment excluding investment properties

Financial assets (including trade and other debtors)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Association's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

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

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Association pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees. The Group participates in the SHPS defined contribution scheme.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 102 - 'Retirement Benefits'.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension scheme expected to arise from employee service in the period is charged to operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income/charges. Actuarial gains and losses are recognised in the consolidated statement of total recognised surpluses and deficits. The pension scheme's surpluses to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

The Group participates in 2 defined benefit plans as set out below:

Devon County Council Local Government Pension Scheme

The LGPS scheme is administered by Devon County Council and is independent of the Group's finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the scheme to meet the benefits accruing in respect of current and future service.

Social Housing Pension Scheme

The Social Housing Pension Scheme (SHPS) provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. The Group is unable to obtain sufficient information to use defined benefit accounting for this multi-employer plan, and accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. To the extent that payment plans relate to funding a deficit, the contributions are recognised as a liability payable arising from the agreement with the multi-employer plan and results in a charge to the income and expenditure account. Where these payments are not expected to be settled within 12 months the liability is measured at the present value of the contributions payable.

Provisions

A provision is recognised in the balance sheet when the Association has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date. The value of provisions is re-assessed each year in light of estimated future income and costs as appropriate.

Turnover

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

Expenses

Cost of sales

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

Operating lease

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

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of Housing Properties that take a substantial time to be prepared for use are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Stock and Work in Progress

Stock and work In progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Taxation

The Association is liable for Corporation Tax on non charitable income, such as overage earned on developments.

The subsidiary companies are liable for Corporation Tax. The charge for taxation is based on the profit/loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting.

2. Social Housing- lettings
Group & Association

	2018				2017
	General Needs £'000	**Supported Housing £'000**	**Shared Ownership £'000**	**Total £'000**	**Total £'000**
Rents	48,519	6,587	242	55,348	55,192
Service Charges	2,845	841	30	3,716	3,806
Net Rents receivable	**51,364**	**7,428**	**272**	**59,064**	**58,998**
British Gas Funding Release	616	90	0	706	589
Total Income from Lettings	**51,980**	**7,518**	**272**	**59,770**	**59,587**
Expenditure on lettings					
Management	(7,847)	(985)	(12)	(8,844)	(8,183)
Services	(3,207)	(946)	(30)	(4,183)	(4,168)
Response Repairs	(9,437)	(947)	-	(10,384)	(9,616)
Cyclical & Planned Maintenance	(4,740)	(111)	-	(4,851)	(5,226)
Major Repairs	(7,010)	(43)	-	(7,053)	(8,120)
VAT Recovered	85	13	-	98	119
Bad debts	(222)	(30)	-	(252)	(248)
Depreciation Housing Properties	(13,631)	(1,329)	-	(14,960)	(11,374)
Depreciation Other	(1,377)	(47)	-	(1,424)	(1,517)
Pension charges	(1,536)	(224)	-	(1,760)	(1,056)
Total Expenditure on lettings	**(48,922)**	**(4,649)**	**(42)**	**(53,613)**	**(49,389)**
Operating Surplus on lettings	**3,058**	**2,869**	**230**	**6,157**	**10,198**
Void loss	**(212)**	**(35)**	**-**	**(247)**	**(222)**

3. Social Housing

Group	2018 Turnover	2018 Cost of Sales	2018 Operating Costs	2018 Operating Surplus	2017 Turnover	2017 Cost of Sales	2017 Operating Costs	2017 Operating Surplus
Social Housing Lettings	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Needs	51,980	-	(48,922)	3,058	51,909	-	(44,558)	7,351
Supported Housing	7,518	-	(4,649)	2,869	7,367		(4,792)	2,575
Low Cost Home Ownership	272	-	(42)	230	311		(39)	272
	59,770	**-**	**(53,613)**	**6,157**	**59,587**	**-**	**(49,389)**	**10,198**
Other Social Housing Activities								
Shared Ownership Sales	1,487	(1,447)	-	40	1,023	(894)	-	129
Development not Capitalised	-	-	(526)	(526)	-	-	(613)	(613)
Community Involvement	-	-	(712)	(712)	-	-	(714)	(714)
Garage Lettings	1,403	-	(304)	1,099	1,364	-	(253)	1,111
Social Housing Grant release	48	-	-	48	51	-	-	51
Proceeds from Land Sales	186			186	1,082	-	-	1,082
Other	292		(183)	109	74	-	-	74
	3,416	**(1,447)**	**(1,725)**	**244**	**3,594**	**(894)**	**(1,580)**	**1,120**
Non-Social Housing Activities								
Commercial Properties	1,761	-	(497)	1,264	1,397		(507)	890
External Sales	4,360	(1,603)	(1,249)	1,508	1,866	(729)	(940)	197
	6,121	**(1,603)**	**(1,746)**	**2,772**	**3,263**	**(729)**	**(1,447)**	**1,087**
Total Year ended 31 March 2018	**69,307**	**(3,050)**	**(57,084)**	**9,173**	**66,444**	**(1,623)**	**(52,416)**	**12,405**

