




# Consolidated Financial Statements

for the year ended 31 March 2017



03 Board of Management,  
Executive Team and Advisers

04 Chair's Statement

06 Strategic Report

25 Report of the Board

31 Report of the Board on  
Corporate Governance and  
Internal Financial Control

35 Report of the  
Independent Auditor

38 Statement of  
Comprehensive Income

39 Statement of  
Financial Position

41 Statement of Changes  
in Reserves

42 Statement of Cash Flow

43 Notes to the Financial  
Statements

# Board of Management, Executive Team and Advisers

## Key:

N – Non-Executive Director  
E – Executive Director  
S – Company Secretary  
C – Co-optee

Member		Board	Audit Committee	Remuneration Committee
<b>P Lakey</b>	N	Chair		✓
<b>P Remington</b>	N	✓		Chair
<b>R Bennett</b>	N	✓	Chair	✓
<b>K Laud</b>	N	✓	✓	✓
<b>P Hawes</b> (Appointed 3 October 2016)	N	✓	✓	✓
<b>D McQuade</b>	E	✓		
<b>D Armstrong</b>	E	✓		
<b>H Walsham</b>	E	✓		
<b>R Ayden</b> (Resigned 25 May 2017)	S			
<b>E Marcus</b> (Appointed 25 May 2017)	S			

The following were co-optees of the Board and its committees and did not serve as members of the Board

<b>P Cook</b> (Resigned 30 April 2016) continued as a Board adviser	C			
<b>C Waller</b> (Resigned 30 April 2016) continued as a Board adviser	C			

<b>Advisers:</b>	
<b>Registered Office:</b>	31 King Street, Norwich, Norfolk, NR1 1PD
<b>Solicitors:</b>	Anthony Collins Solicitors, 134 Edmund Street, Birmingham, B3 2ES
<b>Internal Auditors:</b>	KPMG, Dragonfly House, 2 Gilders Way, Norwich, NR3 1UB
<b>External Auditor:</b>	Mazars LLP, 45 Church Street, Birmingham, B3 2RT
<b>Bankers:</b>	National Westminster Bank, Norfolk & Waveney Corporate Business Centre, Norfolk House, Exchange Street, Norwich, Norfolk, NR2 1DD
<b>Group Funders:</b>	The Royal Bank of Scotland; Santander UK; The Co-operative Bank; Nationwide Building Society; THFC



# Chair's Statement

We made very good progress in 2016/17.  
The business grew successfully and we made further savings of £2m pa on running costs.

This helped us to achieve a new record net profit of £31.7m. The operating margin was 43.8%, which compares well with last year's 39.6% and extremely well with the 28.8% average of our housing association peer group. Our strategy is to increase commercial activity to support our purpose of providing homes for people in need. To this end, in December 2016, we bought Gasway, a gas servicing company with an excellent track record of growth in a market complementary to Flagship's existing business and area of operation.

Our financial results are matched by excellent customer satisfaction scores, with an average for the year of 93%. Our first annual Net Promoter Score (NPS) results indicate a strong +14 score. We aim to drive this up to meet and beat the results from companies renowned for good customer satisfaction such as John Lewis and Apple. The introduction of new digital services has made it easier for customers to deal with us. In the last 11 months over 36,000

interactions were made digitally. This much-improved customer experience is one example of where our commitment to continuous improvement has paid dividends.

Responsive maintenance spend was broadly on budget (after embedding more than £5.5m of savings), whereas the total maintenance spend, including capital component work of £36m, was £2m below budget due to underspend on capital component replacements. This is a significant improvement and it is excellent to see the capital programme in full swing.

The housing team put in another good performance on rent collection, with arrears below 3%, but it is likely that next year will be more difficult as the rollout of universal credit impacts our area more significantly.

In the short-term, arrears are likely to spike as customers get used to the new regime and as supporting systems at local and national

level settle. The medium-term impact remains unknown but we are making every effort to minimise it. Our 'rent first' approach and a revised arrears process are proving successful and will be important in the management of rent collection into the future.

