Phoenix
Our community in our hands

Board Report and Financial Statements

Year ended
31 March 2018

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Board Members, Executives and Advisors

Board members	Anne McGurk, Chair Carmen Simpson, Vice Chair Councillor Alan Hall Andrew Harmer Donna Hughes (appointed September 2017) Gail Nicholas (appointed September 2017) Jamie Carswell Councillor Jonathan Slater Kerry Heath (appointed March 2018) Mark Gayfer, Chair of Audit Committee Michael Boniface Peace Ayiku-Nartey (appointed March 2018) The following Board members also served during the period: Pat Crawford (to September 2017) Pat Fordham, MBE (to September 2017) Peter Lewis (to January 2018) Stephen Howlett (to March 2018)
Executives	Jim Ripley, Chief Executive Chris Starke, Director of Finance David Westworth, Director of Customer Services Lesley Johnson, Director of Property and New Business (appointed September 2017) Nick Edwards, Assistant Director of IT and Facilities Pria Rai, Director of People Services and Communications (to September 2017) Mary Bennell, Interim Director of Property and New Business (appointed January 2017 to September 2017)
Secretary	Chris Starke
Registered Office	The Green Man 355 Bromley Road London SE6 2RP
Bankers and funders	Barclays Bank plc 28th Floor 1 Churchill Place London E14 5HP
Auditors	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL

Board report

The Board presents the consolidated financial statements for the year ended 31 March 2018.

Principal Activity

Phoenix Community Housing's principal activities are to manage, maintain and develop homes and to improve and regenerate its estates in Downham, Bellingham and Whitefoot in Lewisham.

Phoenix Community Housing is incorporated under the Co-operative and Community Benefit Societies Act 2014, registered number 30057R. It is a Registered Provider of Social Housing registered with the Regulator of Social Housing under the Housing and Regeneration Act 2008, registered number L4505.

Phoenix Community Housing had one subsidiary company at 31 March 2018, Phoenix Agency Services, which provides repair and maintenance services.

Business Review

A review of the results for the year is included in the strategic report from page 7 onwards.

Governance

The Association's Board and Executive Officers are listed on page 1 of this report.

Phoenix is governed by a Board of 12 non-executive members comprising six resident board members, two Council board members and four independent board members. Resident board members are elected by a ballot of members following a selection process overseen by the Board. Council nominated board members are appointed by the London Borough of Lewisham according to a protocol agreed with the Council. These non-executive members are responsible for the overall strategy and direction of Phoenix. The Chair of the Board is a tenant.

Day to day management of the Association is delegated to the Executive Team. The Executive Officers hold no interest in the Association's share capital, and although they do not have the legal status of Directors, they act as executives within the authority delegated by the Board.

The Board is supported by three sub-committees as set out below:

- The Audit Committee is responsible for appointing and monitoring the work of internal audit, consideration of the external audit management letter, compliance with the adopted code of governance and regulatory standards, and reviewing the effectiveness of the risk management framework and system of internal controls. It receives reports on internal controls and recommendations for improvement from both internal and external auditors and meets privately with the internal and external auditors at least once a year.

- The Human Resources and Remuneration Committee is responsible for the review of terms and conditions of employment and overseeing all remuneration policies, the annual pay review, bonus awards, benefits for staff, and making recommendations on the people services strategy to the Board. The Board is responsible for the remuneration of the Chief Executive and Executive Team and overseeing the Board appraisal framework.

- The Development Committee is responsible for overseeing Phoenix's overall development strategy and the review of the appraisal assumptions used to assess opportunities for the acquisition and development of new homes, and recommends to the Board any bids for grant funding to the Greater London Authority and other funding agencies.

The Association observes best practice with regards to corporate governance and complies with the recommendations in the National Housing Federation's (NHF) 2015 Code of Governance, with the following exceptions:

The maximum term of office for any Board member is nine years	The Board has agreed that no member can stand for election if at the time of such election they have already served nine years as a Board Member. In practice, this means that an Independent Board Member's term on the Board may actually exceed nine years, as their term of office applies from each appropriate Annual General Meeting. One of our Independent Board Members, due to retire at the 2018 Annual General Meeting, will have been on the Board for nine years and 11 months at that point.

An independent review of governance effectiveness was carried out during the year. This concluded that the performance of the Board as a decision-making body was effective. The review made a number of minor recommendations for improvement which have been considered by a governance effectiveness panel of Board members appointed by the Board. The recommendations and proposed actions have been agreed by the Board and the actions are being monitored by the panel.

The Group has purchased Directors' and Officers' liability insurance for the Board, Executive Officers and staff.

Community Empowerment Strategy

The Association is a Community Gateway whose members are all tenants and leaseholders. Membership of Phoenix at 31 March 2018 was 3,630.

A key part of the Community Empowerment Strategy is the 'Community Links', three consultative forums which any resident can participate in, and a 'Community Chest' fund of £100,000 each year to spend on the local community. Tenants make the final decisions about which projects are funded by voting on their priorities for funding from the applications submitted.

The Phoenix Gateway Committee (PGC) provides a key link between the Board, the Community Links and shareholding members, and considers an annual programme of strategic matters proposed by the Board. The PGC has an advisory role and provides a sounding board and forum for discussion on specific Phoenix proposals and services. The aim is to be both inclusive and promote joint working at all levels of the organisation, and to assist in the succession of resident members to the Board.

Membership of the PGC consists of at least one member from each Community Link and a further four tenant members and one leaseholder member drawn from the shareholding membership. In this way ordinary members can directly contribute to the strategic development of Phoenix as well as enhance their own capacity as residents. The PGC also includes three Tenant Board members to ensure an effective relationship between the Board and the PGC and two members of staff, recognising that staff play a vital role in delivering services and are keen to work with residents in helping to steer the strategic direction of the organisation. The PGC has shaped our approach to welfare reform, Value for Money, development, community events, Annual General Meeting, Young Makers' Agency, supporting residents into work and digital inclusion.

A Resident Scrutiny Panel provides a specific resident forum to scrutinise Phoenix's service performance and help to improve services for all residents in line with arrangements set out in the

Regulator of Social Housing's Regulatory Framework. The Scrutiny Panel is an independent group of residents working together to check and challenge our services and reports its findings and recommendations directly to the Executive Team and Board. The Scrutiny Panel completed two reviews during the year covering tenant repairs and the handy person scheme. Its recommendations have been considered and accepted by the Executive Team and the Board. The Board has also agreed that the Scrutiny Panel can act as a Tenant Panel for considering complaints.

A Policy Working Group, comprising of residents, reviews and comments on proposed policies prior to consideration by the Board. The Policy Working Group reviewed 33 policies during the year.

Phoenix operates an enhanced membership scheme, 'Gold Membership', for shareholding members. Under the scheme, residents earn points for keeping to certain agreements with Phoenix, for example, keeping their rent account up to date and paying by direct debit. These points are converted into a 'dividend' payment which is paid in shopping vouchers each year. The enhanced membership scheme is intended to be self-financing due to the savings made by Phoenix arising out of the agreements with residents. The Gold Membership scheme now has 3,625 members.

The Phoenix Academy Programme continued in 2017/18 and continues to help with our succession planning for our involvement groups and the Board. In June 2017, 12 students graduated and some of these students and previous graduates subsequently completed a level 2 Chartered Institute of Housing (CIH) practice qualification, funded by a bursary from Phoenix. New trainees also volunteered with Phoenix as part of their course. The Academy received CIH Accreditation in 2017. The CIH accreditation means the course conforms to industry standards and we can use the CIH logo to publicise the course to a wider audience.

Regulation

Housing associations and other social landlords (registered providers of social housing) must comply with a regulatory framework including national standards regulated by the Regulator of Social Housing.

Compliance with the Regulator's Governance and Financial Viability Standard was reviewed by the Board in July 2018. The Association complies with the Standard. Exceptions with regard to compliance with the NHF 2015 Code of Governance are noted on page 3. The Board has also noted that Phoenix is working towards full compliance with the General Data Protection Regulation (GDPR) which came into force in May 2018. The Association has taken steps to address the requirements of GDPR and has an action plan in place to ensure full compliance. An external Data Protection Officer has been appointed to advise on and assist with changes to systems and procedures to strengthen compliance.

The Regulator publishes its assessment of providers' compliance with the Governance and Financial Viability Standard. Phoenix has maintained the top ratings of G1 for Governance and V1 for Viability.

The consumer standards place an emphasis on the relationship between landlords and residents at a local level, with residents at the heart of shaping, influencing and monitoring the services they receive. The regulatory framework also requires landlords to develop local offers to residents and set out standards which reflect the needs of their communities.

The Board has agreed a set of Phoenix Standards, which were updated following consultation with residents in March 2016. These represent the 'Local Offer' for the purpose of the Regulator's national standards. The promises made to tenants as part of the transfer from Lewisham Council form the core of the Local Offer, supplemented by service standards agreed with tenants. Special standards for Leaseholders have also been developed and agreed by the Board.

An annual report setting out our compliance with the standards is provided to residents and updates provided with the corporate plan update to the Board every six months. The Scrutiny Panel also reviewed whether the information provided to assess compliance with the standards provided assurance and made some recommendations where further information was needed or improvements required.

Employees

Details of employees are set out in note 7 to the financial statements.

The Board and Executive Team consider that the involvement of staff is essential in providing a high quality service to the Association's residents. The Group is committed to consulting and involving staff on all aspects of its operations through staff briefings, team meetings, e-mail communications, newsletters and the intranet. We were recognised as one of the top 100 not-for-profit companies to work for in the Sunday Times Best Companies Awards and achieved Investors in People Gold accreditation in 2017.

Training

The core training programme covers health and safety, key areas of compliance such as data protection, money laundering, diversity and safeguarding, as well as customer care and management development. The Group also funds professional and academic qualifications for a number of staff. During the year, the Group employed 11 apprentices.

Diversity

The diversity of staff is a key performance measure and as at 31 March 2018 the staff employed by the Group comprised 29% black and minority ethnic employees, 51% women and eight staff with a stated disability. Applications for jobs are encouraged from people with disabilities and appropriate adjustments are made to the jobs of employees with disabilities to enable them to remain in employment. Phoenix is accredited as a Disability Confident employer.

New regulations introduced in 2017 mean that all organisations with 250 or more staff must now report on a number of measures annually:

• the median pay gap between male and female staff;
• the mean pay gap between male and female staff; and
• the proportion of males and females in each pay quartile.

These organisations must also report on differences in bonus payments between male and female employees. While Phoenix does not have more than 250 staff, we are including this information in the interests of transparency.

• median pay gap: 0%
• mean pay gap: 7.3%
• number of male and female staff in each pay quartile:

Pay quartile	Male	Female
1 (Lower)	20	20
2	15	25
3	13	28
4 (Upper)	27	14
Total	75	87

Phoenix offers a collective staff bonus scheme so there is no difference between payments to male and female staff.

Health, Safety and Welfare of Employees at Work

The Group has detailed health and safety policies and provides staff training and education on health and safety matters. A Health and Safety Committee meets quarterly to consider matters of policy and good practice, and to review any accidents or incidents. The Board receives a quarterly report on health and safety matters.

Phoenix Agency Services maintained its accreditation under the ISO 18001 standard.

Modern Slavery and Human Trafficking

Phoenix is committed to preventing modern slavery and human trafficking within our organisation and throughout our supply chains. The Group complies with its responsibilities under the Modern Slavery Act 2015, and has agreed a range of measures in order to fulfil them. These are set out in our Modern Slavery and Human Trafficking Statement on our website.

Strategic Report

The Board presents their strategic report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2018.

Objectives and strategy for achieving those objectives

Our vision is "to work together to build a better future for our Phoenix community". To build a better future for our Phoenix Community and embrace our gateway model of resident leadership and membership we need to build new homes and ensure our community is supported through physical and community regeneration activities.

The Board has set four strategic priorities to support our vision:

1. Resident leadership and membership.
2. Excellent services, efficiently delivered with empathy and fun.
3. Growth in new homes and opportunities.
4. Sustainability for our business and our community.

The four strategic objectives feed into one another. This is illustrated below.

Phoenix Community Housing
Board Report

The Board has reviewed and set corporate priorities to deliver the vision below. Progress against the Corporate Plan is monitored and reported to the Board every six months.

1. Resident leadership and membership
    - Strengthen our business by making governance, service improvements and efficiencies based on resident insight and scrutiny, good practice and changes to our operating and regulatory framework.
    - Involving residents, review and set our Community Empowerment and Regeneration Strategy for 2019-2022.
    - Continue to promote and increase membership for residents and staff and maximise the ways our Gold Membership scheme adds value to members and our business.
    - Deliver and refine our Communication Strategy to set out how we communicate with our residents, as well as how we celebrate our successes and raise our internal and external profile so people want to join us or adopt our ways of working.

2. Excellent services, efficiently delivered with empathy and fun
    - Maintain and improve customer experience for all our customers.
    - In response to leaseholder feedback, enhance the opportunities for leaseholders to influence our promises, expectations and plans for improvement and make sure they are delivered across Phoenix.
    - Start to deliver our project to implement a customer relationship and electronic document management system to maximise efficiency and improve customer experience.
    - Deliver priorities for Equality, Diversity and Community Integration (cohesion) so we know who our residents are and can adapt our services to meet their changing needs and help build sustainable communities in our area.
    - Plan and deliver our major works programmes and environmental works so our homes continue to meet our decent homes standard and the community shapes our plans.

3. Growth in new homes and opportunities
    - Consulting our residents and other stakeholders review our Development Strategy and explore new business opportunities to regenerate our community, build new homes and lever in funding to strengthen our business.
    - Support and monitor the delivery of our repairs service through Phoenix Repairs Service to ensure it increases resident satisfaction and adds value to Phoenix, through social value and efficiencies, and becomes the preferred maintenance provider for Phoenix.
    - Review our Community Regeneration Strategy seeking to maximise the positive impact on our communities and supporting our residents to make the most of their money, access education, health services and employment to improve the quality of their lives.
    - Use our community resources to enable local businesses and community projects to develop and grow to be sustainable, commercially viable and benefit the local community.

4. Sustainability for our business and our community
    - Deliver our Value for Money and efficiency plans, so we confidently maintain our financial viability in the long term.
    - Ensure we assess the environmental impact of our services and support our community and residents to minimise their carbon footprint.
    - Deliver the "Aiming Higher Programme" continuing to learn to improve how we work together to meet our values so we enhance customer experience, promote equality and diversity, and deliver innovation and efficiencies across Phoenix to meet our vision.
    - Continue to maintain and improve our approach to health and safety.