3. Social Housing Association	**2018**				**2017**			
	Turnover	**Cost of Sales**	**Operating Costs**	**Operating Surplus**	**Turnover**	**Cost of Sales**	**Operating Costs**	**Operating Surplus**
Social Housing Lettings	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General Needs	51,980	-	(48,922)	3,058	51,909	-	(44,558)	7,351
Supported Housing	7,518	-	(4,649)	2,869	7,367	-	(4,792)	2,575
Low cost home ownership	272	-	(42)	230	311	-	(39)	272
	59,770	**-**	**(53,613)**	**6,157**	**59,587**	**-**	**(49,389)**	**10,198**
Other Social Housing activities								
Shared Ownership Sales	1,487	(1,447)	-	40	1,023	(894)	-	129
Development not Capitalised	-	-	(526)	(526)	-	-	(613)	(613)
Community Investment	-	-	(712)	(712)	-	-	(714)	(714)
Garage Lettings	1,403	-	(304)	1,099	1,364	-	(253)	1,111
Social Housing Grant release	48	-	-	48	51	-	-	51
Land Grant Release	186	-	-	186	1,082	-	-	1,082
Other	292	-	(183)	109	74	-	-	74
	3,416	**(1,447)**	**(1,725)**	**244**	**3,594**	**(894)**	**(1,580)**	**1,120**
Non-Social Housing Activities								
Commercial Properties	1,761	-	(497)	1,264	1,397	-	(507)	890
External Sales	1,376	(103)	-	1,273	107	(97)	-	10
	3,137	**(103)**	**(497)**	**2,537**	**1,504**	**(97)**	**(507)**	**900**
Total Year ended 31 March 2018	**66,323**	**(1,550)**	**(55,835)**	**8,938**	**64,685**	**(991)**	**(51,476)**	**12,218**

4. Housing Stock

	Group 2018 No.	Group 2017 No.	Association 2018 No.	Association 2017 No.
Under development at end of period:				
Housing accommodation	340	276	340	276
Shared ownership	201	134	201	134
	541	**410**	**541**	**410**
Owned and managed at end of period:				
Housing accommodation	12,147	12,194	12,147	12,194
Supported housing	1,780	1,785	1,780	1,785
Shared ownership	140	97	140	97
Unavailable for letting	151	107	148	107
	14,218	14,183	14,215	14,183
Long leaseholders	1,621	1,596	1,621	1,596
	15,839	**15,779**	**15,836**	**15,779**

5. Expenses and Auditor's remuneration

	Group 2018 £'000	Group 2017 £'000
Depreciation on housing properties	14,827	11,374
Depreciation on other fixed assets	1,938	2,003
Restructuring costs expensed as included in administrative expenses	112	296
Loss on sale of housing properties	1,363	1,515
Surplus on sale of other fixed assets	29	46
Change in fair value of investment properties	411	7
Operating lease charges	532	490
External Auditors Remuneration (exclusive of VAT)		
Audit of these financial statements	29	29
Audit of financial statements of subsidiaries	13	12
Tax compliance	5	5
Other tax advisory services	11	2
Other assurance services	8	4
	66	**52**
Internal Audit related assurance services	**20**	**27**

6. Staff and employee costs	**2018**	**2017**
	No.	**No.**
(Group & Association)		
The average number of persons employed during the period (full time equivalents of 37 hours) was:	**585**	**587**
Full Time Equivalents as at 31 March	**593**	**568**

7. Staff Costs	**2018**	**2017**
	£'000	**£'000**
Wages and salaries	15,421	16,018
Social security costs	1,527	1,564
Other pension costs	1,729	1,805
Restructure costs *	112	296
TOTAL	**18,789**	**19,683**

* The 2018 restructure costs arise from closing the PCH Manufacturing Metal Fabrication workshop.

8. Full Time Equivalent Staff

The full time equivalent number of staff who received remuneration of £60,000 and above:

	2018	**2017**
	No.	**No.**
£60,001 to £70,000	4	5
£70,001 to £80,000	6	7
£80,001 to £90,000	1	2
£90,001 to £100,000	-	-
£100,001 to £110,000	-	-
£110,001 to £120,000	-	-
£120,001 to £130,000	-	-
£130,001 to £140,000	1	2
£140,001 to £150,000	1	1
£150,001 to £160,000	1	-
£160,001 to £170,000	-	-
£170,001 to £180,000	-	-
£180,001 to £190,000	1	1

Remuneration in this instance is defined as basic salary, car allowance, benefits in kind and employers pension contributions.

9. Board Members and Executive Directors

The emoluments of the Board members were as follows :

Non Executive Directors	**2018**	**2017**
	£	**£**
Elaine Pellow (Chair) Until 1 October 2017	10,250	15,000
Nigel Pitt (Vice Chair)	7,500	7,500
Simon Ashby	7,500	7,500
Susan Dann	5,131	5,500
Maureen Alderson	5,500	5,500
Graham Stirling	7,500	7,500
Katie McBride	7,500	7,500
Nigel Churchill	5,500	5,500
Tina Tuohy	5,500	5,500
Graham Clayton	5,500	5,500
Anthony MacGregor	591	4,583
Debbie Roche	5,500	5,500
Nicholas Lewis (Chair) From 1 October 2017	8,417	N/A

The emoluments of the Executive Management Team were as follows:

	2018	**2018**	**2018**	**2017**
	Basic Salary & Car Allowance	**Employer Pension Contributions**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
John Clark (Chief Executive)	168	14	182	183
Nicholas Jackson	140	11	151	150
Gillian Martin	125	17	142	137
Susan Shaw	125	9	134	132

The Chief Executive, John Clark, is a member of SHPS and there are no additional pension arrangements in place.

The aggregate emoluments paid to or receivable by Executive Directors:

	2018	**2017**
Group and Association	**£'000**	**£'000**
Basic Salary	558	552
Employers Pension	51	50
	609	602

10. (Deficit) / surplus on disposal housing properties	**Group 2018 £'000**	**Group 2017 £'000**	**Association 2018 £'000**	**Association 2017 £'000**
Right to Buy sales	4,760	4,640	4,760	4,640
Right to Acquire	325	592	325	592
Asset Management sales	566	1,088	566	1,088
Shared Ownership Staircasing	365	48	365	48
Cost of Sales	(123)	(141)	(123)	(141)
Net Book Value of Components removed on Disposal	(3,548)	(3,626)	(3,548)	(3,626)
PCC Share of Right to Buy receipts	(3,584)	(3,521)	(3,584)	(3,521)
Transfer to RCGF	(108)	(44)	(108)	(44)
RCGF Accrual adjustment	(16)	-	(16)	-
Transfer to Disposals Proceeds Fund	-	(551)	-	(551)
TOTAL	**(1,363)**	**(1,515)**	**(1,363)**	**(1,515)**