We added 292 homes to our portfolio during the year – acquiring 77 affordable and 122 market rent homes and building 93 new affordable homes. After Right to Buy sales, shared ownership stair-casing to 100%, and disposals, the net increase to our stock of homes was 198 – 164 better than budget. The development programme now has significantly more traction and our five-year plan aims for over 2,000 new homes by 2022. However, we have the ambition and capacity to out-perform this target, and we will as long as the right opportunities arise.



# Chair's Statement

The ultimate aim? To grow profits. Why? To reinvest - to provide homes for people in need. That's an aim we can all be proud of.

After many years at Keswick Hall, we took advantage of a break-clause in the lease to move our headquarters to King Street, in Norwich city centre. The new offices are designed to facilitate easier communications, better interaction and more agile working – and they are more suited to the Flagship culture.

We continue to drive our strategy forward with significant success through challenging times. So, I would like to say a huge thank you to all of my colleagues – staff and board – for their tireless commitment, energy, enthusiasm and determination. As a team, we continue to strive to make our communities better places to live in. And that is noble work.

I would also like to give special thanks and pay a heartfelt tribute to Rod Ayden, our Company

Secretary and Executive Director, who is retiring from Flagship after 26 years of dedicated and outstanding service. We all wish him the very best.

The tragic events at Grenfell Tower happened after the end of the year, but, inevitably, they are at the forefront of the thinking of housing providers across the country. In the case of Flagship, we do not have any high-rise schemes, but our immediate focus was on ensuring everything is in order with regard to safety in our mid- and low-rise blocks. And we are undertaking a thorough review of safety across all types of Flagship homes.

Continuous improvement is the core belief at the heart of the Flagship Way. This means we are never satisfied; we can always do better.

In the coming months, we want to improve our voids management, keep on top of repairs, manage our arrears, integrate Gasway, and start to deliver a more ambitious development programme. And, as ever, we will try very hard to improve our customers' experience of all our services. Whatever the outside world throws at us we will continue our drive to sell commercial services, to innovate and to reduce overheads through agile working and technology. The ultimate aim? To grow profits. Why? To reinvest – to provide homes for people in need. That's an aim we can all be proud of.

**Peter Lakey**

Chair

27 July 2017

# Strategic Report

for the year ended 31 March 2017



# Strategic Report

Flagship's primary activity is to provide general needs rented accommodation for people in need. Our purpose is to provide homes for people in need.

## Principal activities

Flagship's primary activity is to provide general needs rented accommodation for people in need. Our purpose is to provide homes for people in need. The majority of our housing stock is one, two and three-bedroom accommodation. We provide accommodation for six very sheltered housing schemes, and a number of traditional sheltered schemes. In addition, we provide accommodation for young people aged 16-24, shared ownership homes, some student accommodation and a small number of market rented homes. The Group had 22,521 (2016: 22,323) homes in management at 31 March 2017.

The results of Flagship Housing Developments Limited and RFT Repairs Limited are consolidated in the Group's results. Flagship Housing Developments Limited provides development services to the Group, RFT Repairs Limited provides repairs services to the Group and Gasway provides gas installation and maintenance services.

## Objectives and strategies

In 2016 Flagship refreshed its strategy to reflect its growth ambitions. Our purpose remains unchanged.

### Our purpose

To provide homes for people in need.

### Our 2030 vision

To deliver homes our customers love.

### Core business

To develop, manage and maintain homes in the east of England.

It reinforces our commitment to achieving excellence through the Flagship Way and provides a clear focus on business and commercial growth to support our purpose and meet customers' needs.



### Our purpose

To provide homes for people in need.



### Our 2030 vision

To deliver homes our customers love.



### Core business

To develop, manage and maintain homes in the east of England.