Business model

Phoenix Community Housing is a not-for-profit resident-led Housing Association. 6,318 properties were transferred from Lewisham Council in a large-scale voluntary transfer on 3 December 2007 following a positive ballot of all tenants and Phoenix started to trade from this date.

Phoenix use the Community Gateway model which places residents at the heart of both decision making and scrutiny. We are led by our residents and we encourage tenants and leaseholders to get involved in a wide range of consultative groups that play a key role in steering our future direction and how we allocate our resources. We also offer shareholding membership to residents, giving them a stake in the organisation.

Phoenix has two subsidiary companies, Phoenix Agency Services Limited, which provides the responsive maintenance service for Phoenix's housing properties, and Home Makers The Property People Limited (Home Makers), established to provide private lettings management. Home Makers was set up as a subsidiary company in June 2018 and is therefore not included in the consolidated financial statements for 2017/18.

Phoenix currently owns and manages 5,335 general needs tenanted properties, an extra care scheme comprising 60 flats and 868 leasehold properties in the Bellingham, Downham and Whitefoot areas of Lewisham in South East London. Since transfer, Phoenix has invested £158 million in the housing stock funded by £46 million of 'gap' funding from the Department for Communities and Local Government and a £70 million loan facility with Barclays Bank, as well as operating surpluses. This major works and improvement programme commenced in 2008 and all the housing stock has been brought up to the Phoenix standard (which exceeds the Government's Decent Homes Standard). The business model has since evolved to include the development of new homes and regeneration projects and a restructuring of our funding took place in March 2018 to facilitate future growth in new homes.

Phoenix works in partnership with the Council and other agencies to improve the quality of life of people living and working in the Phoenix area. The Green Man head office and community facility opened in November 2013 and has successfully delivered the aims of the building to have a positive impact on the community, with the community hub providing a range of activities: a community café, a new branch office for the Lewisham Plus Credit Union and a training kitchen provided by Lewisham Council. There were nearly 18,000 visitors to the Green Man during the year.

We have made significant investment in IT systems to facilitate the transfer of the management of the repairs service to the subsidiary from the previous contractor, and are making further investment in client relationship management and electronic document record management systems to support continued improvements in customer service and efficiency.

Our bespoke management development programme and customer experience training continued during the year, as part of a wider cultural change programme – 'Aiming Higher'. The programme aims to improve the customer experience for our residents, help staff to be more customer and performance focused, and make Phoenix a great place to work.

Development and performance throughout the financial year and position at the end of the financial year

Following the Grenfell Tower tragedy in June 2017, we considered whether there were any immediate actions that should be taken with regard to Phoenix stock. We have a thorough and robust approach to fire safety in all of the properties and blocks that we manage and engage an independent company to undertake fire risk assessments in blocks to manage the risks of fire. None of our properties have been fitted with the type of cladding that was used for the Grenfell Tower refurbishment and the majority of blocks are low rise, with only two blocks which are over 18m in height. The public inquiry into the cause and spread of this dreadful fire is continuing and the Board will consider any changes in building requirements that are made as a result of the public inquiry.

The new extra care scheme at Hazelhurst Court was completed in October 2017. Lewisham Council are the care commissioners and Notting Hill Housing Trust are the care providers. At 31 March 2018 38 of the 60 flats had been let in line with the phased letting profile agreed by the Board. Grant funding was received from the Greater London Authority and Lewisham Council for the development of 22 flats for affordable rent on amenity land adjacent to an existing block at Forster House and four new homes on the site of a previously demolished property. Work also started on 8 homes for shared ownership at Riverpark Gardens.

Following a review of strategic funding options by the Board, a restructuring of our funding was completed in March 2018. This involved the prepayment of £28.8 million of the Barclays loan facility, a new revolving credit facility of £20 million from Barclays and a £60 million Private Placement with the Pensions Insurance Corporation, of which £20 million was deferred. The Private Placement will fund the development of over 200 new homes, as well as allowing the prepayment of existing loans and the removal of restrictive covenants.

The Board reviewed options for the delivery of the grounds maintenance service during 2017 and decided to bring the service in house from December 2017. This involved a TUPE transfer of staff from the existing contractor and the new service is projected to make annual savings of £40,000 from December 2018. A review of the Estates and Caretaking staff structures was undertaken as part of bringing this service in house.

A restructure of the Home Ownership and Income teams was also completed during the year. This increased resources for financial inclusion work to support residents and ensures that all arrears recovery action is delivered from within a single team so that consistent approaches are taken, including financial inclusion activities, irrespective of tenure type. The revised structure also supports measures to continue to improve leaseholder satisfaction with Phoenix services. The cost of the restructures (£152,000) was recognised in 2017/18.

The Board approved a pilot for a private lettings management service under the name 'Home Makers'. The pilot focused on leaseholders who sublet their property as this was one of the promises to leaseholders at transfer. Following a review of the pilot the Board agreed to continue Home Makers and establish it as a new subsidiary able to offer lettings services to other landlords in the Phoenix area. The new subsidiary company was established in June 2018.

The programme of major works and improvements to the housing stock continued during the year with total expenditure of £3.7 million to 31 March 2018, principally on external works to properties. This was below the budget for the year, due to the lower settlement of the final account for major works for a previous year which had been provided for, and works to the Meadows estate costing lower than budget.

A total of 25 properties was sold through the Preserved Right to Buy (RTB) and one property sold through the Right to Acquire. Phoenix now retains the net proceeds from RTB sales to invest in the provision of replacement social housing. Four properties were acquired during the year.

Works commenced on the refurbishment of the Fellowship Inn, a listed public house which is located in the heart of our area. The works are projected to complete in November 2018 and the refurbished building will provide new community resources, including a café, live performance venue and cinema, and training and employment opportunities for local people. A partner will be appointed to operate the commercial leisure uses of the building. The Heritage Lottery Fund are providing a grant of £4 million towards the cost of the works and associated activities.

A major project to implement customer relationship management (CRM) and electronic document and records management (EDRM) systems commenced in 2017/18 with procurement of the software and investment in IT infrastructure. The project aims to deliver more efficient and agile services with all property and customer information maintained in a central database to enable customers to access services through their preferred method at a time to suit them, including through self-service.

During the year Phoenix employed 11 apprentices (including 5 in Phoenix Agency Services) through the Mayor of Lewisham's apprenticeship scheme. A training academy operated by Barking & Dagenham College in partnership with Saint-Gobain and Barnardo's continued to operate from one of the community centres.

Operating performance during 2017/18 was strong, in particular with regard to income collection with over 100% of rent due in 2017/18 being collected. Key performance indicators for general needs housing and leaseholders are shown below. The Board has also agreed key performance indicators for the extra care scheme for 2018/19.

Performance indicator	2017/18	2016/17	2015/16	2014/15	2013/14	Comment
Tenant satisfaction with Phoenix as a landlord	n/a *	n/a *	82%	n/a *	n/a *	Survey undertaken in 2015 showed tenant satisfaction with Phoenix as a landlord was in the top quartile of landlords in London at that time. *no survey undertaken in the year
Leaseholder satisfaction with Phoenix as a landlord	n/a *	57%	42%	n/a *	n/a *	Survey undertaken in 2015 showed poor leaseholder satisfaction with Phoenix as a landlord. A number of improvements in how we engage with leaseholders have been made and a survey in 2016/17 showed an improvement in satisfaction. *no survey undertaken in the year
Rent collected as a percentage of gross rent receivable (excluding voids)	100.5%	99.9%	99.6%	99.9%	100.4%	Performance above target of 100%. The Income Team continues to work well with the Council's

Performance indicator	2017/18	2016/17	2015/16	2014/15	2013/14	Comment
						housing benefit department to respond to the Government's welfare reforms, and provides financial inclusion support to residents.
Leaseholder major works service charges - amounts collected in year	£0.9m	£1.8m	£3.3m	£3.1m	£1.6m	Performance just below target in 2017/18, reflecting focus on income collection combined with support for leaseholders. Collection lower than in previous years reflecting profile of charges for works.
Leaseholder major works service charge arrears	£1.1m	£2.0m	£3.7m	£4.7m	£5.8m	Performance just below target as noted above.
Total number of voids at 31 March	29	20	14	25	30	Increase in number of void properties at end of year; average during the year has been 27 reflecting the impact of current tenants moving to the new extra care scheme, freeing up properties for families in need of homes, and the decanting of a scheme which is to be redeveloped. Tenancy turnover remains low at just under 4%.
Average number of days taken to relet a property (short term voids)	23	22	23	27	28	Performance in line with target of 23 days.
Responsive repairs completed on time	99%	98%	99%	97%	97%	Performance on repairs completed on time has been maintained at high levels throughout the year, and was at target of 99%. Repairs completed on first visit was above target of 90%.
Responsive repairs completed right first time	93%	93%	90%	88%	89%	
Gas safety checks completed on time	100%	100%	100%	100%	100%	Continued 100% of gas safety checks completed within target.
Percentage of homes meeting Decent Homes Standard	100%	100%	100%	100%	100%	One property did not meet the decent homes standard in March 2018 due to a housing, health and safety rating system (HHSRS) failure which is being addressed.

Performance indicator	2017/18	2016/17	2015/16	2014/15	2013/14	Comment
Complaints responded to on time	82%	88%	93%	42%	63%	Complaints policy and process focus on resolution of complaints. Responses on time were below previous years but still above target of 80%.
Complaints escalated above stage 1	6%	0%	3%	8%	8%	Although the escalation of complaints has increased compared to last year, it remains below the target of 8%.

Current tenant rent arrears reduced to 4.5% as a percentage of rent receivable (4.8% at 31 March 2017), the lowest level achieved by Phoenix since transfer. Former tenant arrears have been maintained at 0.9% of rent receivable following decisions by the Board to write off £193,000 of the arrears owed by former tenants which are not collectable. The reduction of current and former tenant arrears is a continued area of focus while also providing financial inclusion services to residents directly and in partnership with Citizens Advice and the Credit Union.

The subsidiary company, Phoenix Agency Services, achieved most of its performance targets for the repairs service to Phoenix as well as undertaking some planned maintenance works and providing an emergency repairs service to another registered provider.

Financial results including effects of material estimates and judgements upon reported performance

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for registered social housing providers (Housing SORP 2014).

The Consolidated Statement of Comprehensive Income on page 32 shows an operating surplus of £10.9 million (2017: £9.1 million) on turnover of £33.2 million (2017: £33.4 million). Turnover reduced compared to 2016/17 due to the impact of the 1% rent reduction in accordance with the Welfare Reform and Work Act and the lower level of recharges to leaseholders for major works, offset by rent and service charge income from the new extra care scheme and new service charges introduced in April 2018 following consultation with tenants.

Operating expenditure was £25.3 million (2017: £25.2 million), with an increase in planned maintenance, including works to address recommendations from fire risk assessments, and operating costs for the new extra care scheme, offset by a reduction in major works revenue costs, including those attributable to leaseholders. Property depreciation and impairment charges were also higher by £497,000. Excluding these non-cash items the increase in general needs housing operating costs was 0.2%.

The operating surplus includes the surplus on property sales from the Preserved Right to Buy and Right to Acquire of £3.0 million (2017: surplus of £1.1 million). Net interest payable of £11.9 million (2017: £2.2 million) includes break costs and the write off of arrangement fees of £9.5 million arising from the prepayment of £28.8 million of loans as part of the restructuring of our funding.

After other comprehensive income in respect of the defined benefit pension scheme of £757,000 (2017: deficit of £248,000), the overall deficit for the year was £111,000 (2017: surplus £6.7 million), the main factor in the substantial reduction from 2016/17 being the break costs noted above.

The Consolidated Statement of Financial Position is shown on page 34. The net book value of housing property was £191 million at 31 March 2018 (2017: £186 million). Social Housing Grant and other grants of £6.7 million (2017: £2.6 million) received towards the cost of development of new homes is included in creditors. Once the development is complete, the grant is amortised to income over the life of the structure.

The Board undertook an impairment assessment of housing properties where proposals for redevelopment have been approved, resulting in an impairment charge of £284,000 in writing down the existing components to reflect their shorter life.

Investment properties, which are all freehold, comprise privately let garages. The fair value of the garages has been estimated by the Board using the projected cash flows from the property discounted at a market rate of interest of 7.25% (2017: 7%).

Goodwill of £24,000 (2017: £113,000) was recognised in respect of the net pension liabilities assumed by the subsidiary, Phoenix Agency Services, following the transfer of staff from the previous repairs contractor in July 2013. The goodwill is being amortised over five years.

The Green Man head office and community facility is included under Other Fixed Assets. Part of the building has been sublet to the Lewisham Plus Credit Union for a branch office, Lewisham Council for the provision of a training kitchen and office space for the Lewisham Music Hub. A commercial lease of part of the Fellowship Inn has been transferred to Other Fixed Assets Under Construction while the project to refurbish the property is undertaken.

Debtors include £1.1 million (2017: £1.7 million) in respect of major works recharged to leaseholders. This has been split between amounts due within one year and after more than one year, the latter where the leaseholder has entered into a repayment agreement. Judgements have been made in determining the appropriate discount rates used in the assessment of the net present value adjustment for repayment agreements for leaseholder debtors. The net present value adjustment at 31 March 2018 was £52,000 (2017: £86,000). The assessment of the bad debt provision in respect of tenant rent arrears has taken into account the impact of the welfare reforms.

The Group participates in two pension schemes, the Social Housing Pension Scheme (SHPS) career average revalued earnings (CARE) and defined contribution structures, and the London Borough of Lewisham local government pension scheme (LGPS) for all participating employees who transferred from Lewisham Council on 3 December 2007. The share of the LGPS surplus or deficit is included on the statement of financial position in accordance with FRS102 and was a liability of £0.9 million at 31 March 2018 (2017: £1.3 million). In determining the Group's share of the Local Authority defined benefit pension scheme assets and liabilities, the scheme actuary has used estimates of life expectancy, salary growth, inflation and the discount rate for corporate bonds. The decrease in the net liability is due mainly to the change in discount rate used to assess the pension liability and lower projected salary inflation.