11. Other interest receivable and similar income	**Group 2018 £'000**	**Group 2017 £'000**	**Association 2018 £'000**	**Association 2017 £'000**
Bank interest receivable	32	74	29	71
Total Interest Received and similar income	**32**	**74**	**29**	**71**

12. Interest Payable and Similar Charges	**Group 2018 £'000**	**Group 2017 £'000**	**Association 2018 £'000**	**Association 2017 £'000**
Interest	3,416	4,260	3,416	4,260
Non utilisation fee	367	716	367	716
Amortisation of arrangement fees	846	164	846	164
Interest capitalised	(427)	(257)	(427)	(257)
Legal, Professional & Bank Fees	206	14	206	14
Net interest expense on net defined pension benefit liabilities	854	417	854	417
Total other interest payable and similar charges	**5,262**	**5,314**	**5,262**	**5,314**

13. Tax on Surplus on Ordinary Activities for the Period

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Current Tax				
Current tax on income for the period	150	-	150	-
Adjustment in respect of prior periods	-	-	-	-
Total current tax	150	-	150	-
Deferred Tax				
Origination and reversal of timing differences	-	-	-	-
Change in tax rate	-	-	-	-
Total deferred tax	-	-	-	-
Total tax	150	-	150	-

Reconciliation of effective tax rate	2018 Group £'000	2017 Group £'000	2018 Association £'000	2017 Association £'000
(Deficit) / surplus for the year	**(35,360)**	**5,689**	**(34,201)**	**6,462**
Less tax credit	**-**	**-**	**-**	**-**
(Deficit) / surplus excluding taxation	**(35,360)**	**5,689**	**(34,201)**	**6,462**
Tax using the UK corporation tax rate of 19% (2017: 20%)	-	1,138	-	1,292
Effect of capital allowances	-	-	-	-
Tax exempt revenues	-	(1,138)	-	(1,292)
Tax on non charitable earnings	150	-	150	-
Total tax expense included in profit and loss	150	-	150	-

The main rate of corporation tax was reduced to 19% from 1 April 2017. A further reduction to 17% from 1 April 2020 was substantively enacted on 6 September 2016. This will reduce any future current tax charge accordingly.

14. Housing Fixed Assets: Association

	Housing Property General Needs	Completed Leasehold Shared Ownership Property	Development Property Under Construction	Shared Ownership Property under Construction	Total Housing Properties
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2017	**470,503**	**7,340**	**29,481**	**4,272**	**511,596**
Additions	10,287	-	24,848	5,594	40,729
Completed properties	2,247	-	(2,247)	-	-
Completed SO properties	-	568	-	(568)	-
Reclassifications	(1,354)		(853)	(3,014)	(5,221)
Disposals	(3,556)	(268)	-	-	(3,824)
At 31 March 2018	**478,127**	**7,640**	**51,229**	**6,284**	**543,280**
Depreciation					
At 1 April 2017	**(36,215)**	**-**	**-**	**-**	**(36,215)**
Depreciation Charge for period	(14,448)	(379)	-	-	(14,827)
Disposals	318	-	-	-	318
At 31 March 2018	**(50,345)**	**(379)**	**-**	**-**	**(50,724)**
Net book value at 31 March 2018	**427,782**	**7,261**	**51,229**	**6,284**	**492,556**
Net Book Value at 1 April 2017	**434,288**	**7,340**	**29,481**	**4,272**	**475,381**

14. All Fixed Assets: Association

	Total Housing Properties	Freehold Offices	Vehicles	Equipment & Furniture	Computers & Software	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2017	**511,596**	**11,960**	**2,752**	**2,246**	**5,137**	**533,691**
Additions	40,729	330	450	232	889	42,630
Reclassifications	(5,221)	(2,038)	-	-	-	(7,259)
Disposals	(3,824)	-	(418)	(48)	-	(4,290)
At 31 March 2018	**543,280**	**10,252**	**2,784**	**2,430**	**6,026**	**564,772**
Depreciation						
At 1 April 2017	**(36,215)**	**(721)**	**(2,055)**	**(1,630)**	**(3,646)**	**(44,267)**
Charge for period	(14,827)	(231)	(311)	(310)	(602)	(16,281)
Disposals	318	-	404	5	-	727
At 31 March 2018	**(50,724)**	**(952)**	**(1,962)**	**(1,935)**	**(4,248)**	**(59,821)**
Net book value at 31 March 2018	**492,556**	**9,300**	**822**	**495**	**1,778**	**504,951**
Net Book Value at 1 April 2017	**475,381**	**11,239**	**697**	**616**	**1,491**	**489,424**

14. Housing Fixed Assets: Group

	Housing Property General Needs	Completed Leasehold Shared Ownership Property	Development Property Under Construction	Shared Ownership Property under Construction	Total Housing Properties
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 April 2017	**470,503**	**7,104**	**26,954**	**4,078**	**508,639**
Additions	10,287	-	23,551	5,594	39,432
Completed properties	2,247	-	(2,247)	-	-
Completed SO properties	-	568	-	(568)	-
Reclassifications	(1,354)	-	(853)	(3,014)	(5,221)
Disposals	(3,556)	(268)	-	-	(3,824)
At 31 March 2018	**478,127**	**7,404**	**47,405**	**6,090**	**539,026**
Depreciation					
At 1 April 2017	**(36,215)**	**-**	**-**	**-**	**(36,215)**
Depreciation Charge for period	(14,448)	(379)	-	-	(14,827)
Disposals	318	-	-	-	318
At 31 March 2018	**(50,345)**	**(379)**	**-**	**-**	**(50,724)**
Net book value at 31 March 2018	**427,782**	**7,025**	**47,405**	**6,090**	**488,302**
Net Book Value at 1 April 2017	**434,288**	**7,104**	**26,954**	**4,078**	**472,424**