# Strategic Report

## Operating review

During the year, Flagship's development programme produced 292 (2016: 243) new homes. We built 93 affordable homes and acquired a further 77 affordable homes and 122 market rent homes. We sold 28 homes under Right to Buy (RTB), disposed of 20, and had 46 shared ownership homes staircase to 100%. The net increase in homes for the year was 198 – 164 better than budget. Although we only built 93 homes this was higher than the budget of 89. The development programme has significantly more traction and the new five-year plan increased our aspirations from 1,492 to over 2,000 new homes.

Whilst responsive maintenance was broadly on budget (after embedding more than £5.5m of savings) the total maintenance spend including capital component work (£36m) was just £2m below budget due to underspend on capital component replacements.

This is a significant improvement and excellent to see the capital programme in full swing.

We are committed to the continuous improvement of all our services through the Flagship Way. Our methodology enables us to understand what is going on in the work, understand the causes of variation in performance to make improvements, make us more efficient and build capacity.

We are regulated by the Homes & Communities Agency (HCA). As with any regulator this involves an ongoing dialogue in respect of all issues affecting the sector and Flagship at a local level. The Group has a Governance rating of G1 and a Viability rating of V1. During the year, Moody's maintained their credit rating of the Group at A1.

[www.homesandcommunities.co.uk/ourwork/regulatory-judgements](http://www.homesandcommunities.co.uk/ourwork/regulatory-judgements)

## Principal strategic and operational risks

The principal risks faced by Flagship are identified by the Board and senior managers at regular board meetings and factored into the Business Plan.

Currently the external risks include:

- » Welfare reform leading to a loss of income, including uncertainty over future housing benefit eligibility, caps and direct payments to customers.
- » Failure to manage and deliver new development plan leading to increased costs and reputational risk.
- » Failure to prepare for General Data Protection Regulations.

93

➤ Affordable homes built

77

➤ Affordable homes acquired

122

➤ Market rent homes acquired

28

➤ Homes sold under Right to Buy





# Group results: summary

	2017	2016	2015
	£'000	£'000	£'000
<b>Statement of comprehensive income</b>			
Turnover	119,574	127,060	121,636
Cost of sales	(4,177)	(7,841)	(4,469)
Operating costs	(62,973)	(68,942)	(73,130)
Operating surplus	52,424	50,277	44,037
Surplus on sale of assets	1,928	1,176	1,436
Net interest and financing charges	(23,925)	(24,126)	(24,599)
Surplus on revaluation of investment properties	1,293	33	175
Surplus for the year	31,720	27,360	21,049
<b>Statement of financial position</b>			
Fixed assets	1,364,312	1,329,423	1,322,970
Current assets	94,885	91,767	77,193
Current liabilities	(41,811)	(38,529)	(35,162)
	1,417,386	1,382,661	1,365,001
<b>Financed by:</b>			
Creditors due after 1 year	806,536	802,919	812,448
Other long-term liabilities	7,455	5,290	6,920
Reserves	603,395	574,452	545,633
	1,417,386	1,382,661	1,365,001
<b>Statement of cash flows</b>			
Net cash flow from operating activities	80,062	59,182	65,933
Cash flows from investing activities	(50,800)	(22,769)	(47,150)
Cash flows from financing activities	(17,686)	(28,473)	(28,732)
Net cash flow	11,576	7,940	(9,949)

	2017	2016	2015
	£'000	£'000	£'000
<b>Financial ratios</b>			
Operating margin – social housing	46.1%	41.2%	36.1%
Operating margin	43.8%	39.6%	36.2%
Operating costs per home – social housing	£2,657	£2,910	£3,108
Operating costs per home	£2,796	£3,088	£3,311
Cash generated per unit	£3,555	£2,651	£2,985
<b>Key covenant ratios</b>			
Operating surplus to interest	2.81	2.84	2.46
Debt per unit	£27,248	£27,134	£27,546
Asset cover – charged properties on £460m loan	1.40	1.29	1.27
Gearing	41.3%	41.3%	41.9%
<b>Other key performance indicators</b>			
Homes in management	22,521	22,323	22,088
Overall customer satisfaction	93%	90%	88%
Current tenant rental arrears as a % of income	2.9%	2.5%	2.4%
Current tenant rental arrears	£3.0m	£2.7m	£2.5m
Average weekly gross rent (52 weeks)	£93.83	£94.18	£95.45
Average re-let time	46.3 days	40.0 days	40.5 days
Rent loss from voids as a % of income	0.80%	0.80%	0.87%
New handovers in year	292	243	217
First tranche shared ownership sales	17	77	51
Staircasing shared ownership sales	62	65	50