The SHPS CARE structure was closed to new members in 2014 and new staff enrolled into the defined contribution structure. The SHPS CARE scheme, a multi employer defined benefit pension scheme of which Phoenix is a member, has been accounted for as a defined contribution scheme. Phoenix has agreed to a deficit funding arrangement and has recognised 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, using a discount rate based on high quality corporate bonds. The liability at 31 March 2018 was £124,000 (2017: £138,000).

The revaluation reserve of £49.3 million (2017: £49.4 million) arises as a result of the adoption of deemed cost for completed housing properties at 1 April 2014.

The Council agreed that Phoenix can retain the net proceeds from Right to Buy sales with effect from April 2016 on the basis that the proceeds are invested in the provision of social housing. The Board agreed to establish a restricted reserve for this purpose. In the year, the Association sold 25 properties under the Right to Buy of which the amounts transferred to the restricted reserve was £2.7 million (2017: £1.2 million). Four properties were purchased during the year, resulting in a transfer of £0.8 million from the restricted reserve to the revenue reserve.

Cash inflows and outflows during the year appear in the Consolidated Statement of Cash Flows on page 35. The cash inflow from operating activities was £17.3 million (2017: £14.2 million), including sales of property through the Right to Buy which generated £3.9 million (2017: £1.6 million). During the year, the Group spent £11.2 million (2017: £17.3 million) on housing properties and other fixed assets, including the share of VAT recoverable under a sharing agreement with Lewisham Council, and the construction of new homes. Grants received totalled £2.5 million (2017: £0.7 million).

Interest payable included the break costs and arrangement fees associated with the early repayment of fixed rate loans. Net debt drawn as a result of the restructuring of funding in March 2018 was £11 million.

The table below presents a summary of financial performance over the last five years:

£000	**2017/18**	**2016/17**	**2015/16**	**2014/15**	***2013/14****
Turnover	33,229	33,423	35,170	34,064	*32,659*
Operating surplus	10,943	9,092	9,784	6,726	*7,776*
Net Interest payable	(2,380)	(2,157)	(2,469)	(2,397)	*(2,105)*
Break costs and write off of arrangement fees	(9,458)	-	-	-	-
(Deficit)/surplus for the period before tax	(895)	6,935	7,315	4,329	*5,670*
Operating margin %	33%	27%	28%	20%	*23%*
Housing properties	191,196	186,339	173,626	165,692	*94,964*
Investment property	185	577	569	339	-
Other fixed assets – tangible assets	7,562	6,546	6,750	7,020	*7,448*
Other fixed assets – intangible assets	888	870	1,025	1,299	*380*
Net current assets/(liabilities)	5,588	(149)	339	(403)	*(7,020)*
Improvement works liability falling due after more than one year	(148)	(157)	(159)	(159)	*(12,432)*
Unamortised grant due after more than one year	(4,865)	(263)	(273)	(283)	-
Other liabilities	(865)	(1,142)	(1,158)	(529)	-
Loans	(64,763)	(57,583)	(52,800)	(52,768)	*(52,235)*
Pensions liability	(864)	(1,277)	(822)	(2,614)	*(950)*
Revenue reserves and share capital	81,394	83,334	77,836	68,269	*30,152*
Revaluation reserve	49,302	49,443	49,534	49,608	-
Restricted reserve	3,218	1,247	-	-	-

£000	2017/18	2016/17	2015/16	2014/15	*2013/14**
Net cash inflow from operating activities	17,306	14,206	14,742	12,403	*11,262*
Net interest payable	(2,270)	(2,188)	(2,300)	(2,135)	*(2,078)*
Break costs and arrangement fees	(9,112)	-	-	-	-
Capital expenditure	(11,237)	(17,278)	(11,971)	(13,508)	*(17,783)*
Grants	2,493	700	1,952	2,333	*9,571*
Loans drawn down (net)	7,000	4,750	-	500	-
Number of properties					
General needs	5,335	5,357	5,369	5,388	*5,427*
Supported	60	-	-	-	-
Leaseholders	868	856	849	842	823

**2013/14 figures in italics are based on previous UK generally accepted accounting practice and have not been restated to reflect the adoption of FRS 102.*

Future prospects

Under the Welfare Reform and Work Act, rents for social housing are being reduced by 1% a year for the four years from 2016 to 2019. The rent reductions have a significant impact on the Association's business plan in the medium to long term, with annual rental income projected to be £4 million lower by 2019/20 than previously forecast. The Board and Executive have reviewed and agreed a number of actions including cost savings and additional income generation to mitigate the impact of the reduction in rental income. The financial plan has been updated to reflect these changes and continues to show that the debt funding can be repaid within its term. The current valuation of the housing stock, which provides security for debt, is comfortably above the asset cover requirement for the loans.

The Board has approved a future development strategy to build an additional 200 new homes including 76 for shared ownership and 12 for private sale to provide cross subsidy for social rent. The development strategy involves total additional capital expenditure of £55 million, which will be partly funded by anticipated grant, private sale receipts and first tranche shared ownership proceeds, as well as the additional funding arranged through the Private Placement.

Key priorities for the next year include: implementation of our Digital Together project, the customer relationship and electronic document management systems to maximise efficiency and support the delivery of a refreshed Customer Access Strategy; a review of our Community Empowerment and Regeneration Strategy; deliver our plans to fully meet the new data protection requirements; review our Development Strategy and deliver our approved development programme; launch our new subsidiary for private lettings management (Home Makers) and grow this business during 2018/19; respond to any changes in building requirements that are made as a result of the public inquiry into the Grenfell Tower tragedy; and consult residents on our aspirations for the next 10 years and start to set our Corporate Plan for 2020 onwards.

Growth aspirations for Phoenix Repairs Service have been reviewed and the subsidiary will focus on becoming the preferred maintenance provider for Phoenix.

Description of the principal risks and uncertainties faced

The Board approves the risk strategy and risk appetite, reviewing this at least annually, and ensures that stress testing and multivariate tests of the financial plan are completed. The principal risks that may affect the Group's achievement of its strategic objectives are included within a risk register which is reviewed by the Executive Team and Audit Committee quarterly, and are also included in the Corporate Health indicators reviewed by the Board at each meeting.

The principal risks to successful achievement of the Group's objectives are:

Changes in legislation and Government policy

This is a sector wide risk given the proportion of rent paid via housing benefit and the dependency on grant funding for the development of new affordable homes. The Government has confirmed that social and affordable rents will be able to be increased by CPI + 1% from 2020. There remains uncertainty over the policy on supported housing. This risk is being managed by regular monitoring of policy announcements and stress testing of the financial plan.

Rent collection and welfare reform

The roll out of Universal Credit and implementation of other changes to welfare benefits and tax credits will have an increasing impact on our residents. Universal Credit is now expected to move to full service in 2018 in Lewisham and all existing housing benefit recipients are expected to move over to the new benefit in early 2019. We continue to support residents in managing the welfare reforms through information, advice and training and the Board receives regular updates on the welfare reform action plan.

Failure to deliver development programme

The volume of infrastructure projects and strong demand for housing has led to a rise in tender prices for construction. Plans for new homes are reviewed by the Development Committee prior to approval by the Board. Separate risk maps are developed for each project and progress is monitored by the Development Committee. Following the restructuring of our funding it is planned to review our development strategy and our development appraisal criteria.

High inflation exceeds business plan assumptions

Inflation continues to be higher than the Bank of England target of 2%. The latest financial plan reflects the Bank of England forecasts for inflation and the procurement strategy has been reviewed to mitigate this risk.

Data Protection breach and non-compliance with the General Data Protection Regulation

New data protection regulations (the General Data Protection Regulation (GDPR)) came into effect from May 2018 which include potentially significant fines for material breaches. The Board has agreed updated policies on data protection and security, and staff have received specific training on GDPR. A working group supported by an external Data Protection Officer is co-ordinating the actions required to ensure full compliance.

Breach of Health & Safety legislation

Phoenix as a landlord and employer has considerable health and safety responsibilities. The Board receives quarterly reports on health and safety matters and independent audits are undertaken of the systems to manage this risk for Phoenix Repairs Service. This risk continues to be reviewed in the light of the Grenfell Tower tragedy and the actions taken to date in response to it.

Hazelhurst Court Extra Care scheme - serious incident or accident or scheme cannot operate as originally intended.
At 31 March 2018, 38 of the 60 homes were let and the scheme is expected to be fully let by September 2018. The key contractual and partnership agreements have been agreed and liaison arrangements with the Council and the care provider have been set up.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including liquidity risk, interest rate risk, covenant risk and counterparty risk. The use of financial derivatives is governed by the Group's Treasury Management Policy approved by the Board. The Group does not use derivative financial instruments for speculative purposes.

The Group finances its operations through a mixture of retained surplus and debt. The Group borrows at both fixed and floating rates of interest. It does not borrow in foreign currencies.

Phoenix has a loan facility of £40 million (2017: £70 million) provided by Barclays Bank PLC and has also raised £60 million (2017: £nil) through a Private Placement with the Pensions Insurance Corporation (PIC), of which £20 million is deferred. Although the restructuring of our funding in March 2018 resulted in one-off break and other costs of £9.5 million, the restructuring provides future benefits in the form of a lower weighted cost of borrowing and greater flexibility in support of the Group's corporate objectives.

The Association had drawn debt of £65.25 million at 31 March 2018. In addition to the scheduled drawdowns of £20 million in 2018/19 from the Private Placement, Phoenix has £14.75 million available to be drawn from the Barclays loan facility for future development. The loan facility and Private Placement are secured on the Association's housing stock. Phoenix Repairs Service has no borrowings or loan facilities.

The Group's policy is to keep between 50% and 100% of its borrowings at fixed rates of interest. At 31 March 2018, 92% (2017: 69%) of the Group's borrowings were at fixed rates. The fixed interest rates range from 3.5% to 5.1%.

The treasury management policy requires there to be sufficient cash and undrawn funds to meet the Group's commitments for the next 12 months plus a 25% contingency. The current availability of funds including cash at 31 March 2018 of £6.8 million (£3.1 million) significantly exceeds this target. The undrawn bank facilities are revolving credit facilities, allowing the Group to manage short-term cash requirements effectively. At 31 March 2018 the Association's exposure to refinance risk within one year was £nil (2017: £nil).

The Group's principal financial assets are bank balances and cash, rent arrears, service charge arrears including major works, and other receivables. The credit risk is primarily attributable to rent and service charge arrears and the amounts presented in the Statement of Financial Position are net of allowances for bad debts. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and tenants.

At 31 March 2018, the Group had £11 million (2017: £11 million) of contracted capital commitments which will be funded by a combination of operating surpluses, capital grants and planned drawdown of debt under the Association's loan facilities.

The Association has agreed financial covenants with its lenders in respect of interest cover, debt per unit and asset cover. For the year to 31 March 2018, the Association met these financial covenants.

Going concern

The Group's activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposures to credit, liquidity and cash flow risk are described above.

The Group has considerable financial resources and, as a consequence, the Board believe that the Group is well placed to manage its business risks successfully despite current uncertainties in the social housing sector.

After reviewing the budget for 2018/19 and the long term financial plan, the Board have a reasonable expectation that the Association and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Value for Money

The Regulatory Framework for Social Housing includes a specific standard for Value for Money. Our regulator, the Regulator of Social Housing, requires registered providers to:

a. clearly articulate their strategic objectives;
b. have an approach agreed by their Board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders;
c. through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs; and
d. ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

The Board has approved the vision and strategic objectives for Phoenix as set out on page 7. The Board reviewed and approved in March 2017 the strategic priorities for 2017-2020, updating the annual priorities and key projects for 2017/18. The Board also reviewed and approved in March 2018 the priorities for 2018/19 as part of a refresh of the 2017-2020 Plan, updating our aspirations for 2020.

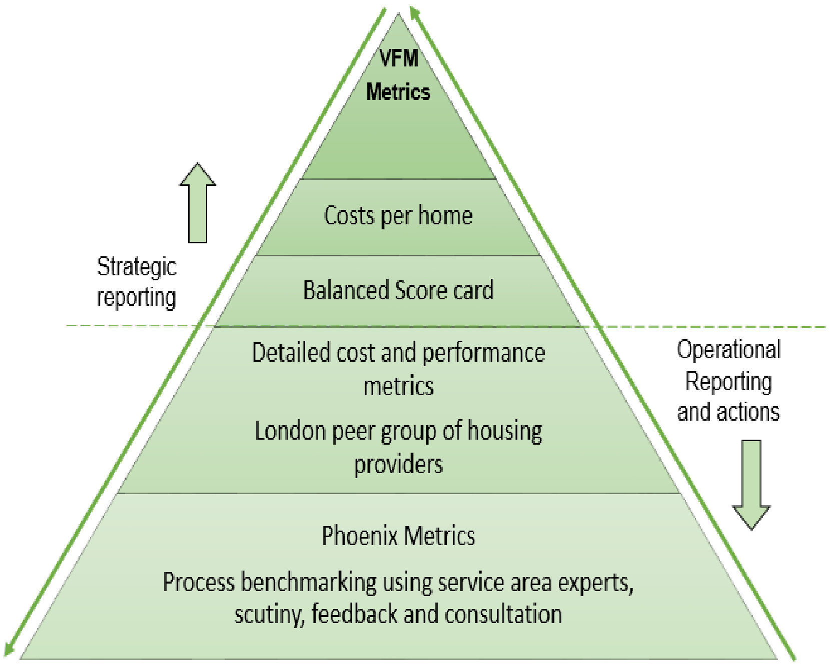
The Board reviewed and approved changes to the Value for Money Strategy in September 2016. The Value for Money Strategy aims to deliver more social value by reinvesting surpluses and improving service outcomes. The key objectives of the strategy are:

- A robust approach to making decisions on the use of resources to deliver our objectives.
- To understand the return on our assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money.
- Performance management and scrutiny functions which are effective at driving and delivering improved value for money performance.
- To understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.

The corporate planning and budget framework is designed to ensure that objectives are prioritised and resources are focused on achieving them, recognising the need to balance factors such as available resources, risks and health and safety and other legal requirements. The Board monitors performance against corporate plan and KPI targets and financial performance compared to budget.

The Board and Executive Team consider a rigorous appraisal of options for improving performance and delivering strategic objectives, examples of which for 2017/18 include the review of the grounds maintenance service, the restructuring of our funding, the private lettings management service pilot as well as appraisal options for void properties.