14. All Fixed Assets: Group

	Total Housing Properties	Freehold Offices	Vehicles	Equipment & Furniture	Computers & Software	Photovoltaic Panels	Total Assets
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost							
At 1 April 2017	**508,639**	**11,960**	**2,752**	**2,246**	**5,137**	**9,874**	**540,608**
Additions	39,432	330	450	232	889	0	41,333
Reclassifications	(5,221)	(2,038)	0	0	0	0	(7,259)
Disposals	(3,824)	0	(418)	(48)	0	(26)	(4,316)
At 31 March 2018	**539,026**	**10,252**	**2,784**	**2,430**	**6,026**	**9,848**	**570,366**
Depreciation							
At 1 April 2017	**(36,215)**	**(721)**	**(2,055)**	**(1,630)**	**(3,646)**	**(1,243)**	**(45,510)**
Charge for period	(14,827)	(231)	(311)	(310)	(602)	(484)	(16,765)
Disposals	318	0	404	5	0	2	729
At 31 March 2018	**(50,724)**	**(952)**	**(1,962)**	**(1,935)**	**(4,248)**	**(1,725)**	**(61,546)**
Net book value at 31 March 2018	**488,302**	**9,300**	**822**	**495**	**1,778**	**8,123**	**508,820**
Net Book Value at 1 April 2017	**472,424**	**11,239**	**697**	**616**	**1,491**	**8,631**	**495,098**

The total expenditure on works to existing housing properties during the year to 31 March 2018 for the Group and Association was as follows:

	2018	2017
	£'000	**£'000**
Revenue	7,053	8,120
Capital	10,287	7,683
Total	17,340	15,803

The capitalised work consists of;

	2018 £'000	2017 £'000
Works to existing properties	5,792	7,213
Tower Block cladding removal	4,495	-
External Wall Insulation (EWI)	-	470
Works funded by 3rd party	-	-
Total	10,287	7,683

Interest of £426,808 (2017: £257,350) was capitalised (both Group and Association). Interest is capitalised at the rate of 1.63% (2017: 1.86%) during the development period.

Cumulative interest of £1,052,778 (2017: £625,970) has been capitalised to 31 March 2018. This was incurred on new build housing developments.

Net book value of property assets by tenure:

All property assets are freehold. The housing and commercial properties were disclosed at deemed cost with effect from 1st April 2014 on transition to FRS 102. New additions since April 2014 are disclosed at cost. Office premises are included at cost.

Housing property valuation for security purposes: (not revalued at 31 March 18)

Completed housing properties were valued as at 31 March 2017 by Bruton Knowles, Chartered Surveyors, on Basis 1: the Existing Use Value – Social Housing (‘EUV-SH’) assuming homes are re-let at a social rent and under the loan agreement, and Basis 2 which is a valuation calculated on Existing Use Value for Social Housing (EV-SH, Voids Sold) assuming an element of void properties being sold on the open market. The valuations were carried out in accordance with the RICS Appraisal and Valuation Manual effective from 1 January 1996 (as amended). The valuation of Plymouth Community Homes properties as at 31 March 2017 on the basis of these independent professional valuations was as follows:

Valuation Basis 1 - the Existing Use Value – Social Housing of the housing stock for loan security, as at 31 March 2017, was: £354,972,000. The properties were revalued at 31 May 2017 as part of the refinancing exercise with a value of £372,642,000.

Valuation Basis 2 - Assuming that a number of voids would be sold on the open market with vacant possession as they arise. The resultant figure for the housing stock was £661,072,000 at 31 March 2017.

15. Fixed asset investments

	Group			Association				
	Investment in Commercial Property	**Other investments**	**Total**	**Shares in group undertakings**	**Loan to group undertakings**	**Investment in Commercial Property**	**Other investments**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'001**	**£'000**	**£'000**	**£'000**
Cost (or valuation)								
At beginning of year	13,581	60	13,641	9,300	-	13,581	60	22,941
Additions	-	20	20	-	100	-	20	120
Transfer from fixed assets	2,038	-	2,038	-	-	2,038	-	2,038
Disposals	-	-	-	-	-	-	-	-
Revaluation	411	-	411	-	-	411	-	411
At end of year	**16,030**	**80**	**16,110**	**9,300**	**100**	**16,030**	**80**	**25,510**
Net book value								
At 31 March 2018	**16,030**	**80**	**16,110**	**9,300**	**100**	**16,030**	**80**	**25,510**
At 31 March 2017	13,581	60	13,641	9,300	-	13,581	60	22,941

The commercial shops were valued, on a valuation basis of ‘Market Value’, at £13,992,000 at 31 March 2018 (31 March 2017: £13,581,000) by Bruton Knowles. During the year £2,038,000 was transferred from property assets to commercial property, reflecting the share of Plumer House now let to tenants.

Plymouth Energy Community (‘Plym Energy’) is an independent ‘not-for-profit’ co-operative. It’s work focuses on 3 goals for Plymouth residents: reducing energy bills and fuel poverty, improving energy efficiency and generating green energy. PCH has invested £60,000 in the co-operative as many of the beneficiaries are PCH tenants.

MorHomes is an aggregator, owned by Housing Associations, facilitated by JCRA for the sector with the purpose of obtaining lower cost finance.

The loan is provided to Plymouth Community Homes Regeneration Company Ltd to part fund their Joint Venture with Halsall Homes at Tamerton Foliot. Interest is charged at 4%. The loan is for a term of three years.