# Strategic Report

## Financial results

Turnover has dropped by £7.5m primarily due to the number of shared ownership first tranche sales reducing from 77 to 17. Core social housing rental income has decreased on an annual basis in accordance with our rental policy which has incorporated the 1% rent reduction on General Needs properties. The results include four months of trading of Gasway Services Limited from when they joined the Group on 9 December 2016.

## Financial performance

The Group surplus before tax for 2016/17 has increased by £4.3m to £31.7m. The financial statements continue to demonstrate strong performance. Some key facts are:

## Income

- » The majority of income comes from social housing lettings – 90.4% (2016 – 84.0%) and this income decreased from £106.8m to £106.5m, reflecting the decreased rent levels in General Needs properties. The remaining Social stock will join the 1% rent reduction next year in accordance with the approved rent policy and Government legislation.
- » The housing team maintained their strong performance on rent collection, ending the year with a rent arrears percentage of 2.9% (2016 2.5%). 2017-18 will be a more challenging year with the further roll out into more parts of our region of Universal Credit. The housing teams continue to engage with customers to educate and assist as their circumstances change.
- » As the Group has exited from the provision of Care and Support services (whilst continuing to own the properties,) the income streams from supporting people and related costs have stopped.

## Expenditure

Cost of sales have decreased 2017 – £4.2m (2016 – £7.8m.) Operating costs have decreased, 2017 – £63.0m (2016 – £68.9m.)

- » As there was a lower number of shared ownership sales, the associated costs of sales also reduced. 2017 – £1.6m; £2016 – 7.8m. Additional cost of sales have been booked relating the Gasway's activities from when they joined the Group.
- » The annualised efficiency savings programme has embedded in.
- » Routine maintenance, cyclical maintenance, planned maintenance and major works expenditure for the full year for our social properties increased to £35.9m from £32.4m (including the capital elements).
- » As a result the surplus generated from social housing lettings has increased by £3.2m to £49.1m.



# Strategic Report

## Balance sheet:

Housing properties are valued at £1,277.7m.

- » The properties are held at depreciated historical cost.
- » The gearing ratio (showing the level of indebtedness) has remained at 41.3% (2016: 41.3%).
- » The LGPS pension liability is £7.4m (2016 – £5.3m.) The increase is primarily due to a change in actuarial assumptions for the Norfolk Pension Scheme. This does not reflect the position of the Group's SHPS scheme. The estimated employers' buy out debt in the SHPS scheme is £50.2m (2016: £38.3m).

## Cash flow:

- » Operating activities generated cash of £80.1m.
- » Interest paid was consistent with the prior year at £25.0m (2016: £25.0m).
- » During the year £30.3m (2016: £22.4m) was spent on the improvement, construction and purchase of housing properties.
- » During the year £23.4m (2016: £7.9m) was spent on the purchase of investment property.
- » £15m EIB funding was received during the year.
- » Repayments of £4.6m were made on the syndicated loan and £2.5m on the RSL Finance No1 bond.

## Funding:

- » Gross loans outstanding at 31 March 2017 were £597.3m (2016: £589.4m). The average interest rate on these loans is 3.80% (2016: 3.90%).
- » Flagship has comfortably met the covenants required as a condition of the above funding.

The Business Plan confirms that these conditions will continue to be met.

## Key performance indicators

In addition to monitoring the key financial information, operating performance is reviewed monthly by the Executive Team and at all Group Board meetings to ensure we are achieving our objectives and strategies.