Value for Money benchmarking
Our approach to benchmarking is set out below:



The Regulator has published a number of metrics designed to measure economy, efficiency and effectiveness on a comparable basis across the sector. The results of the Group for 2017/18 compared to 2016/17 and the budget for 2018/19 are set out in the table below, including comparisons to our peer group of London associations for 2016/17 where available from Housemark.

Value for Money Metrics

Green: upper quartile performance compared to Housemark peer group (where available)
Red: lower quartile performance compared to Housemark peer group (where available)

		Actual 2016/17 £'000	Actual 2017/18 £'000	Budget 2018/19 £'000	Trend	Comment
1	Reinvestment %	8.7%	4.9%	6.4%	↑	Decrease from 2016/17 reflects major works profile and higher expenditure on extra care scheme in 2016/17; increase in 2018/19 reflects new development programme.
2 a	Number of new homes acquired or delivered in the year as a % of home owned	0.02%	1.19%	0.35%	↓	2017/18 includes extra care scheme; Woodbank Road and 15 purchase and repair complete in 2018/19 with other developments in progress.
2 b	New supply delivered - non-social housing	0%	0%	0%		No completions of non-social housing.
3	Gearing %	29.0%	29.8%	32.2%	↓	2018/19 includes deferred drawdown of private placement.
4	EBITDA MRI interest cover %	226%	349%	301%	↓	Increase from 2016/17 due to lower level of major works; decrease projected in 2018/19 due to higher net interest costs following restructuring of funding to support new development.
5	Social housing cost per unit	5,103	4,552	4,344	↑	Lower quartile position reflects level of major works expenditure; reducing costs since 2016/17 primarily due to reduction in major works.
6 a	Operating margin (social housing lettings only) excluding surplus on disposal of assets	28.5%	25.5%	25.0%	↔	Reduction in margin from 2016/17 due to increased planned maintenance and impairment.
6 b	Operating margin excluding surplus on disposal of assets	23.9%	23.8%	25.5%	↔	Lower operating margin than majority of peer group due to low rents.
7	Return on capital employed	5.2%	5.4%	4.5%	↓	Increase from 2016/17 due to higher RTB sales; 2018/19 decrease due to fewer RTB sales.

The principal activity of the Group is the provision of social housing, principally general needs. Non-social housing activities are limited to the management and maintenance of leaseholder properties (as part of the original stock transfer) and some limited commercial assets and private lettings management which are not material to the Group. Under legislation governing the management of leaseholder property it is not possible to undertake this activity for a profit.

The Hazelhurst Court extra care scheme opened during the year and is not yet fully let. We will include additional value for money metrics for this supported housing activity in the 2018/19 financial statements.

Reinvestment and new supply
Our corporate objectives include growing in size through the development of new homes and services. There are currently over 1,700 homeless Lewisham households in temporary accommodation and over 9,000 households on the Lewisham Council waiting list for social housing. Demand for homes designed to meet the needs of older people is also expected to increase, with an estimated 1 in 6 people in England aged over 70 by 2030. The Hazelhurst Court extra care scheme helps to address a shortage of accommodation meeting such needs in our area.

The other new homes we are currently building are a mixture of affordable rent and shared ownership, and these are forecast to complete in 2019. The future development programme of 200 additional homes approved by the Board is for a range of tenures, including a small element for outright sale to increase the homes we can build for London Affordable Rent. This programme will be delivered over the next four years.

Having brought the transfer housing stock up to decent homes standards we continue to invest in the existing stock to sustain its quality. The Board has also approved a small programme of purchase and repair of homes for sale on the open market in our area, addressing the loss of homes for social rent through the Right to Buy, which is funded from the retained proceeds from the Right to Buy sales.

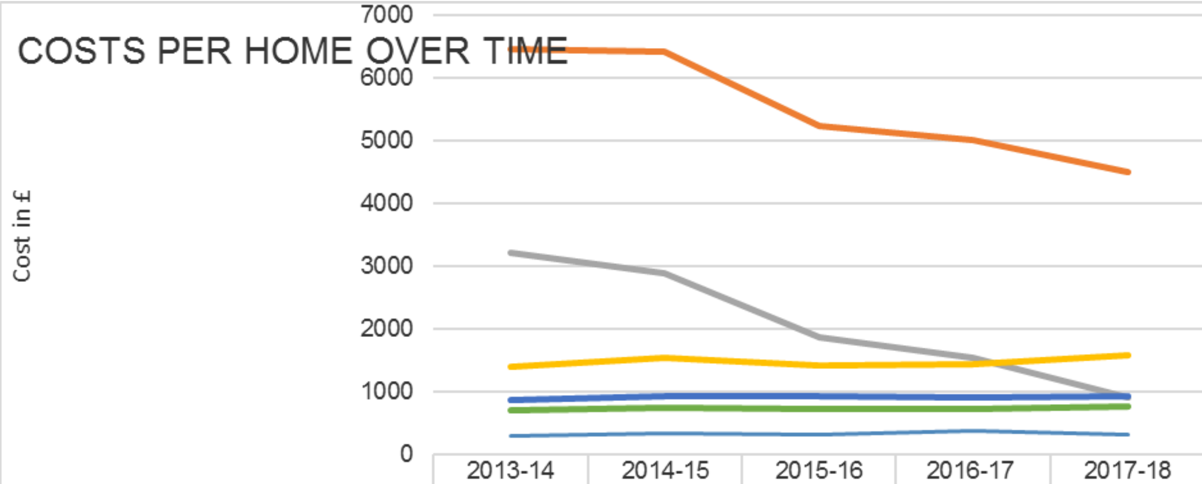
We piloted and reviewed a private lettings management scheme (Home Makers) and are establishing this as a separate subsidiary in order to grow this business during 2018/19. The Phoenix Board will monitor the performance of the new Home Makers subsidiary, including the number of properties in management and profit compared to target for 2018/19.

Gearing
The gearing ratio reflects a prudent approach to funding while the major works related to the stock transfer were completed. The gearing ratio is projected to increase to 32% following the deferred drawdowns from the Private Placement in 2018/19 to fund the additional development noted above.

EBITDA MRI interest cover
This has improved compared to previous years as the amount of expenditure on major works has reduced. This is forecast to decrease in 2018/19 reflecting the impact of higher net interest costs following the restructuring of our funding to support new development but remains in the upper quartile compared to our peer group.

Social housing cost
A key part of demonstrating Value for Money is to understand our absolute costs and how our costs compare to other social housing organisations, allowing for our local context, and the performance and outcomes that we are seeking to achieve.

In addition to the Value for Money metrics above, the Regulator publishes a cost per home analysis of all registered housing associations. Using this analysis our costs have decreased over time and are projected to reduce further in 2018/19. This is illustrated in the graph below.



	2013-14	2014-15	2015-16	2016-17	2017-18
Total cost per home RSH method	6472	6424	5242	5020	4503
Major repairs cost per home	3209	2885	1860	1546	901
Maintenance cost per home	1402	1532	1415	1440	1582
Management cost per home	867	925	930	914	931
Service cost per home	702	744	732	734	773
Other social housing costs per home	293	339	305	386	315

The table below compares our cost data to the median of London based Associations (consolidated) with more than 1,000 Social Housing homes for 2016/17 (the latest available data):

	Cost Benchmark	Why are costs at this benchmark	Plans for the future
Headline social housing cost per home	Between median and upper quartile	The most significant element is major works – see commentary below.	See commentary below.
Management cost per home	Upper quartile	The more detailed benchmarking of costs via Housemark confirms that we provide an efficient housing management service.	The Corporate Plan includes a key project to implement client relationship management and electronic data record management systems which will enable further savings to be made in the delivery of services.
Service Charge cost per home	Between median and upper quartile	Service costs include water rates where we act as an agent on behalf of the utility company. Excluding water rates our service costs are in the upper quartile (lowest cost). The majority of service costs are covered by service charges to residents.	The grounds maintenance service was brought in house in December 2017 and is projected to deliver savings in 2018/19. Service costs increased in 2017/18 due to the impact of the new extra care scheme but these are covered by service charge income.

	Cost Benchmark	Why are costs at this benchmark	Plans for the future
Maintenance cost per home	Between median and lower quartile	The more detailed benchmarking of costs via Housemark confirm that our void work costs are particularly high, reflecting the extent of work required to properties, including garden clearance, to meet our void standard.	Planned maintenance costs increased in 2017/18 due to fire safety works. The budget for 2018/19 reflects further savings in responsive repairs arising from a new incentive system and expanding the scope of the repairs service provided by the subsidiary.
Major repairs cost per home	Lower quartile	This reflects the continuing major works programme as part of the stock transfer commitments.	There were significant planned reductions in expenditure from 2017/18.
Other social housing costs per home	Between median and upper quartile	This includes the cost of our community regeneration activities and development feasibility costs which cannot be capitalised.	The budget for 2018/19 reflects a continuing commitment to support community regeneration activities at 3% of operating costs.

Operating margin
Operating margin (excluding the surplus on disposal of assets) was maintained at 24% in 2017/18 with operating cost savings offsetting the impact of an impairment charge and increases in planned maintenance costs and FRS102 pension costs associated with the defined benefit pension scheme. The operating margin remains below the median of our peer group, reflecting the lower rents inherited from the Council at transfer and limitations on rent increases since then. If Phoenix were able to charge the formula (target) rents plus the 5% tolerance permitted by the previous rent framework for all our properties, our turnover would be £2 million higher and the operating margin would be 32%.

Return on capital employed
The return on capital employed increased in 2017/18 due to the increased number of Right to Buy (RTB) sales, which are outside the Association's control. The return is forecast to reduce in 2018/19 as the projected number of RTB sales is lower based on the number of current live applications. The vast majority of the Group's assets are social housing properties. The financial return reflects the requirement under the Transfer Agreement and our charitable objectives to let our properties at social rent, which is significantly below the market rate.

In addition to this metric, the Asset Management Strategy recognises the need to assess the performance of properties, in terms of their economic and social return, at a 'granular' (detailed) level. The asset management system provides a detailed analysis to enable an assessment of a property's return to inform future decisions to invest in properties or consider alternative use, including disposal, to support the strategy. There are two properties with a negative net present value which are part of a block of 16 bedsits for which plans for redevelopment have been approved by the Board. The system also helps to plan future programmes of major works and component replacements.

Phoenix is investing £4.5 million in the Fellowship Inn project and related community regeneration activities, supported by £4.2 million of Heritage Lottery and other grants. The project includes both commercial and social aspects and the commercial element is expected to provide a commercial return.

Social return on assets

One of the primary objectives for Phoenix when it was established in 2007 was to improve the housing stock transferred from Lewisham Council. Phoenix has carried out £158 million of major works and improvements to the housing stock since transfer in accordance with the offer document and transfer agreement with Lewisham Council. This investment has resulted in 100% of homes achieving the Phoenix Standard (which exceeds the Government's Decent Homes Standard). There is strong demand for Phoenix housing stock and the number of void properties and amount of rent loss through voids has significantly reduced from the position at transfer and has been maintained at the top quartile for our peer group for the last four years.

The Green Man head office and community facility provides access to services for residents in the heart of the Phoenix area and is also key to driving the wider regeneration of the area. The investment in community facilities and initiatives is part of our Community Regeneration Strategy. A relatively small investment can help to transform an individual's life and also improve a neighbourhood.

The total cost of our community empowerment and regeneration activities in 2017/18 was £543,000 net of income received, around 2.2% of total operating costs (£741,000 net of income in 2016/17; 2.9% of total operating costs). We used the Social Return on Investment (SROI) model and the Housing Association Charitable Trust (HACT) model to assess the return on some of our activities during the year. A range of positive returns of £4 to £16 per £1 invested were achieved dependent on numbers reached and external grants received. The results are used to plan activities in the future and maximise future outcomes.

Value for money gains

In last year's statement we set out the key value for money initiatives for 2017/18. In total, we achieved value for money gains of just over £400,000 against target savings of £508,000. The Value for Money gains including those from previous years have been invested as follows:

- funding for the development of new homes;
- reducing our operating costs in response to the reduction in social rents required by the Welfare Reform and Work Act;
- meeting additional costs regarding fire safety works as well as other costs outside our control such as the apprenticeship levy and increase in insurance premium tax.

The restructuring our funding incurred break costs and the write off of arrangement fees of £9.5 million but the Board recognised the long term benefits of removing restrictive covenants and securing a significant amount of long term funding at historically low interest rates to support our future development programme.

Future plans
Our Corporate Plan includes a number of initiatives to further reduce our operating costs to achieve our financial plan projections. The budget for 2018/19 reflects further savings of £400,000 with key initiatives being:

- the Digital Together project providing enhanced digital access for residents;
- savings from expanding the role of Phoenix Repairs Service to become the preferred maintenance provider for Phoenix;
- an expansion of our purchase and repair programme to replace stock lost through the Right to Buy; and
- growing the private lettings management business.

The Board confirms that it has received assurance that the Value for Money standard is being met and there is evidence of continuous improvement in meeting the standard.

Statement on System of Internal Control

The Board is ultimately responsible for Phoenix's system of internal control and for reviewing its effectiveness. This process is ongoing and has been in place throughout the period from 1 April 2017 to the date of approval of these financial statements. The system of internal control is designed to manage, rather than eliminate, the risk of failure to meet corporate objectives. The system is also designed to give reasonable assurance that financial and management performance information is reliable and that the Group's assets are safeguarded. It can provide reasonable, but not absolute assurance against the possibility of material misstatement or loss.

Key procedures have been established and are designed to provide effective internal control. These key areas cover control, reporting information systems, monitoring and risk management.

The Board undertook a review of its risk management framework and risk management strategy in May 2017. The Board sets the risk appetite and reviews this at least annually and ensures that stress testing and multivariate tests of the financial plan are completed. The principal risks that may affect the Group's achievement of its strategic objectives are included within a risk register which is reviewed by the Executive Team and Audit Committee quarterly, and are also included in the Corporate Health indicators reviewed by the Board at each meeting.

The Executive Team is responsible for reporting to the Board on any significant changes affecting key risks and all projects and reports to the Board and Committees include an analysis of the relevant risks, how they impact on the approved risk appetite and mitigating actions. A toolkit has been developed to support managers in implementing the Risk Strategy.