16. Investments in Subsidiaries

The company has the following investments in subsidiaries and jointly-controlled entities:

Subsidiary	Cost of Investment by Parent	Aggregate of Capital and Reserves	Profit or Loss for the Year	Country of Incorporation	Class of Shares Held	Ownership 2018	Ownership 2017
	£'000s	£'000s	£'000s				
PCH Manufacturing Services Limited	-	50	59	England	Limited by Guarantee	100%	100%
PCH Regeneration Limited	100	-	1,136	England	Ordinary	100%	100%
PCH Energy Limited	9,300	9,648	137	England	Ordinary	100%	100%

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17. Properties held for sale

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Low cost home ownership				
- Completed	-	203	-	203
- In the course of construction	6,284	3,067	6,284	3,067
	6,284	**3,270**	**6,284**	**3,270**

18. Stock

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Raw materials	736	715	**736**	715
Work in progress	255	86	**184**	86
	991	**801**	**920**	**801**

19. Debtors

Amounts falling due after one year	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Development debtor (VAT Shelter)	9,642	11,043	9,642	11,043
	9,642	**11,043**	**9,642**	**11,043**

Amounts falling due within one year	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Trade debtors	1,217	531	264	116
Current tenant rent arrears	755	760	755	760
Current tenant non rent arrears	669	570	669	570
Less provision for doubtful debts	(805)	(756)	(805)	(756)
Former tenant rent arrears	935	912	935	912
Former tenant non rent arrears	577	526	577	526
Less provision for doubtful debts	(1,512)	(1,438)	(1,512)	(1,438)
Prepayments and accrued income	1,789	2,547	1,789	2,547
Intercompany debtors	-	-	2,268	1,271
VAT	100	136	71	111
Other debtors	924	856	711	709
Development debtor	1,611	1,549	1,611	1,549
	6,260	**6,193**	**7,333**	**6,877**

Amounts due from Group undertakings are trading balances repayable on demand and are non-interest bearing.

20. Cash, cash at bank and short term deposits	**Group 2018 £'000**	**Group 2017 £'000**	**Association 2018 £'000**	**Association 2017 £'000**
Cash at bank and in hand	15,927	12,186	11,296	9,315

21. Creditors : Amounts falling due within one year	**2018 Group £'000**	**2017 Group £'000**	**2018 Association £'000**	**2017 Association £'000**
Trade creditors	3,613	2,716	1,535	1,248
Amounts owed to group undertakings		-	2,026	33
Taxation and social security	411	398	411	398
Corporation tax	150	-	150	-
Pension contributions	206	188	206	188
Rent received in advance	2,794	2,452	2,794	2,452
Other creditors	575	456	570	446
Accruals and deferred income	8,613	8,733	6,718	8,920
Development creditor	1,611	1,549	1,611	1,549
Grant funding	718	618	718	618
	18,691	**17,110**	**16,739**	**15,852**

Amounts owed to Group undertakings are trading balances repayable on demand and are non-interest bearing. Amounts owed to Group undertakings are trading balances repayable on demand and are non-interest bearing.

22. Creditors: amounts falling after more than one year

	2018 Group £'000	**2017 Group £'000**	**2018 Association £'000**	**2017 Association £'000**
Bank loans	110,500	63,500	110,500	63,500
Deferred loan costs	(266)	(686)	(266)	(686)
THFC Holding account	(440)	(3,335)	(440)	(3,335)
Total housing loans	**109,794**	**59,479**	**109,794**	**59,479**
Disposal Proceeds Fund *	429	429	429	429
Recycled Capital Grants Fund *	152	44	152	44
Grant Funding	25,595	24,043	25,595	24,043
	135,970	**83,995**	**135,970**	**83,995**

*For breakdown see note 23

23. Disposal proceeds fund and recycled capital grant funds

Disposal proceeds fund

	2018 Group £'000	2017 Group £'000	2018 Association £'000	2017 Association £'000
At beginning of the year	429	123	-	123
Allocated in year	-	(123)	-	(123)
Movement in year	-	429	-	429
At end of the year	**429**	**429**	**-**	**429**
Disclosed as				
Creditor < 1 year	-	-	-	-
Creditor > 1 year	429	429	-	429
	429	**429**	**-**	**429**

Recycled capital grant fund

None of the balances below are repayable to the Homes and Communities Agency in the next 12 months.

	2018 Group £'000	2017 Group £'000	2018 Association £'000	2017 Association £'000
At beginning of the year	44	-	44	-
Transferred to fund during year	108	44	108	44
At end of the year	**152**	**44**	**152**	**44**
Disclosed as:				
Creditors < 1 year	-	-	-	-
Creditors > 1 year	152	44	152	44
	152	**44**	**152**	**44**

Social Housing Grant

	2018 Group £'000	2017 Group £'000	2018 Association £'000	2017 Association £'000
At beginning of the year	11,222	7,129	11,222	7,129
Additions	2,431	4,160	2,431	4,160
Amortised within the consolidated statement of comprehensive income	(48)	(51)	(48)	(51)
Disposals	(24)	(16)	(24)	(16)
At end of the year	**13,581**	**11,222**	**13,581**	**11,222**
Recognised in:				
Creditors: amounts falling due within one year	51	48	51	48
Creditors: amounts falling due after one year	13,530	11,174	13,530	11,174
	13,581	**11,222**	**13,581**	**11,222**

British Gas Grant

	2018 Group £'000	2017 Group £'000	2018 Association £'000	2017 Association £'000
At beginning of the year	13,439	14,194	13,439	14,194
Additions	-	-	-	-
Amortised within the consolidated statement of comprehensive income	(559)	(566)	(559)	(566)
Disposals	(148)	(189)	(148)	(189)
At end of the year	**12,732**	**13,439**	**12,732**	**13,439**
Recognised in:				
Creditors: amounts falling due within one year	667	570	667	570
Creditors: amounts falling due after one year	12,065	12,869	12,065	12,869
	12,732	**13,439**	**12,732**	**13,439**