**Customer satisfaction has increased to 93%, from 90%.**

£80.1m

» Operating activities generated cash of £80.1m

£25.0m

» Interest paid was consistent with the prior year at £25.0m (2016: £25.0m)

£30.3m

» During the year £30.3m (2016: £22.4m) was spent on the improvement, construction and purchase of housing properties



# Strategic Report

Our core business is the provision of housing management and maintenance services to over 22,000 rented homes.

## Investment for the future

Our purpose is to provide homes for people in need across the east of England. Our core business is the provision of housing management and maintenance services to over 22,000 rented homes. We also have a new build development programme where we expect to handover circa 2000 new properties over the next five years to 31 March 2022.

By delivering services which are truly designed against customer needs we aim to provide a significantly better overall service.

Our relentless pursuit of continuous improvement and learning will differentiate us from our competitors and position us strongly for the future.

## Our strategic aims

- » Deliver outstanding customer service
- » Build more new homes
- » Grow profitable commercial activity
- » Increase return on assets
- » Drive continuous improvement
- » Maintain strong financial viability





# Strategic Report

## Sustainability

Over the past year, a team from across the business has undertaken a comprehensive review of our response to sustainability. The outcome of this work is a unique modelling tool developed to support decision-making and measure performance. Over the course of the following year a revised sustainability plan will be rolled-in across the organisation.

## Capital structure

Flagship Housing Group Limited is registered under the Co-operative and Community Benefit Societies Act 2014. It has issued share capital of £5. The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights. Further details of the group structure can be found in Note 13 to the financial statements.

## Treasury policy

Flagship Housing Group has adopted a group Treasury Policy that sets out the parameters and controls for treasury activities across the group. Properties are financed through loans from the debt and capital markets. The gross amount owed by Flagship Housing Group as at 31 March 2017 relating to these facilities was £597.3m (2016: £589.4m). Further details relating to these facilities can be found in note 19 to the financial statements.

Over the past year, a team from across the business has undertaken a comprehensive review of our response to sustainability.

# Strategic Report

We improve business efficiency through a culture of continuous improvement.

## Statement of compliance

In presenting the Strategic Report, the Board has endeavoured to follow the principles as set out in the Statement of Recommended Practice for accounting by Registered Providers.

## Value for Money (VfM) – 2016/17

Value for Money lies at the heart of our culture at Flagship. We see it as a vital part of doing the very best for our customers.

We define VfM as achieving the best possible results with the available resources; finding the right balance between cost, quality and effectiveness.

This Self-Assessment reviews our Value for Money (VfM) achievements during the past year and sets out challenging objectives for the future. Additional detail is provided in a report to be published in September 2017 at: [www.flagship-group.co.uk/our-finance](http://www.flagship-group.co.uk/our-finance)

We improve business efficiency through a culture of continuous improvement, which we call the Flagship Way. This has brought about transformational change in leadership, management and service delivery across the group. It means that all employees are engaged in the review and redesign of business processes and can challenge existing and traditional ways of working.

Through robust management we continue to outperform our business plan forecasts. This year we achieved a turnover of £119.6m, our operating margin increased by 4.2%, to 43.8%, and net profit before tax rose to £32m. And we retained our Moody's A1 credit rating – one of the very best for our sector.

We measure our performance against the previous year and benchmark ourselves against housing associations with between 15,000 and 30,000 homes.

## Highlights this year include:



**93% customer satisfaction**



**292 homes delivered**



**£10m target savings delivered**



**£35.9m repair and maintenance spend**



**99.1% rent collection**



**£52.4m operating surplus – with 44% margin**



**£54m gross investment in development and capital maintenance**



**A1 Moody's credit rating retained**





# Strategic Report

We have developed our strategy to support our growth ambitions.

## Strategy

Our aims are translated into goals over a rolling five-year plan with VfM running across all activities. We focus on five key areas: Customers, Growth, People, Systems and Finance.