The system of internal control established by the Board consists of:

- sound corporate governance arrangements including the adoption of the principal recommendations of the NHF's Code of Governance;
- a long term financial plan and corporate plan with specific targets and objectives;
- an organisational structure with clearly defined lines of responsibility and delegations of authority. These are set out in Standing Orders and Financial Regulations and detailed policies and operational procedures;
- an ongoing programme in place for reviewing all key policies, in consultation with residents through a policy working group, on a regular cycle to ensure that they are effective and reflect the latest legislation and regulatory requirements;
- a staff and Board code of conduct;
- a staff appraisal process including appropriate training and development opportunities;

- preparation of monthly management accounts incorporating revised forecasts which allow the Board and management to monitor financial performance. Significant variances from budgets are investigated and reported;
- a performance report including key performance indicators for review by the Executive Team on a monthly basis and by the Board on a quarterly basis. The format of this report has been reviewed and changes agreed by the Board, including KPI targets and tolerances outside of which a detailed report explaining the action being taken is required;
- all significant new initiatives, major commitments and investment projects being subject to approval by the Board; and
- contingency planning arrangements to ensure the security of data, the ability to recover computer systems and maintain services in the event of major interruption.

Process for reviewing the effectiveness of the Internal Control System

The Board has established a process to review and gain assurance on the effectiveness of the system of internal control. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed. The framework comprises different sources of assurance, the most significant ones being reports from the internal auditors, the Audit Committee, external auditors, the Executive Team and the Residents Scrutiny Panel. In addition, a major component of this assessment is the risk management process described above.

Briefly the key features are:

- the Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury management strategy and new investment projects;
- the Board regularly reviews key performance indicators to assess the progress towards the achievement of key targets and progress against the corporate plan;
- the Group has in place an Internal Audit Plan and a risk based approach to internal audit reviews. The plan covers financial and non-financial areas. The Audit Committee monitors progress on agreed actions to address recommendations arising from these reviews. Additionally, the Internal Auditors follow up previous recommendations and the extent to which these have been implemented;
- a review of complaints is undertaken and the results reported to the Board;
- there is a comprehensive set of financial and operating policies and procedures covering all aspects of the business;
- the Audit Committee presents its Annual Report to the Board outlining its work during the year to support the assurance work on internal controls; and
- the Board receives an annual report from the Chief Executive outlining the work undertaken and a corresponding opinion on the adequacy and effectiveness of the system of internal control.

The Board has approved a fraud policy covering prevention, detection and reporting of fraud and the recovery of assets, supported by a confidential reporting policy and fraud response plan. Details of identified frauds are maintained in a fraud register, which is reviewed quarterly by the Audit Committee.

There are no significant internal control issues that require disclosure in the financial statements.

Disclosure of Information to the Auditors

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant audit information of which the auditors were unaware; and
- that director had taken all steps that they ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the auditors were aware of that information.

Auditor

During the period Nexia Smith & Williamson resigned as auditors and KPMG LLP were appointed in their place. A resolution to reappoint the auditor, KPMG LLP, will be proposed at the next Annual General Meeting in September 2018.

On behalf of the Board
Anne McGurk
Chair

Date: 26 July 2018

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 have elected to prepare the financial statements in accordance with UK Accounting Standards, FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the 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;
- 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.

Independent auditor's report to Phoenix Community Housing Association

Opinion

We have audited the financial statements of Phoenix Community Housing ("the association") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position and Statement of Cash Flows and related notes, including the accounting policies in note 2.

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 Board's Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, 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 29, 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

15 Canada Square, London, E14 5GL

Date: 17 August 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	2018 £000	2017 £000
TURNOVER	4	33,229	33,423
Operating expenditure	4	(25,306)	(25,236)
Other income		-	(208)
Gain on sale of property, plant and equipment	8	3,020	1,113
OPERATING SURPLUS	4	10,943	9,092
Interest receivable	9	29	40
Interest payable and financing costs	10	(11,867)	(2,197)
(DEFICIT)/SURPLUS FOR THE YEAR BEFORE TAXATION	5	(895)	6,935
Tax credit/(charge) on surplus on ordinary activities	11	27	(33)
(DEFICIT)/SURPLUS FOR THE YEAR		(868)	6,902
OTHER COMPREHENSIVE INCOME			
Actuarial gain/(loss) on pension scheme	29(a)	757	(248)
TOTAL COMPREHENSIVE INCOME		(111)	6,654

All amounts relate to continuing activities.

The financial statements were approved by the Board on 26 July 2018 and were signed on its behalf by:

Anne McGurk	**Mark Gayfer**	**Chris Starke**
Chair	Board Member	Secretary

Consolidated Statement of Changes in Reserves

For the year ended 31 March 2018

	Revenue Reserve £000	Revaluation Reserve £000	Restricted Reserve £000	Total £000
Balance at 31 March 2016	77,833	49,534	-	127,367
Surplus for the year	6,902	-	-	6,902
Actuarial loss	(248)	-	-	(248)
Transfer from revaluation reserve	(1,156)	(91)	1,247	-
Balance at 31 March 2017	83,331	49,443	1,247	134,021
Deficit for the year	(868)	-	-	(868)
Actuarial gain	757	-	-	757
Transfer between reserves	(1,830)	(141)	1,971	-
Balance at 31 March 2018	81,390	49,302	3,218	133,910

All amounts relate to continuing activities.

Revenue reserve represents the accumulated surplus on the Statement of Comprehensive Income.

Revaluation reserve comprises the revaluation gain arising from the adoption of deemed cost for completed freehold housing properties.

Restricted reserve represents the proportion of Right to Buy sale proceeds previously payable to Lewisham Council that the Council has agreed that Phoenix can retain for the purposes of investing in social housing.

Consolidated Statement of Financial Position

As at 31 March 2018

FIXED ASSETS	**Note**	**2018 £000**	**2017 £000**
Housing properties	12	191,196	186,339
Investment properties	13	185	577
Other fixed assets – intangible assets	14	888	870
Other fixed assets – tangible assets	15	7,562	6,546
		199,831	194,332
CURRENT ASSETS			
Stock and work in progress	16	85	72
Trade and other debtors	17	5,819	4,452
Cash and cash equivalents	18	7,804	3,615
		13,708	8,139
CREDITORS: Amounts falling due within one year	19	(8,120)	(8,288)
NET CURRENT ASSETS/(LIABILITIES)		5,588	(149)
CREDITORS: Amounts falling due in more than one year	20	(70,641)	(58,882)
Pension liability	29(a)	(864)	(1,277)
NET ASSETS		133,914	134,024
CAPITAL AND RESERVES			
Non-equity share capital	24	4	3
Revenue reserve		81,390	83,331
Revaluation reserve		49,302	49,443
Restricted reserve		3,218	1,247
		133,914	134,024

The financial statements were approved by the Board on 26 July 2018 and were signed on its behalf by:

Anne McGurk	**Mark Gayfer**	**Chris Starke**
Chair	Board Member	Secretary

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Note	2018 £000	2017 £000
NET CASH GENERATED FROM OPERATING ACTIVITIES	26	17,306	14,206
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets – housing properties		(9,788)	(16,546)
Purchase of other fixed assets		(1,449)	(518)
Additions to investment properties		-	(216)
Grants received		2,493	700
Interest received		9	2
		(8,735)	(16,578)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans repaid		(33,000)	-
Loans received		40,000	4,750
Interest paid		(11,382)	(2,188)
		(4,382)	2,562
NET CHANGE IN CASH AND CASH EQUIVALENTS		4,189	190
CASH AND CASH EQUIVALENTS AT 1 APRIL		3,615	3,425
CASH AND CASH EQUIVALENTS AT 31 MARCH		7,804	3,615

Association Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	2018 £000	2017 £000
TURNOVER	4	33,708	33,901
Operating expenditure	4	(25,599)	(25,566)
Other income		-	(208)
Gain on sale of property, plant and equipment	8	3,020	1,113
OPERATING SURPLUS	4	11,129	9,240
Interest receivable	9	29	40
Interest payable and financing costs	10	(11,842)	(2,175)
(DEFICIT)/SURPLUS FOR THE YEAR	5	(684)	7,105
OTHER COMPREHENSIVE INCOME			
Actuarial gain on pension scheme	29(b)	533	67
TOTAL COMPREHENSIVE INCOME		(151)	7,172

All amounts relate to continuing activities.

The financial statements were approved by the Board on 26 July 2018 and were signed on its behalf by:

Anne McGurk	**Mark Gayfer**	**Chris Starke**
Chair	Board Member	Secretary

Association Statement of Changes in Reserves

For the year ended 31 March 2018

	Revenue Reserve £000	Revaluation Reserve £000	Restricted Reserve £000	Total £000
Balance at 31 March 2016	77,846	49,534	-	127,380
Surplus for the year	7,105	-	-	7,105
Actuarial loss	67	-	-	67
Transfer from revaluation reserve	(1,156)	(91)	1,247	-
Balance at 31 March 2017	83,862	49,443	1,247	134,552
Deficit for the year	(684)	-	-	(684)
Actuarial gain	533	-	-	533
Transfer between reserves	(1,830)	(141)	1,971	-
Balance at 31 March 2018	81,881	49,302	3,218	134,401

All amounts relate to continuing activities.

Revenue reserve represents the accumulated surplus on the Statement of Comprehensive Income.

Revaluation reserve comprises the revaluation gain arising from the adoption of deemed cost for completed freehold housing properties.

Restricted reserve represents the proportion of Right to Buy sale proceeds previously payable to Lewisham Council that the Council has agreed that Phoenix can retain for the purposes of investing in social housing.

Association Statement of Financial Position

As at 31 March 2018

FIXED ASSETS	**Note**	**2018 £000**	**2017 £000**
Housing properties	12	191,196	186,339
Investment properties	13	185	577
Other fixed assets – intangible assets	14	864	757
Other fixed assets – tangible assets	15	7,509	6,442
Investment in subsidiary undertaking	32	600	5
		200,354	194,120
CURRENT ASSETS			
Trade and other debtors	17	6,118	4,432
Cash and cash equivalents	18	6,784	3,120
		12,902	7,552
CREDITORS: Amounts falling due within one year	19	(8,170)	(7,865)
NET CURRENT ASSETS/(LIABILITIES)		4,732	(313)
CREDITORS: Amounts falling due in more than one year	20	(70,641)	(58,882)
Pension liability	29(b)	(40)	(370)
NET ASSETS		134,405	134,555
CAPITAL AND RESERVES			
Non-equity share capital	24	4	3
Revenue reserve		81,881	83,862
Revaluation reserve		49,302	49,443
Restricted reserve		3,218	1,247
		134,405	134,555

The financial statements were approved by the Board on 26 July 2018 and were signed on its behalf by:

Anne McGurk	**Mark Gayfer**	**Chris Starke**
Chair	Board Member	Secretary

Notes to the Financial Statements

For the year ended 31 March 2018

1 Statutory Information

Phoenix is incorporated under the Co-operative and Community Benefit Societies Act 2014 (30057R). It is a Registered Provider of Social Housing registered with the Regulator of Social Housing under the Housing and Regeneration Act 2008, registered number L4505.

Disclosure of Phoenix's principal activities and nature of operations is set out in the Board report.

2 Compliance with Accounting Standards

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) and the Accounting Direction for Private Registered Providers of Social Housing 2015 and the Statement of Recommended Practice for registered social housing providers (Housing SORP 2014). A summary of the more important accounting policies is set out below. There were no material departures from the standard and the Housing SORP 2014.

The financial statements present information about the Association as an independent undertaking and its group. The financial statements consolidate the accounts of the Association and its subsidiary undertaking using the purchase method. The presentation currency is sterling. The financial statements have been prepared on the historical cost basis as modified by the adoption of the valuation of completed freehold housing properties at 1 April 2014 as deemed cost.

(a) Transfer of housing stock

The transfer of properties from the London Borough of Lewisham was for nil consideration. The Board recognised this as an acquisition of assets and liabilities, after considering that a minority of staff transferred to Phoenix under TUPE rules, central administrative functions were required to be set up and no other assets were transferred.

(b) Goodwill

The transfer of staff from the repairs contractor to the subsidiary undertaking has been treated as an acquisition and the excess of the fair value of the assets and liabilities acquired compared to consideration paid has been capitalised as goodwill. Goodwill is depreciated on a straight-line basis to the income statement over its estimated life of five years starting from the date the subsidiary commenced trading.

(c) Property, plant and equipment

Housing properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period, as well as directly incremental overhead costs and staff time associated with new developments, improvements and component works.

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the expected useful life which has been set taking into account professional advice and the requirements of the Decent Homes Standard. The net book value of the component replaced is written off.

Freehold land is not depreciated. Depreciation is charged on a straight-line basis over the expected useful lives of the structure and major components to write off the cost at the following annual rates:

Component	Useful Life (years)
Bathroom	**30**
Boiler	**15**
Central Heating System (excluding Boilers)	**30**
Doors	**30**
Windows	**30**
Kitchen	**20**
Wiring	**30**
Roofs – Pitched	**60**
Roofs – Flat	**40**
Lifts	**30**
Structure	**100**

Additions to housing properties under construction as a result of development activity are disclosed as “additions” in the fixed asset note. Costs are capitalised from the point a commitment to develop a scheme is approved. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete. Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when handed over for letting.

Other tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided when an asset is brought into use and is charged over the expected useful life of the fixed asset to write off the cost less estimated residual value over the following periods:

Office furniture and equipment	4 years
Computer equipment	4 years
Motor vehicles	4 years
Freehold offices	50 years

(d) Grants

Grants are recognised in the financial statements when the conditions for payment are met. Social Housing Grant (SHG) is repayable under certain circumstances, primarily following the sale of a property supported by SHG but this will normally be restricted to the net proceeds of the sale.

Government grants relating to assets are recognised in the Income Statement on a systematic basis over the expected useful life of the asset under the accrual model. Grants received for the development of housing properties are recognised in income over the expected useful life of the structure. Other grants are accounted for using the performance model and taken to income when the conditions for payment are met.

Grants relating to revenue are recognised as income on a systematic basis on the same basis as the expenditure is incurred.

(e) Investment properties

Investment properties are measured at cost on initial acquisition and subsequently at fair value at the reporting date, based on the advice of professional valuers or using projected cash flows discounted at a market rate of interest. Changes in fair value are recognised in the Income Statement. Investment properties are not depreciated.