Total Grant

	2018 Group £'000	2017 Group £'000	2018 Association £'000	2017 Association £'000
Creditors: amounts falling due within one year	718	618	718	618
Creditors: amounts falling due after one year	25,595	24,043	25,595	24,043
	26,313	**24,661**	**26,313**	**24,661**

Government Grants received to date

	2018 Group £'000	2017 Group £'000	2018 Association £'000	2017 Association £'000
Social Housing Grant	13,758	11,327	13,758	11,327
British Gas Grant	14,650	14,650	14,650	14,650
Total Received	**28,408**	**25,977**	**28,408**	**25,977**
The grant is recognised in:				
Profit and loss reserve	2,095	1,316	2,095	1,316
Creditors: amounts falling due within one year	718	618	718	618
Creditors: amounts falling due after one year	25,595	24,043	25,595	24,043
	28,408	**25,977**	**28,408**	**25,977**

24. Provision: Removal of Tower Cladding

	2018 Group £'000	2017 Group £'000	2018 Association £'000	2017 Association £'000
At beginning of the year	-	-	-	-
Provided during the year	4,495	-	4,495	-
At end of the year	**4,495**	**-**	**4,495**	**-**

The provision is for the removal of the cladding on the Mount Wise Towers blocks and is based on a report by Quantity Surveyors, contracted by us to manage the removal and replacement of the cladding. The provision is for the removal cost only and takes into account the latest estimated cost, prior to tendering, and the timing of when works will be completed.

25. Interest-bearing loans and borrowings

The loan and borrowing facilities are held at amortised cost. All facilities are fully secured by fixed charges over the organisation's properties except the THFC loan where additional cash security has temporarily been posted. The facilities each have different covenants but all include a requirement to cover their interest costs, either from those properties in charge to them or at a whole-organisation level, and to have sufficient properties charged as security.

	2018	2017
	£'000	£'000
- Due in less than five years	8,000	-
- Due in five years or more	102,500	63,500
- Deferred loan costs	(266)	(686)
- THFC holding account	(440)	(3,335)
	109,794	59,479

26. Devon County Council Pension Scheme

Devon County Council is the Administering Authority to the Devon County Council Pension Fund ("the Fund"). The Local Government Pension Scheme ("the LGPS") provides pension benefits to employees of Plymouth Community Homes Ltd ("the employer"). The staff working for Plymouth Community Homes Manufacturing Services Ltd are employed by Plymouth Community Homes Ltd (or on dual contracts). The staff working for Plymouth Community Homes Regeneration Company Ltd and Plymouth Community Homes Energy Ltd are employed by Plymouth Community Homes and their costs of employment are charged to those companies. All pension costs are therefore included in these notes.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

Group and Association net pension liability:

	31 March 2018	31 March 2017
	£'000	£'000
Present value of funded defined benefit obligations	(100,346)	(100,701)
Fair value of plan assets	72,303	69,811
Net Pension Liability	(28,043)	(30,890)

Reconciliation of opening & closing balances of the present value of the defined benefit obligation

	31 March 2018 £'000	31 March 2017 £'000
Defined benefit obligation at 1 April	100,701	72,072
Current service cost	2,683	2,031
Interest cost	2,804	2,719
Actuarial (gains)/losses	(4,547)	24,946
Estimated benefits paid net of transfers in	(1,930)	(1,634)
Past service costs, including curtailments	181	49
Contributions by scheme participants	454	518
Defined benefit obligation at 31 March	100,346	100,701

Reconciliation of opening & closing balances of the fair value of fund assets

	31 March 2018 £'000	31 March 2017 £'000
Fair value of scheme assets at 1 April	69,811	60,587
Interest on assets	1,950	2,302
Return on assets less interest	914	8,187
Other actuarial gains	-	(1,173)
Administration expenses	(37)	(38)
Contributions by employer (including unfunded)	1,141	1,062
Contributions by scheme participants	454	518
Estimated benefits paid net of transfers in (including unfunded)	(1,930)	(1,634)
Fair value of scheme assets at 31 March	**72,303**	**69,811**

The total return on the fund assets for the year to 31 March 2018 is £2,864,000.

Expense recognised in the profit and loss account

	31 March 2018 £'000	Restated 31 March 2017 £'000
Current service cost	2,864	2,080
Employer Contributions	854	417
Other finance costs	37	38
Total	**3,755**	**2,535**

The expense is recognised in the following line items in the profit and loss account

	31 March 2018	**Restated 31 March 2017**
	£'000	**£'000**
Distribution expenses	-	-
Service Cost	2,864	2,080
Administrative expenses	37	38
Interest payable and similar charges	854	417
	3,755	**2,535**

The total loss recognised in the consolidated statement of total recognised gains and losses in respect of actuarial gain is £5,461,000 *(2017: loss £17,932,000)*.

The estimated asset allocation for Plymouth Community Homes as at 31 March 2018 is as follows:

Employer Asset Share - Bid Value	**Assets at 31 March 2018 £'000**	**Assets at 31 March 2017 £'000**
Equities	15,501	16,817
Gilts	2,271	2,060
Overseas Equities	26,759	24,292
Property	6,728	6,234
Infrastructure	2,593	2,803
Cash	1,766	1,677
Target Return Portfolio	10,798	10,341
Other Bonds	1,478	1,800
Alternative assets	3,928	3,787
Private equity	481	n/a
Total	**72,303**	**69,811**

Expected return on assets

For accounting years beginning on or after 1 April 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.

Assumptions as at	31 March 2018	31 March 2017
	% p.a.	% p.a.
Discount rate	2.6%	2.8%
Pension Increases	2.3%	2.7%
Salary Increases	3.8%	4.2%
RPI Increases	3.3%	3.6%
CPI Increases	2.3%	2.7%

These assumptions are set with reference to market conditions at 31 March 2018.