Our purpose is providing homes for people in need, but in an ever-challenging operating environment this means finding different ways of working to finance new homes. By developing our partnerships with local authorities, investors and developers and building more homes for outright sale, market rent and shared ownership, we aim to generate the profit required to subsidise the supply of much-needed affordable homes.

We have increased the size of our new homes programme and aim to build 2000 by 2022. This includes more for outright sale – generating more cross subsidy for a greater proportion at affordable rent. We set clear investment hurdle rates for new projects to protect the long term viability of the business

and ensure we deliver the best results with the available resources.

We undertook sensitivity and stress testing scenarios aligned to our strategic risk map, which demonstrated that we have no short- to medium- term banking covenant pressures; we maintain a good cash position and have a robust business plan.

We bought a gas servicing company, Gasway (GSL), in December 2016 – in line with our strategy of increasing commercial activity to support the provision of more homes. GSL is a business with an excellent track record of growth in a market complementary to Flagship. In addition, by bringing gas servicing in-house we will achieve substantial cost savings and deliver better customer service.

Consolidating GSL into the Group has added £3.4m to the 2016/17 turnover figure. The business plan and five-year plan have now been updated to incorporate GSL.





# Strategic Report

## Customers

Deliver outstanding customer service

In April 2016, we started to launch new ways for customers to interact with our business. Using a multi-channel approach and a digital-by-choice ethos, we designed user options to respond to customer demand. In the last 11 months over 36,000 interactions have been made using these new options.

This table shows that satisfaction has improved with our repairs service, remained consistent for new homes and re-lets, but fallen for our ranger service. We redeployed our rangers to review the value of our cleaning services, therefore there was less capacity for proactive works.

Measure	2017 Actual	Comparison to:			
		2016 Actual	Peer group	2016 Actual	Peer group
Customer satisfaction with:					
Repairs	94%	91%	N/A	<div></div>	N/A
Rangers service	91%	95%	N/A	<div></div>	N/A
New homes	86%	86%	N/A	<div></div>	N/A
Re-lets	79%	79%	N/A	<div></div>	N/A

At the start of the financial year we restructured our call centre to better meet the demands of customers, in a more cost-effective way. We changed opening times and reduced staff hours, but now provide a more streamlined service and a better working rota for staff.

We use a colour coding system to highlight our VfM performance:

- Good
- Okay
- Requires improvement





# Strategic Report

## Customer Operations Group

We carry out several system reviews through the year - our internal process of looking at an area of the business to understand it better, see if it is working well, and if not recommend improvements. The Customer Operations Group gives its views on the scoping of system reviews that are relevant to customer service. These are considered on the first day of the review and can influence the review's objectives or focus.

We launched a customer involvement zone on our website called "The Platform" enabling customers to share their views on service-related topics that matter to them. Over 300 members have signed up and we have received more than 50% response rates to date.

During 2016/17 we have proactively invested £35.9m on improving the quality of our homes with £17.0m on responsive repairs and £18.9m on capital. This has included:



**961 kitchens**



**610 bathrooms**



**153 re-wires**



**432 consumer units**



**829 doors**



**143 sets of windows**



**163 pitched roofs**

Our rent collection has improved slightly at 99.1% and our arrears were 2.87% at year-end. We are working to improve this position and ran a successful arrears-reduction pilot earlier this year, which we are now rolling out.

Overall customer satisfaction improved compared to 2016/17. However, we are changing the way we collect, analyse and act on customer feedback. Our aim is to gather richer insight data to help us focus efforts on improving what matters to customers.

A new strategic milestone will be introduced, using the Net Promoter Score (NPS) methodology. This is widely used in the private sector, and gives a better understanding of the relationship between landlord and customer.



# Strategic Report

## Growth

We are aiming to achieve 2000 new homes by 2022 and are on course to meet this goal with 292 handovers completed in 2016/17, 273 in progress and an identified pipeline of 122. These have been funded without any additional debt.

Tenure	Handovers
Affordable rent	170
Market rent	122
Total	292

This year, we began building 27 homes for outright sale and affordable rent in Cambourne. We are already an established homebuilder in the town, having delivered more than 80 new homes there over the last three years, including 40 shared ownership.