(f) Intangible assets

Intangible assets are stated at historic cost less accumulated amortisation and any provision for impairment. Amortisation is provided at rates calculated to write off the cost of the asset over its expected useful life as follows.

Computer software	4 years

(g) Impairment

Fixed assets (mainly housing properties) are assessed at each period end for impairment. Where an indicator of impairment is identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount, being the higher of value in use and fair value less costs to sell. For housing properties held for their service potential, the value in use is determined by reference to depreciated replacement costs. Where the carrying amount is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount. The resulting impairment loss is recognised as expenditure in the Income Statement.

(h) Shared ownership property sales

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal, which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within fixed assets. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to the first tranche.

Proceeds from first tranche disposals are accounted for as turnover in the statement of comprehensive income of the period in which the disposal completes, and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

(i) Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less costs to complete.

(j) Interest

Interest, including issue costs, is allocated at a constant rate on the carrying amount over the period of the loan. Interest on loans is capitalised in housing properties to the extent it relates to financing new development and accrues in respect of the period of development. Interest on loans financing regeneration works is expensed in the year that it is incurred.

(k) Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historical cost model. Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being included in the Income Statement.

Debtors are measured at transaction price, less any impairment, unless the arrangements constitute a financing transaction. Arrangements constituting a financing transaction, such as amounts due from leaseholders which are subject to a repayment agreement, are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

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

Direct costs incurred in connection with the issue of a basic financial instrument are deducted from the proceeds of the issue, and amortised over the life of the instrument.

(l) Long term employee benefits

The Group participates in the London Borough of Lewisham local government pension scheme which is a multi-employer scheme where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

Phoenix also contributed to the Social Housing Pension Scheme – Career Average Revalued Earnings (SHPS CARE), a funded multi-employer defined benefit scheme. The scheme is accounted for as a defined contribution scheme as there is insufficient information available to account for the scheme as defined benefit. For this multi-employer scheme, there is a contractual agreement between the scheme and the Association that determines how the deficit will be funded. A liability is recognised in the Statement of Financial Position and the resulting expense in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

The CARE scheme was closed to new members during 2014/15 and new staff enrolled into the SHPS defined contribution scheme. The charge to income in respect of the defined contribution scheme represents the employer contributions payable to this scheme for the accounting period.

(m) Short term employee benefits

The Group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

(n) Service charges

Any under or over recovery of amounts due from leaseholders is reflected as a debtor or creditor respectively.

(o) Disposal Proceeds Fund

The net proceeds on the sale of the properties made under Right to Acquire are required to be credited to a disposal proceeds fund. Within the terms defined by the Regulator, the fund is to be used to provide replacement properties for rent.

(p) Taxation

The Association has charitable status and therefore is not subject to Corporation Tax on surpluses derived from charitable activities. Tax is chargeable on the activities of the subsidiary undertaking.

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the reporting date, except for gains on disposal of fixed assets, which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Deferred tax is measured at the tax rates expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted or substantially enacted at the Statement of Financial Position date. Any assets and liabilities recognised have not been discounted.

(q) Value Added Tax

Phoenix charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

(r) Investments

The investment in subsidiary undertaking is measured at cost at initial acquisition less any provision for impairment.

(s) Leases

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

(t) Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and other income, including revenue grants and amortisation of deferred capital grants. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

(u) Restricted reserve

The restricted reserve represents the proportion of Right to Buy sale proceeds previously payable to Lewisham Council that the Council has agreed that Phoenix can retain for the purposes of investing in social housing. Transfers to the reserve are based on the calculation of the share of the RTB sale proceeds previously payable to the Council as set out in the Transfer Agreement. Transfers to the reserve are made when the RTB sale is completed. Transfers from the reserve are based on the funding required, net of any attributable grant, for a social housing development or purchase. Transfers are made at the point a commitment to the social housing development or purchase becomes unconditional.

(v) Going concern

After reviewing the budget for 2018/19 and the long term financial plan, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

3 Significant management judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with FRS102 requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are considered to be reasonable in the circumstances.

Judgements:
The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

(a) Deemed cost

The Association has taken advantage of the transitional relief set out in FRS102 and adopted a valuation of its completed freehold housing properties as at 1 April 2014 as deemed cost. The valuation is based on the revaluation of the housing properties at 31 March 2014 undertaken by the Association's valuer, Jones Lang LaSalle, using the existing use valuation for social housing method (EUV-SH).

In determining the adjustments to reserves as a result of the adoption of deemed cost, the Association has accounted for all related grant at 1 April 2014 under the performance model and therefore these amounts are included in the revenue reserve.

The SORP refers to "movements in the revaluation of housing properties should be allocated to the land and structure pro rata to their historical depreciated cost net of government grant." In Phoenix's case, no cost was allocated to land for the transfer stock, so following the SORP would result in all the uplift in value being allocated to structure, which the Board does not consider appropriate or reflective of the situation that land values have increased since transfer. The allocation of deemed cost to land, structure and components has been based on the advice of the Association's valuers, as follows:

	Proportion of value	£000
Land	45.0%	69,300
Structure and roofs (see below for allocation)	27.5%	42,350
Other major components (existing net book value)	27.5%	42,350
Total (EUV-SH at 31 March 2014)	100.0%	154,000

The proportion of the valuation attributed to roofs and structure has been allocated between the two categories pro rata based on the previously stated net book value of these elements. The value attributable to structure has then been allocated to individual properties equally at 31 March 2014. The resulting reduction in value for roofs of £2.4 million has been allocated pro rata to the previously stated net book value.

(b) Substantial modification of debt

The restructuring of funding involved the part repayment of £28.8 million of loans (including £20 million at fixed rates) resulting in break costs on the fixed rate loan element of £8.7 million. This on its own represents more than 10% of the discounted present value of the remaining cash flows of the original loan (£54.1 million prior to the restructuring). In addition, there are material changes in financial covenants and maturity. Therefore, the modification of the loan is considered substantial and the loan has been extinguished, with the restated (reduced) loan being accounted for as a new loan at 22 March 2018. As a result, the arrangement fees and related costs associated with the original £70 million loan facility have been written off (£634,000), as have the arrangement fees and related costs relating to the restatement (£211,000).

(c) Impairment review

The Board considers indicators of impairment, such as a change in government policy, a reduction in demand for a property, obsolescence and contamination of a site, in respect of an asset or group of assets. Following decisions by the Board to redevelop some existing properties, an impairment assessment has been undertaken on those properties and an impairment loss of £284,000 recognised, being the net book value of existing components in the properties.

The Board also considered impairment in relation to the Association's investment in its subsidiary company, Phoenix Agency Services (PAS), in view of the deficit on reserves and loss for the year arising in the subsidiary. The Board noted that the primary reason for the deficit on reserves and loss for the year is the subsidiary's share of the deficit of the Local Government Pension Scheme of which PAS is a member, and that the underlying trading of PAS is profitable and cash generative. Based on a review of the projections for the subsidiary, no impairment of the investment is considered necessary.

(d) Investment properties

The Fellowship Inn is intended to have a mixed purpose, with a commercial element relating to the public house and cinema, and a social purpose element with part of the premises to be let to Lewisham Music Services, a not for profit company supporting Lewisham music students. Prior to the refurbishment project the public house was let on a short term lease to a landlord and the property was accounted for as an Investment Property and included in the Statement of Financial Position at fair value (an independent valuation from GVA). Now that the refurbishment project is in progress, it is inappropriate to account for the asset as an Investment Property, there being no income stream at this time, and it has been reclassified as 'Other Fixed Assets Under Construction', with total costs at 31 March 2018 being £1.0 million. The project is largely grant funded by the Heritage Lottery Fund (HLF) and £357,000 of grant received towards the capital element of the project is included in unamortised grant in Creditors.

<u>Estimation uncertainty:</u>

The following are the significant management estimates and assumptions made which have the risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

(a) Pension liabilities

In determining the Group's share of the Local Authority defined benefit pension scheme assets and liabilities, the scheme actuary has used estimates of life expectancy, salary growth, inflation and the discount rate for corporate bonds. The assumptions used are set out in note 29 and reflect historical experience and current trends.

(b) Impairment of debtors

The assessment of the impairment of rental debtors for bad debts is based on past experience and the profile of debtors. The provision for non-recovery of major works service charge arrears has been calculated based on an assessment of the risk of successful challenge through a first tier tribunal and the potential non-recovery of costs.

4 Turnover, Operating Costs and Operating Surplus

(a) Group particulars of turnover, operating expenditure and operating surplus — **2018**

	Turnover	Operating Costs	Other Income	Operating Surplus/ (Deficit)
	£000	£000	£000	£000
Social housing lettings (note 4b)	31,564	(23,526)	-	8,038
Development costs not capitalised	-	(336)	-	(336)
Other social housing activities	628	(466)	-	162
	32,192	(24,328)	-	7,864
Activities other than social housing activities				
Lettings:				
Leaseholders	966	(916)	-	50
Garages	37	-	-	37
Other income	34	(62)	-	(28)
	1,037	(978)	-	59
Gain on disposal of property	-	-	3,020	3,020
	33,229	(25,306)	3,020	10,943

Group particulars of turnover, operating expenditure and operating surplus — **2017**

	Turnover	Operating Costs	Other Income	Operating Surplus/ (Deficit)
	£000	£000	£000	£000
Social housing lettings (note 4b)	31,753	(22,703)	-	9,050
Development costs not capitalised	-	(549)	-	(549)
Other	375	(446)	-	(71)
	32,128	(23,698)	-	8,430
Activities other than social housing activities				
Lettings:				
Leaseholders	1,174	(1,448)	-	(274)
Garages	42	-	-	42
Other income	79	(90)	-	(11)
	1,295	(1,538)	-	(243)
Loss on revaluation of investment property	-	-	(208)	(208)
Gain on disposal of property	-	-	1,113	1,113
	33,423	(25,236)	905	9,092

4 Turnover, Operating Costs and Operating Surplus (continued)

(a) Association particulars of turnover, operating expenditure and operating surplus

	2018			
	Turnover	**Operating Costs**	**Other Income**	**Operating Surplus/ (Deficit)**
	£000	**£000**	**£000**	**£000**
Social housing lettings (note 4b)	31,550	(23,335)	-	8,215
Development costs not capitalised	-	(336)	-	(336)
Other social housing activities	1,121	(950)	-	171
	32,671	(24,621)	-	8,050
Activities other than social housing activities				
Lettings:				
Leaseholders	966	(916)	-	50
Garages	37	-	-	37
Other income	34	(62)	-	(28)
	1,037	(978)	-	59
Gain on disposal of property	-	-	3,020	3,020
	33,708	(25,599)	3,020	11,129

Association particulars of turnover, operating expenditure and operating surplus

	2017			
	Turnover	**Operating Costs**	**Other Income**	**Operating Surplus/ (Deficit)**
	£000	**£000**	**£000**	**£000**
Social housing lettings (note 4b)	31,745	(22,549)	-	9,196
Development costs not capitalised	-	(549)	-	(549)
Other social housing activities	861	(930)	-	(69)
	32,606	(24,028)	-	8,578
Activities other than social housing activities				
Lettings:				
Leaseholders	1,174	(1,448)	-	(274)
Garages	42	-	-	42
Other income	79	(90)	-	(11)
	1,295	(1,538)	-	(243)
Loss on revaluation of investment property	-	-	(208)	(208)
Gain on disposal of property	-	-	1,113	1,113
	33,901	(25,566)	905	9,240

4 Turnover, Operating Costs and Operating Surplus (continued)

(b) Group particulars of turnover and operating expenditure from social housing lettings	General Needs 2018 £000	Supported Housing 2018 £000	Total 2018 £000	Total 2017 £000
Income				
Rent receivable net of identifiable service charges	28,409	82	28,491	28,895
Service charge income	2,973	58	3,031	2,848
Amortised government grant	18	24	42	10
Turnover from social housing lettings	**31,400**	**164**	**31,564**	**31,753**
Operating expenditure				
Management	4,940	76	5,016	4,894
Service charge costs	4,087	78	4,165	3,930
Routine maintenance	5,519	11	5,530	5,398
Planned maintenance	2,982	7	2,989	2,318
Major repairs expenditure	1,155	-	1,155	1,745
Bad debts	133	-	133	196
Depreciation of housing properties	3,259	99	3,358	3,145
Impairment of housing properties	284	-	284	-
Other costs	896	-	896	1,077
Operating expenditure on social housing lettings	**23,255**	**271**	**23,526**	**22,703**
Operating surplus on social housing lettings	**8,145**	**(107)**	**8,038**	**9,050**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	**121**	**113**	**234**	**125**

4 Turnover, Operating Costs and Operating Surplus (continued)

(b) Association particulars of turnover and operating expenditure from social housing lettings	**General Needs 2018 £000**	**Supported Housing 2018 £000**	**Total 2018 £000**	**Total 2017 £000**
Income				
Rent receivable net of identifiable service charges	28,395	82	28,477	28,887
Service charge income	2,973	58	3,031	2,848
Amortised government grant	18	24	42	10
Turnover from social housing lettings	**31,386**	**164**	**31,550**	**31,745**
Operating expenditure				
Management	4,940	76	5,016	4,894
Service charge costs	4,087	78	4,165	3,930
Routine maintenance	5,328	11	5,339	5,244
Planned maintenance	2,982	7	2,989	2,318
Major repairs expenditure	1,155	-	1,155	1,745
Bad debts	133	-	133	196
Depreciation of housing properties	3,259	99	3,358	3,145
Impairment of housing properties	284	-	284	-
Other costs	896	-	896	1,077
Operating expenditure on social housing lettings	**23,064**	**271**	**23,335**	**22,549**
Operating surplus on social housing lettings	**8,322**	**(107)**	**8,215**	**9,196**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	**121**	**113**	**234**	**125**

5 (Deficit)/Surplus for the Year – Group and Association

	2018	2017
Group	**£000**	**£000**
The deficit on ordinary activities before taxation is stated after charging:		
Depreciation of housing properties	3,358	3,145
Impairment of housing properties	284	-
Depreciation of other fixed assets	414	412
Amortisation of intangible fixed assets	394	463
Amortisation of government grant	(42)	(10)
External auditor's remuneration (excluding VAT and expenses):		
- in their capacity as auditors	37	34
- for other services	12	13
Operating lease rentals	211	211

	2018	2017
Association	**£000**	**£000**
The deficit on ordinary activities before taxation is stated after charging:		
Depreciation of housing properties	3,358	3,145
Impairment of housing properties	284	-
Depreciation of other fixed assets	362	360
Amortisation of intangible fixed assets	305	374
Amortisation of government grant	(42)	(10)
External auditor's remuneration (excluding VAT and expenses):		
- in their capacity as auditors	33	31
- for other services	10	11
Operating lease rentals	211	211

6 Directors and Senior Staff Emoluments and Expenses

For the purpose of this note, the directors are defined as the members of the Board and the Executive Officers. None of the Board members received any remuneration.