Our estimate of the duration of the Employer's liabilities is 23 years.

An estimate of the Employer's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences.

As required under FRS 102 we have used the projected unit method of valuation to calculate the service cost.

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 100% for males and 90% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 23.5 years (male), 25.6 years (female)
- Future retiree upon reaching 65: 25.7 years (male), 27.9 years (female)

We have also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions

The history of the plans for the current and prior periods is as follows:

Balance sheet as at	31 March 2018	31 March 2017	31 March 2016
	£'000	£'000	£'000
Present value of scheme liabilities	(100,346)	(100,701)	(72,072)
Fair value of scheme assets	72,303	69,811	60,587
Deficit	**(28,043)**	**(30,890)**	**(11,485)**

The Group expects to contribute approximately £1.1m to the LGPS defined benefit plan in the next financial year.

27. Social Housing Pension Scheme

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

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

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

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

Deficit contributions

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

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

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

PRESENT VALUES OF PROVISION

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

Provision at start of period	-	-
Unwinding of the discount factor (interest expense)	-	-
Deficit contribution paid	-	-
Remeasurements - impact of any change in assumptions	-	-
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	-	-

INCOME AND EXPENDITURE IMPACT

Interest expense	-	-
Remeasurements – impact of any change in assumptions	-	-
Remeasurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

ASSUMPTIONS

Rate of discount	1.72	1.33	2.06

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

28. Share Capital

Ordinary shares of £1 each. Allotted, called up and fully paid.	**2018 No.**	**2017 No.**
At 1 April	44	46
Issued during the year	4	1
Cancelled during the year	(3)	(3)
At 31 March	45	44

29. Operating Leases

	2018		2017	
	Land and Buildings £'000	**Other £'000**	**Land and Buildings £'000**	**Other £'000**
Less than one year	-	22	-	239
Between one and five years	422	441	601	121
More than five years	161	-	190	-
	583	**463**	**791**	**360**

30. Leases as Lessor

	2018 £'000	**2017 £'000**
Less than one year	130	153
Between one and five years	2,471	2,756
More than five years	4,046	2,479
TOTAL	**6,647**	**5,388**

Leases relate to the length of commercial tenancies for shops and offices.

31. Commitments	**2018 Group £'000**	**2017 Group £'000**	**2018 Association £'000**	**2017 Association £'000**
The Company contractual commitments to purchase tangible fixed assets at the year-end were	17,786	39,103	17,786	39,103
The Company has expenditure authorised by the Board but not yet contracted for of	30,370	13,435	30,370	13,435
TOTAL	**48,156**	**52,538**	**48,156**	**52,538**

32. Contingencies

Social Housing Grant of £13,758,000 (2017: £11,327,000) has been received. Should the related properties be sold and the grant not reinvested in new properties this amount could be repayable to the Homes & Communities Agency.

33. Related Party Transactions

The Board members who served during the period and are also tenants have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefit as other tenants.

Two Board members are nominees of Plymouth City Council (PCC), both serving councillors. A further independent Board member also serves as a Plymouth City Councillor. All transactions with PCC during the year were conducted at arm’s length and on normal commercial terms.

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

The value of transactions between PCH Ltd and its subsidiaries was as follows:

PCH Manufacturing Services Ltd: costs incurred by PCH Manufacturing: £2,117,504 (2017: £942,968).

PCH Regeneration Company Ltd: service charge from PCH Ltd to PCH Regeneration: £304,139 (2017: £316,550); lease of properties from PCH Ltd to PCH Regeneration: £1,263 (2017: £13,527); design & build work invoiced from PCH Regeneration to PCH Ltd: £28,054,121 (2017: £18,076,418).

PCH Energy Ltd: service charge from PCH Ltd to PCH Energy : £38,413 (2017: £19,545); charge from PCH Ltd to PCH Energy for lease of roofs : £106,785 (2017: £107,325). Charge from PCH Energy to PCH Ltd for electricity: £97,970 (2017: £92,892).

The intercompany debtor and creditor balances as at 31 March are disclosed in Note 19 and Note 21.

34. Subsequent Events

Following the fire at Grenfell Tower, tests were conducted on the cladding at the Mount Wise Towers (Lynher, Tamar and Tavy). The cladding failed the initial tests and on this basis a non-contractual commitment is in place to remove the panels. A provision for the cost of the removal works of £4,495,000 has been made in the accounts. This value was subsequently expensed as accelerated depreciation. Since the year end the government has announced that it will fund the removal and replacement of dangerous panels by housing associations. The government is still designing the scheme and the amount of any receipt is uncertain and therefore no provision has been made for a receipt to offset the provisional costs. There is an ongoing need to provide additional security at all three blocks and the cost of this has been met from existing budgets. The Board continue to be kept informed.

35. Accounting estimates and judgements

Key sources of estimation uncertainty
The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible assets
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives of the assets so these are re-assessed annually and amended when necessary to reflect current estimates. See Note 14 for the carrying amount of the property plant and equipment, and Note 1 for the useful economic lives for each class of assets.

Impairment of debtors
The company makes an estimate for the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including, the current credit rating of the debtor, the ageing profile of debtors and historical experience. See Note 19 for the net carrying amount of the debtors and associated impairment provision.

Pensions
FRS 102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected inflation rates, employee turnover, expected return on plan assets and discount rates. Substantial changes in the assumed development of any one of these variables may significantly change the company's retirement benefit obligation and pension assets.

Valuation of housing properties
The company tests annually whether there are any impairment triggers that would require the company to undertake a full impairment review of housing properties under FRS 102. No such triggers have been identified in the year.