This small-scale development takes Flagship one step further in achieving its purpose to deliver homes for people in need – at different points in the market. And it is the first development where sales have been secured off-plan.

Work also began during the year on a two-hectare development site in nearby Papworth Everard – to build 66 homes, including 9 affordable, and a brewhouse, bakery and community rooms for the Cambridge-based charity Allia.

During the year, we added to our market rent portfolio by purchasing 120 properties in Thetford – a mix of detached and semi-detached houses.

We continue to look at ways where we can grow profitable activity so that we can boost our capacity to deliver more homes. The acquisition of Gasway marks a new phase in our commercial growth and gives us an opportunity to widen our repairs and maintenance offering.

We are aiming to achieve 2000 new homes by 2022 and are on course to meet this goal.



# Strategic Report

The Group continues to invest in staff.  
Our employee satisfaction survey gave us an average rating of 70% as an employer.

## People

The Group continues to invest in staff. Our employee satisfaction survey gave us an average rating of 70% as an employer. We continue to look at ways of improving the working environment and this year we introduced agile working, a range of additional flexible benefits and staff awards.

We recognise that the success of our business depends on the quality of our staff. This year 39 managers have been on our Flagship Way leadership programme, which helps equip them with the skills and confidence to manage their teams and systems effectively.

We're passionate about growing our own talent - which is why we value our Apprenticeship Programme. We have already had eight young people successfully complete their courses, and 12 are currently working towards completion - nine in RFT and three in Central Services.

This year we also launched 'the Bright Futures Programme', a four-year earn-while-you-learn degree course - covering areas such as

housing, asset management, and development. The Programme brings together the next generation of housing staff with leaders and mentors from the industry, and a permanent job with the Group is guaranteed at the end.

## Finances

The net surplus before tax of £31.7m (26.4% margin) is another record figure for Flagship. It has been possible through a combination of sound commercial thinking, proactive treasury management, tight cost control and rigorous operational management. Results have been helped by the buoyant local housing market which led to favourable variances on the sale of shared-ownership and other properties, but the underlying operational performance is stronger than ever.

Net interest costs for the year were £23.9m: £1.1m better than budget and £0.2m lower than the previous year. We have taken advantage of the historically low base rates and fixed a further £83m of our syndicate loan for terms between 3 and 9 years at rates of 0.7-0.9%.

We drew down a £15m loan from the European Investment Bank (EIB) via The Housing Finance Corporation (THFC) - on a 30-year fixed rate basis at an all-in cost of 2.01%. We are talking to THFC about the possibility of further low-cost EIB finance.

To maintain flexibility, we have a £50m revolving credit facility available. Apart from this, our loan facilities are fully drawn and currently stand at £597.3m, of which £132.5m (22%) is at variable rates. All loan covenants are comfortably met and the end-of-year bank balance was £74m, with liquid funds totalling £76m.





# Strategic Report

## Systems

Our highest value assets are the properties we own. We ensure that we understand our assets to manage them as effectively as possible and to make informed decisions on where, when and how we invest in property maintenance.

The capital expenditure programme for the year is summarised below:

Description	£m
Development of homes (Include £15m WIP at Year End)	36.4
Property component replacements	17.0
Re-modelling	0.3
Total	53.7

Our asset performance evaluation (APE) tool helps us drive a robust asset appraisal programme.

This year the property review showed:

- » The 30-year net present value (NPV) of the income and expenditure of our tenanted housing stock stands at £430m - an average of £21,352 per property, but with a range across the stock. The position is healthy and above average for the sector.
- » 66% of our assets perform well and exceed our targets; 32% perform acceptably; 3% are poor performers. We are carrying out options appraisals for this 3%.
- » Those properties with the highest capital expenditure requirements (approximately 130 homes) are also going through an options appraisal process.
- » We are also using electronic mapping to identify regeneration and land opportunities.