	2018 £000	2017 £000
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	567	639
Emoluments payable to the highest paid director (excluding pension contributions and including benefits in kind)	132	131
Expenses paid during the year to Board Members	-	-

The Chief Executive is an ordinary member of the Social Housing Pension Scheme (SHPS) and no enhanced or special terms apply. Pension contributions paid to the pension fund for the Chief Executive were £7,895 in the year (2017: £7,852). There are no payments made to separately administered pension schemes.

The table below sets out the full-time equivalent number of staff whose remuneration, including redundancy and costs of early retirement (including pension contributions), payable was £60,000 or more within each band of £10,000:

			2018 Number	2017 Number
£60,001	to	£70,000	4	8
£70,001	to	£80,000	2	2
£80,001	to	£90,000	2	2
£90,001	to	£100,000	-	1
£100,001	to	£110,000	-	-
£110,001	to	£120,000	1	1
£120,001	to	£130,000	1	1
£130,001	to	£140,000	1	1

The aggregate amount of compensation payable to directors in respect of loss of office was £23,000 (2017: £nil).

7 Employee Information

Group

The average number of full-time equivalent persons, including the Executives (excluding the Board), employed during the year to 31 March 2018:

	2018 Number	2017 Number
Office staff	157	152
Caretakers	21	25
Maintenance	41	41
	219	218

	2018 £000	2017 £000
Staff costs (for the above persons):		
Wages and salaries	8,089	7,943
Social security costs	836	799
Pension costs	1,023	931
	9,948	9,673

Association

The average number of full-time equivalent persons, including the Executives (excluding the Board), employed during the year to 31 March 2018:

	2018 Number	2017 Number
Office staff	146	141
Caretakers	21	25
	167	166

	2018 £000	2017 £000
Staff costs (for the above persons):		
Wages and salaries	6,134	6,130
Social security costs	641	618
Pension costs	743	715
	7,518	7,463

8 Gain on Sale of Property, Plant and Equipment

Group and Association	**2018 £000**	**2017 £000**
Disposal proceeds	3,965	1,590
Less: cost of sales	(945)	(477)
Transfer to disposal proceeds fund	-	-
	3,020	1,113

9 Interest Receivable

Group and Association	**2018 £000**	**2017 £000**
Unwinding of discount on repayment agreements	20	38
From bank deposits	9	2
	29	40

10 Interest Payable and Financing Costs

Group	**2018 £000**	**2017 £000**
On housing loans	2,335	2,256
Unwinding of discounts on provisions	2	2
Amortisation of loan arrangement fees	30	33
Write-off of loan arrangement fees	845	-
Mark to market costs relating to early repayment of fixed rate loan	8,703	-
Net interest on defined benefit liability	35	35
Less: capitalised interest	(83)	(129)
	11,867	2,197

Association	**2018 £000**	**2017 £000**
On housing loans	2,335	2,256
Unwinding of discounts on provisions	2	2
Amortisation of loan arrangement fees	30	33
Write-off of loan arrangement fees	845	-
Mark to market costs relating to early repayment of fixed rate loan	8,703	-
Net interest on defined benefit liability	10	13
Less: capitalised interest	(83)	(129)
	11,842	2,175

11 Taxation

Phoenix is a charitable housing association and is not liable to Corporation Tax on its charitable activities. Its subsidiary undertaking, Phoenix Agency Services Limited, is subject to Corporation Tax. A reconciliation between Corporation Tax at the standard rate on the surplus on ordinary activities and the actual tax charge has not been provided due to the charitable status of Phoenix. The tax recognised in the income and expenditure account represents a credit for tax of £27,000 (2017: charge £33,000) for Phoenix Agency Services.

12 Tangible Fixed Assets – Housing Properties

Group and Association	Completed held for letting £000	Under construction £000	Total £000
Cost			
At 1 April 2017	182,394	13,299	195,693
Additions	4,079	5,205	9,284
Transfer	14,457	(14,457)	-
Disposals	(871)	-	(871)
At 31 March 2018	**200,059**	**4,047**	**204,106**
Depreciation			
At 1 April 2017	9,133	-	9,133
Charge for period	3,358	-	3,358
Released on disposal	(86)	-	(86)
At 31 March 2018	**12,405**	**-**	**12,405**
Impairment			
At 1 April 2017	221	-	221
Charge for period	284	-	284
At 31 March 2018	**505**	**-**	**505**
Net book value			
At 31 March 2018	**187,149**	**4,047**	**191,196**
At 31 March 2017	**173,040**	**13,299**	**186,339**

The vast majority of housing properties are held freehold. Less than 1% of properties are leasehold. The Association has adopted a valuation of its completed freehold housing properties as at 1 April 2014 as deemed cost. Included in the balance of housing properties under construction is £83,000 of capitalised interest (2017: £129,000), based on a capitalisation rate of 5% which is the weighted average rate applicable to the Group's borrowings during the year.

The total accumulated grant received to 31 March 2018 was £53.2 million (2017: £49.2 million).

13 Investment Properties

Group and Association	**£000**
At 1 April 2017	577
Additions	-
Revaluation	-
Reclassification	(392)
At 31 March 2018	185

Investment properties, which are all freehold, comprise privately let garages. A commercial lease of part of the Fellowship Inn has been transferred to Other Fixed Assets Under Construction while the project to refurbish the property is undertaken. The fair value of the garages has been estimated by the Board using the projected cash flows from the property discounted at a market rate of interest of 7.25% (2017: 7%).

14 Other Fixed Assets – Intangible Assets

Group	**Computer software £000**	**Goodwill £000**	**Total £000**
Cost			
At 1 April 2017	1,913	447	2,360
Additions	412	-	412
Disposals	(93)	-	(93)
At 31 March 2018	**2,232**	**447**	**2,679**
Amortisation			
At 1 April 2017	1,156	334	1,490
Charge for the period	305	89	394
Disposals	(93)	-	(93)
At 31 March 2018	**1,368**	**423**	**1,791**
Net book value			
At 31 March 2018	**864**	**24**	**888**
At 31 March 2017	**757**	**113**	**870**

14 Other Fixed Assets – Intangible Assets (continued)

Association	**Computer software £000**
Cost	
At 1 April 2017	1,913
Additions	412
Disposals	(93)
At 31 March 2018	**2,232**
Amortisation	
At 1 April 2017	1,156
Charge for the period	305
Disposals	(93)
At 31 March 2018	**1,368**
Net book value	
At 31 March 2018	**864**
At 31 March 2017	**757**

15 Other Fixed Assets – Tangible Assets

Group

	Freehold offices and community buildings* £000	Other fixed assets under construction £000	Motor vehicles £000	Computer equipment £000	Office furniture and equipment £000	Total £000
Cost						
At 1 April 2017	6,558	-	24	929	445	7,956
Additions	34	560	-	311	139	1,044
Reclassification	(156)	548	-	-	-	392
Disposals	(3)	-	-	(301)	-	(304)
At 31 March 2018	**6,433**	**1,108**	**24**	**939**	**584**	**9,088**
Depreciation						
At 1 April 2017	449	-	22	633	305	1,409
Charge for the period	141	-	2	172	99	414
Disposals	(3)	-	-	(294)	-	(297)
At 31 March 2018	**587**	**-**	**24**	**511**	**404**	**1,526**
Net book value						
At 31 March 2018	**5,846**	**1,108**	**-**	**428**	**180**	**7,562**
At 31 March 2017	**6,109**	**-**	**2**	**295**	**140**	**6,546**

*Part of the head office is sublet to the Lewisham Plus Credit Union and Lewisham Council at a peppercorn rent. A community centre was also let to Barking and Dagenham College during the period at a peppercorn rent.

15 Other Fixed Assets – Tangible Assets (continued)

Association

	Freehold offices and community buildings* £000	Other fixed assets under construction £000	Motor vehicles £000	Computer equipment £000	Office furniture and equipment £000	Total £000
Cost						
At 1 April 2017	**6,558**	**-**	**24**	**718**	**445**	**7,745**
Additions	34	560	-	311	139	1,044
Reclassification	(156)	548	-	-	-	392
Disposals	(3)	-	-	(301)	-	(304)
At 31 March 2018	**6,433**	**1,108**	**24**	**728**	**584**	**8,877**
Depreciation						
At 1 April 2017	**449**	**-**	**22**	**527**	**305**	**1,303**
Charge for the period	141	-	2	120	99	362
Disposals	(3)	-	-	(294)	-	(297)
At 31 March 2018	**587**	**-**	**24**	**353**	**404**	**1,368**
Net book value						
At 31 March 2018	**5,846**	**1,108**	**-**	**375**	**180**	**7,509**
At 31 March 2017	**6,109**	**-**	**2**	**191**	**140**	**6,442**

*Part of the head office is sublet to the Lewisham Plus Credit Union and Lewisham Council at a peppercorn rent. A community centre was also let to Barking and Dagenham College during the period at a peppercorn rent.

16 Stock and work in progress

Group	2018 £'000	2017 £'000
Stock	85	72
Work in progress	-	-
	85	72

There was no stock and work in progress held by the Association.

17 Trade and Other Debtors

Group	2018 £000	2017 £000
Due in more than one year		
Amount owed by leaseholders (gross balance)	296	492
Less net present value adjustments for repayment agreements	(52)	(86)
	244	406
Due within one year		
Arrears of rent and service charges	1,998	2,045
Less provision for bad debts	(1,186)	(1,265)
	812	780
Amount owed by leaseholders	760	1,210
Grants receivable	1,708	-
Other debtors	129	132
Input VAT reclaimable	475	452
Corporation tax	-	10
Deferred tax	37	-
Cash in transit	208	215
Prepayments and accrued income	1,446	1,247
	5,575	4,046
Total debtors	**5,819**	**4,452**

17 Trade and Other Debtors (continued)

	2018	2017
Association	**£000**	**£000**
Due in more than one year		
Amount owed by leaseholders (gross balance)	296	492
Less net present value adjustments for repayment agreements	(52)	(86)
	244	406
Due within one year		
Arrears of rent and service charges	1,998	2,045
Less provision for bad debts	(1,186)	(1,265)
	812	780
Amount owed by leaseholders	760	1,210
Grants receivable	1,708	-
Amount owed by subsidiary undertaking	408	68
Other debtors	119	115
Input VAT reclaimable	475	452
Cash in transit	208	215
Prepayments and accrued income	1,384	1,186
	5,874	4,026
Total debtors	**6,118**	**4,432**

18 Cash and Cash Equivalents

	2018	2017
Group	**£000**	**£000**
Cash and cash equivalents	7,804	3,615
Association		
Cash and cash equivalents	6,784	3,120

19 Creditors: Amounts falling due within one year

Group	**2018**	**2017**
	£000	**£000**
Rents prepaid	1,195	1,143
Trade creditors	2,103	1,318
Other taxes and social security costs	232	237
Other payroll deductions	3	3
Right to buy sale clawback and VAT payable to Lewisham Council	298	325
Other creditors and accruals	2,016	2,545
Deferred income	74	75
Deferred income – unamortised government grant (see note 22)	2,199	2,642
	8,120	**8,288**

19 Creditors: Amounts falling due within one year (continued)

Association	**2018 £000**	**2017 £000**
Rents prepaid	1,195	1,143
Trade creditors	1,784	1,068
Amount due to subsidiary undertaking	549	-
Other taxes and social security costs	177	175
Other payroll deductions	3	3
VAT payable to Lewisham Council	298	325
Other creditors and accruals	1,891	2,434
Deferred income	74	75
Deferred income – unamortised government grant (see note 22)	2,199	2,642
	8,170	**7,865**

20 Creditors: Amounts falling due after more than one year

Group and Association	**2018 £000**	**2017 £000**
Improvement works	148	157
Loans	64,763	57,583
Accrual for pension scheme deficit funding agreement	124	138
Disposal Proceeds Fund	741	741
Deferred income – unamortised capital grant (see note 22)	4,865	263
	70,641	58,882

Group and Association	**2018 £000**	**2017 £000**
Loans repayable other than by instalments as follows:		
In five years or more	65,250	58,250
Less transaction costs	(487)	(667)
	64,763	57,583

In addition to the above debt, at 31 March 2018 Phoenix had undrawn loan facilities of £34.75 million (2017: £11.75 million). The loan facilities are secured on the Association's housing stock.

The loans are provided by Barclays Bank plc. and the Pensions Insurance Corporation. Interest is payable on loans at fixed rates of interest in the range of 3.5% to 5.1%.

21 Financial instruments

The carrying values of the Group and Association's financial assets and liabilities are summarised by category below:

Group	**2018**	**2017**
	£000	**£000**
Financial assets		
Measured at amortised cost		
Repayment agreements	244	406
Measured at undiscounted amount receivable		
Rent arrears and other receivables	5,575	4,022
Cash and cash equivalents	7,804	3,671
	13,623	8,099

Group	**2018**	**2017**
	£000	**£000**
Financial liabilities		
Measured at amortised cost		
Loans	64,763	57,583
Pensions deficit funding agreement	124	138
Measured at undiscounted amount payable		
Trade and other creditors	13,874	9,492
	78,761	67,213

Association	**2018**	**2017**
	£000	**£000**
Financial assets		
Measured at amortised cost		
Repayment agreements	244	406
Measured at undiscounted amount receivable		
Amounts due from subsidiaries	408	68
Rent arrears and other receivables	5,466	3,953
Cash and cash equivalents	6,784	3,120
	12,902	7,547

Association	**2018**	**2017**
	£000	**£000**
Financial liabilities		
Measured at amortised cost		
Pensions deficit funding agreement	124	138
Loans	64,763	57,583
Measured at undiscounted amount payable		
Amounts owed to subsidiaries	549	-
Trade and other creditors	13,375	9,019
	78,811	66,740

22 Deferred Income – Capital Grant

Group and Association	2018 £000	2017 £000
At 1 April	2,905	2,215
Grant received during the year	4,201	700
Released to income in the year	(42)	(10)
At 31 March	7,064	2,905
Amount due within one year	2,199	2,642

23 Disposal Proceeds Fund

Group and Association	2018 £000	2017 £000
At 1 April	741	741
Inputs to fund:		
Funds recycled	-	-
Interest accrued	-	-
Use/allocation of funds:		
New build	-	-
Repayment to Greater London Authority	-	-
At 31 March	741	741
All amounts relate to Greater London Authority		
Amounts three years old or older where repayment may be required	200	-

24 Share Capital – Non Equity

	2018 £	2017 £
£1 shares		
At 1 April	3,338	3,099
Issued during the period	292	239
At 31 March	3,630	3,338

The share capital of Phoenix consists of shares with a nominal value of £1 each. Phoenix's shares carry no right to interest, dividend or bonus. Due to Phoenix's registered society status, the maximum shareholding per member is one share.