Provision for tower block cladding removal
The provision in the accounts for the removal of the cladding on the Mount Wise Towers blocks has been calculated based on information and estimates contained in a report supplied by a firm of Quantity Surveyor's, contracted by us, to manage the project to remove and replace the cladding. The provision is for the removal cost only and takes into account the latest estimate cost, prior to tendering, and the timing of when works will be completed.

Critical accounting judgements in applying the Company's accounting policies
There are no such judgements in either the current or prior year.

36. Status

Registered Office: Plumer House, Tailyour Road, Plymouth PL6 5DH.

Plymouth Community Homes Group

At the time of signing these financial statements Plymouth Community Homes has three wholly owned subsidiaries - Plymouth Community Homes Manufacturing Services Ltd (company number 07001677), Plymouth Community Homes Regeneration Company Ltd (company number 7272688) and Plymouth Community Homes Energy Ltd (company number 8028170). All three subsidiaries are incorporated under the Companies Act 2006.

Plymouth Community Homes Manufacturing Services Ltd sells manufactured goods to third parties. Plymouth Community Homes Regeneration Company Ltd oversees the design and build work for redevelopment projects. Plymouth Community Homes Energy Ltd oversees the installation of photovoltaic panels on properties owned by Plymouth Community Homes Ltd.

37. Board members, Executives and Advisors

Members of the Board

Elaine Pellow	Chair of Plymouth Community Homes Ltd to 1 October 2017
Nick Lewis	Appointed 1 August 2017 Chair of Plymouth Community Homes from 1 October 2017
Nigel Pitt	Vice Chair of Plymouth Community Homes Ltd and Chair of Development Committee
Simon Ashby	Chair of Audit and Risk Committee
Graham Stirling	Chair of Plymouth Community Homes Manufacturing Services Board
Katie Pratt	Chair of Customer Focus Committee
Maureen Alderson	
Susan Dann	
Tina Tuohy	
Graham Clayton	
Nigel Churchill	
Debbie Roche	

Directors of Plymouth Community Homes Manufacturing Services Ltd:

Graham Stirling	Chair
Nigel Churchill	Vice Chair from 2 August 2016
Nicholas Jackson	
Susan Shaw	
Simon Ashby	Co-optee to 31 July 2017 Appointed as Board Member 1 August 2017

Directors of Plymouth Community Homes Regeneration Company Ltd:

John Clark	Chair
Susan Shaw	
Gillian Martin	
Nick Jackson	

Directors of Plymouth Community Homes Energy Ltd

John Clark	Chair
Susan Shaw	
Gillian Martin	
Nick Jackson	

Audit and Risk Committee

Simon Ashby	Chair
Maureen Alderson	Vice Chair
Katie Pratt	
Graham Clayton	
Susan Dann	

Customer Focus Committee:

Katie Pratt	Chair
Sue Dann	Vice Chair
Elaine Pellow	
Tina Tuohy	
Debbie Roche	Up to 20 December 2017
Jane Filby	Co-optee
Lavinia Porfir	Co-optee from 4 May 2017
Mel Leonis	Co-optee from 4 May 2017 to 30 November 2018
Ember Wolffire	Co-optee from 2 February 2018

Development Committee:

Nigel Pitt	Chair
Graham Stirling	Vice Chair
Elaine Pellow	to 20 December 2017
Nigel Churchill	
Debbie Roche	
Nick Lewis	Appointed 20 December 2017

Remuneration Panel

Nigel Pitt	Chair
Susan Dann	
Elaine Pellow	to 20 December 2017
Nick Lewis	Appointed 20 December 2017

Financing Sub-Committee
(completed purpose on 9 May 2017)

Simon Ashby	Chair
Elaine Pellow	
Nigel Pitt	
Graham Clayton	
Nigel Churchill	
Anthony McGregor	Independent co-optee to sub committee

Resident Scrutiny Team

Joanne Bowden	
Susan Drury	
Patrick Gillespie	
Bridget Bimha	
Chris Matthews	
Mel Leonis	Appointed 10 January 2018
Mel Gallagher	Resigned 1 April 2017
Ron Gilley	Resigned 1 April 2017

Executive Management Team:

John Clark	Chief Executive
Nicholas Jackson	Director of Business Services and Development
Gillian Martin	Director of Corporate and Manufacturing Services
Susan Shaw	Director of Homes, Neighbourhoods and Regeneration

Company Secretary

Belinda Pascoe	Head of Governance

External Auditor:	KPMG LLP 3 Longbridge Road, Plymouth PL6 8LT
Internal Auditor:	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
Tax Advisor:	KPMG LLP 1 Forest Gate, Brighton Road Crawley RH11 9PT
Principal Bankers:	National Westminster Bank PLC 14 Old Town Street, Plymouth PL1 1DG
Funders:	The Royal Bank of Scotland PLC Housing Finance 7th Floor 135 Bishopsgate, London EC2M 4UR Barclays Bank PLC Third Floor 3 Bedford Street Exeter EX1 1LX Barings 1500 Main Street – Suite 2200 PO Box 15189 Springfield, MA 01115-5189 USA The Housing Finance Corporation Ltd 4th Floor 107 Cannon Street London EC4N 5AF

Security Trustees:	Prudential Trustees Governors House Laurence Pountney Hill, London EC4R 0HH	
Solicitors:	Trowers & Hamlins LLP The Senate Southernhay Gardens Exeter EX1 1UG	Devonshires 30 Finsbury Circus London EC2M 7DT
	Womble Bond Dickinson Ballard House West Hoe Road Plymouth PL1 3AE	Tozers LLP Broadwalk House, Southernhay West, Exeter EX1 1UA.
	Capsticks Solicitors LLP 1 St George's Road, London SW19 4DR	
Property Valuers:	Savills Sterling Court 17 Dix's Field Exeter, EX1 1QA	Bruton Knowles Plumer House Tailyour Road Plymouth, PL6 5DH
Treasury Advisors:	JCRA 12 St James's Square London SW1Y 4LB	