25 Capital Commitments

Group and Association	2018 £000	2017 £000
Capital expenditure that has been contracted for	10,641	11,409
Capital expenditure that has been authorised by the Board but has not yet been contracted for	63,778	22,978
	74,419	34,387
Phoenix expects to finance the above expenditure by:		
Grant funding	12,373	9,043
Sale proceeds including first tranche sale of shared ownership	14,171	-
Loan facilities	27,555	6,880
Operating cash surpluses	20,320	18,464
	74,419	34,387

26 Cash Flow from Operating Activities

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Surplus for the year	10,943	9,092
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	3,772	3,557
Impairment of tangible fixed assets	284	-
Amortisation of intangible assets	395	463
(Increase)/decrease in stock	(13)	13
Decrease in trade and other debtors	421	2,090
Increase/(decrease) in trade and other creditors	463	(129)
Decrease in fair value of investment properties	-	208
Pension costs less contributions payable	298	180
Amortisation of grant	(42)	(10)
Cost of sales	785	403
Less: share of Right to Buy sales paid to Council	-	(1,661)
Net cash flow from operating activities	17,306	14,206

27 Operating Leases

At 31 March the Group had minimum lease payments under non-cancellable operating leases as set out below:

Amounts payable as lessee	**2018**		**2017**	
Group and Association	**Land and Buildings £000**	**Other £000**	**Land and Buildings £000**	**Other £000**
Operating leases which expire:				
Within one year	-	211	-	185
In one to five years	-	207	-	184
Later than five years	-	-	-	-
	-	418	-	369

Amounts receivable as Lessor	**2018**		**2017**	
Group and Association	**Land and Buildings £000**	**Other £000**	**Land and Buildings £000**	**Other £000**
Operating leases which expire:				
Within one year	-	73	-	100
In one to five years	-	305	-	217
Later than five years	-	276	-	325
	-	654	-	642

28 Units Owned or Under Management

Group and Association	**2018 Number**	**2017 Number**
Units for rent at 1 April		
General needs housing accommodation	5,357	5,369
Additions	4	-
Less freehold sales	(13)	(5)
Less leasehold sales	(13)	(7)
Units for rent at 31 March	5,335	5,357
All general needs properties are social housing		
Supported housing at 1 April	-	-
Additions	60	-
At 31 March	60	-
Leaseholders	868	856
Unit for market rent at 31 March	1	1

28 Units Owned or Under Management (continued)

Phoenix does not directly provide support services. The Linkline community alarm service was provided to 78 Phoenix tenants (2017: 92) by Linkline, which is part of Lewisham Council Community Services directorate. The weekly charge was £5.64 (2017: £5.64). Tenants receiving housing benefit are funded by Supporting People Grant which is paid directly to Linkline. For tenants not on housing benefit, Phoenix collects the charge on behalf of Linkline as part of the weekly charge. Phoenix has inherited from the Council a commitment to fund units in certain blocks designated for use by the elderly but occupied by other client groups due to low demand for this type of property.

29 Pensions

(a) London Borough of Lewisham Pension Scheme - Group

The Group participates in the London Borough of Lewisham pension scheme, a defined benefit scheme for qualifying employees. Under the scheme, the employees are entitled to retirement benefits based on salary. No other post-retirement benefits are provided. The scheme is funded.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2016 by actuaries Hymans Robertson. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The main financial assumptions underlying the valuation at 31 March 2018 were as follows:

	2018	**2017**
	% pa	**% pa**
Pension increases	2.4	2.4
Salary increases	2.9	3.1
Discount rate	2.7	2.6

Mortality assumptions

Life expectancy is based on the Vita Curves, assuming the current rate of improvement has peaked and will converge to a long term rate of 1.25% per year. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	**Females**
Current Pensioners	22.2 years	24.6 years
Future Pensioners	24.0 years	26.5 years

Historic Mortality

Life expectancy for the prior year end is based on the fund's Vita Curves. The allowance for future life expectancies are shown below:

	Prospective Pensioners	**Pensioners**
31 March 2017	CMI 2013 model assuming current rate of improvements have peaked and will converge to long term rate 1.25%	CMI 2013 model assuming current rate of improvements have peaked and will converge to long term rate 1.25%

29 Pensions (continued)

(a) London Borough of Lewisham Pension Scheme – Group (continued)

Amounts recognised in the Statement of Comprehensive Income	**2018 £000**	**2017 £000**
Current service cost	620	503
Past service cost	58	-
Net interest cost	37	35
Total	715	538

Recognised in other comprehensive income	(757)	184
Deferred tax charge on actuarial loss/(gain)	-	64
	(757)	248

Total (gain)/costs relating to defined benefit scheme	**(42)**	**786**

The amount included in the Statement of Financial Position arising from the Group's obligations in respect of the scheme is as follows:

	2018 £000	**2017 £000**
Present value of defined benefit obligations	(29,356)	(29,008)
Fair value of scheme assets	28,492	27,731
Deficit	(864)	(1,277)
Deferred tax asset	-	-
Net pension scheme liability	**(864)**	**(1,277)**

Movements in the present value of defined benefit obligations were as follows:

Reconciliation of defined benefit obligation	**2018 £000**	**2017 £000**
Opening Defined Benefit Obligation	**29,008**	**23,930**
Current service cost	620	503
Interest cost	759	845
Contribution by members	108	113
Actuarial (gains) and losses	(791)	4,058
Past service cost	58	-
Benefits paid	(406)	(441)
Closing Defined Benefit Obligation	**29,356**	**29,008**

Movements in the fair value of scheme assets were as follows:

Reconciliation of fair value of employer assets	**2018 £000**	**2017 £000**
Opening Fair Value of Employer Assets	**27,731**	**23,044**
Return on plan assets	722	810
Contributions by members	108	113
Contributions by employer	371	331
Actuarial (losses) and gains	(34)	3,874
Benefits paid	(406)	(441)
Closing Fair Value of Employer Assets	**28,492**	**27,731**

29 Pensions (continued)

(a) London Borough of Lewisham Pension Scheme – Group (continued)

Fair value of employer assets

The fair values of each main class of assets held by the Fund are set out in the following table.

	2018 Assets £000	2017 Assets £000
Equities	16,526	19,412
Bonds	7,123	5,269
Property	2,279	2,218
Cash	2,564	832
Total	**28,492**	**27,731**

(b) London Borough of Lewisham Pension Scheme – Association

The Association participates in the London Borough of Lewisham pension scheme, a defined benefit scheme for qualifying employees. Under the scheme, the employees are entitled to retirement benefits based on salary. No other post-retirement benefits are provided. The scheme is funded.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2016 by actuaries Hymans Robertson. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The main financial and mortality assumptions underlying the valuation at 31 March 2018 are as for the Group (see note 29a).

Amounts recognised in the Statement of Comprehensive Income	**2018** £000	**2017** £000
Current service cost	384	308
Past service cost	58	-
Net interest cost	12	13
Total	454	321
Recognised in other comprehensive income	(533)	(67)
Total (gain)/costs relating to defined benefit scheme	**(79)**	**254**

The amount included in the Statement of Financial Position arising from the Association's obligations in respect of the scheme is as follows:

	2018 £000	**2017** £000
Present value of defined benefit obligations	(22,689)	(22,521)
Fair value of scheme assets	22,649	22,151
Net pension scheme liability	**(40)**	**(370)**

29 Pensions (continued)

(b) London Borough of Lewisham Pension Scheme – Association (continued)

Movements in the present value of defined benefit obligations were as follows:

Reconciliation of defined benefit obligation	2018 £000	2017 £000
Opening Defined Benefit Obligation	**22,521**	**19,279**
Current service cost	384	308
Interest cost	587	674
Contribution by members	66	71
Actuarial (gains) and losses	(559)	2,607
Past service cost	58	-
Benefits paid	(368)	(418)
Closing Defined Benefit Obligation	**22,689**	**22,521**

Movements in the fair value of scheme assets were as follows:

Reconciliation of fair value of employer assets	2018 £000	2017 £000
Opening Fair Value of Employer Assets	**22,151**	**18,960**
Return on plan assets	575	661
Contributions by members	66	71
Contributions by employer	251	203
Actuarial (losses) and gains	(26)	2,674
Benefits paid	(368)	(418)
Closing Fair Value of Employer Assets	**22,649**	**22,151**

Fair value of employer assets

The fair values of each main class of assets held by the Fund are set out in the following table.

	2018 Assets £000	2017 Assets £000
Equities	13,136	15,506
Bonds	5,662	4,209
Property	1,812	1,772
Cash	2,039	665
Total	**22,649**	**22,151**

The contribution rate of Phoenix for the year ended 31 March 2018 was 20.4% (2017: 20.4%) and for employees between 5.5% and 7.5% depending upon pensionable salary (2017: 5.5% to 7.5%). Employer's contributions for the year to 31 March 2019 are estimated to be £156,000.

29 Pensions (continued)

(c) Social Housing Pension Scheme

The Association participates in the Social Housing Pension 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 Association 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 at 30 September 2014. This actuarial valuation 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 to the scheme.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association 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	**31 March 2018**	**31 March 2017**
	£000	**£000**
Present value of provision (note 20)	124	138

Reconciliation of opening and closing provisions	**31 March 2018**	**31 March 2017**
	£000	**£000**
Provision at 1 April	138	144
Unwinding of the discount factor (interest expense)	2	2
Deficit contribution paid	(14)	(13)
Remeasurements - impact of any change in assumptions	(2)	5
Remeasurements - amendments to the contribution schedule	-	-
Provision at 31 March	124	138

29 Pensions (continued)

(c) Social Housing Pension Scheme (continued)

Income and expenditure impact	31 March 2018 £000	31 March 2017 £000
Interest expense	2	2
Remeasurements – impact of any change in assumptions	(2)	5
Remeasurements – amendments to the contribution schedule	-	-

Assumptions	31 March 2018	31 March 2017
Rate of discount	1.72%	1.33%

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

30 Related Party Transactions

The ultimate controlling party of the Group is Phoenix Community Housing. Phoenix considers the key management personnel to be the Board and Executive Team. The only transactions between Phoenix and the key management personnel are remuneration set out in note 6 and the transactions noted below.

Tenants and Leaseholders

Phoenix is a resident-led housing association and at 31 March 2018, six of the Association's Board members were Phoenix residents. Their tenancies and leases have been granted on the same terms as for all other tenants and leaseholders of the Association and housing management procedures, including those relating to the management of arrears, have been applied consistently.

Transactions entered into with resident Board members, and rent and service charge balances outstanding at 31 March, are as follows:

	2018 £	2017 £
Rent and service charges charged	32,275	36,357
Credit balances at the end of the period	(1,203)	(1,089)
Doubtful debt provision	Nil	Nil

No other transactions took place with the resident Board members.

30 Related Party Transactions (continued)

Related parties employed by Phoenix

Phoenix employs as a member of staff under normal contract terms an employee who is a relative of a member of the Executive Team. The salary paid to that member of staff (all of which was fully paid at the year end) was £40,835 (2017: £38,308).

Local authority

Two Board Members are nominated by the London Borough of Lewisham. Some services were purchased from the London Borough of Lewisham during the year. All agency services are covered by an arm's length contract, which was negotiated to ensure neither party subordinated its own separate interests. The London Borough of Lewisham pays tenant housing benefit under the terms of current legislation and this is paid directly to Phoenix.

Payments to the Local Authority were £575,000, including the Local Authority's share of the VAT shelter (£342,000). The total amount due to the Local Authority at 31 March 2018 was £251,000 (2017: £372,000).

Subsidiary undertaking

Phoenix Community Housing traded with Phoenix Agency Services, a wholly owned subsidiary of Phoenix which provides the repairs and maintenance for Phoenix properties. The charge for these services are based on the National Housing Federation's schedule of rates. Total amounts charged by Phoenix Agency Services were £6,080,000 (2017: £5,680,000). Phoenix also provides corporate services to its subsidiary. The charge for these services are based on a calculation of the costs of delivering corporate services including a reasonable proportion of overheads. A consistent basis has been used in 2017/18 to that used in prior years. Total amounts recharged were £488,000 (2017: £486,000). The net amount due to Phoenix Agency Services at 31 March 2018 was £201,000 (2017: due from subsidiary £68,000). The transactions between Phoenix and Phoenix Agency Services (which is not registered with the Regulator) were eliminated on consolidation.

There are no other related party transactions requiring disclosure.

31 Contingent Liabilities

Counter indemnity and parent guarantee

The Council as the Administering Authority of the London Borough of Lewisham pension scheme has agreed to the subsidiary undertaking being an admitted body to the scheme, subject to a bond (value £465,500) and parent guarantee (up to £465,500) being provided in favour of the scheme. Phoenix has agreed to provide the parent guarantee and a counter indemnity in favour of the bond provider.

The guarantee or counter indemnity will only be called upon if the subsidiary is unable to meet its obligations to the pension scheme.

32 Subsidiary Undertaking

On 8 March 2013, Phoenix established a wholly owned non-registered and non-regulated subsidiary, Phoenix Agency Services Limited. The investment in the unlisted subsidiary comprises £600,000 share capital (2017:£5,000 share capital).

32 Subsidiary Undertaking (continued)

Phoenix Agency Services provides the repairs and maintenance service for Phoenix Community Housing properties. The results for the year and net assets at 31 March 2018 were:

	2018 £000	2017 £000
Net assets/(liabilities) at 31 March	110	(525)
Loss for the year ended 31 March	(184)	(221)