We will continue to build a robust asset database and will start a programme of remodelling, renewal, replacement and infill development, and partnering.

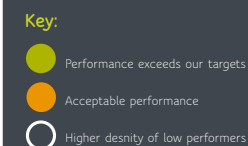
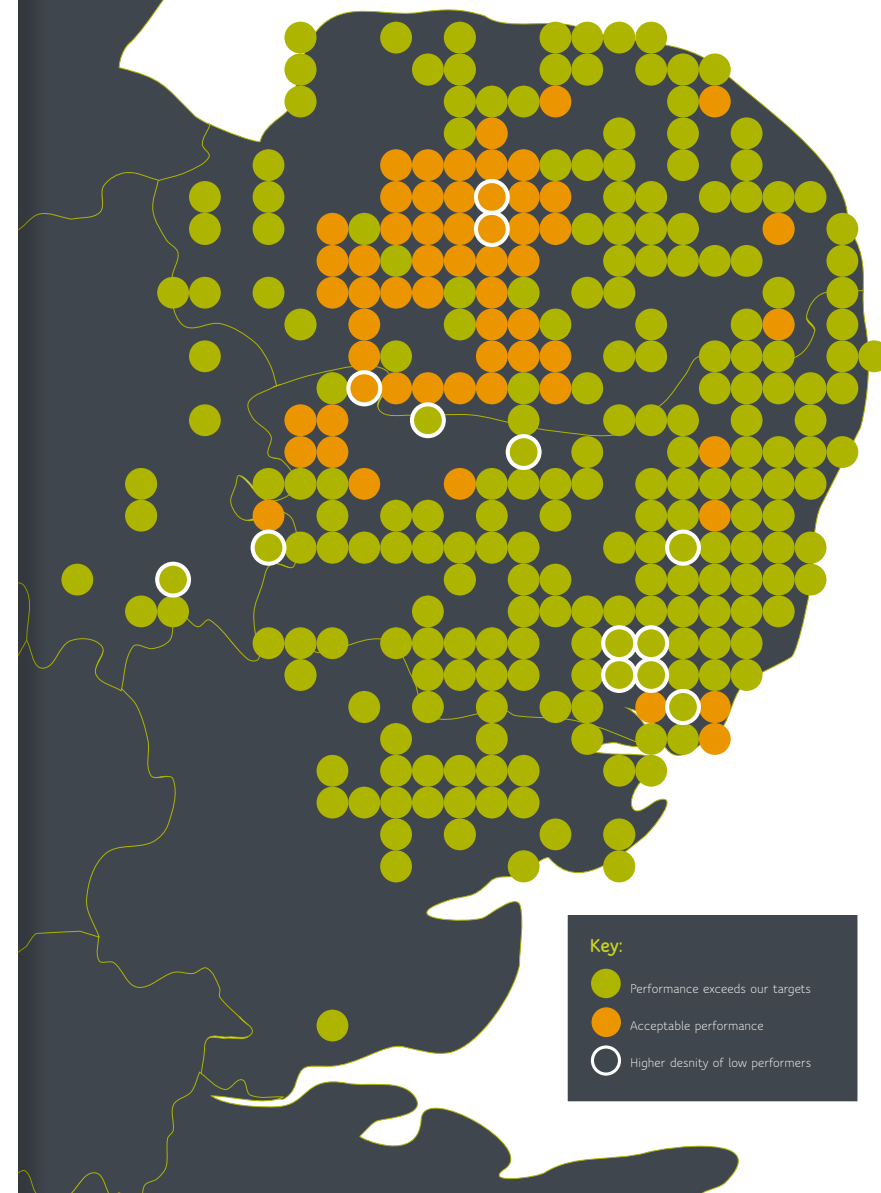
The quality of void management is important to us, not only to ensure the satisfaction of new tenants but also to protect the value of our homes. Our satisfaction with re-lets averaged 79%.

Void loss was better than budget and broadly in line with the previous year at 0.8%. The average number of voids was marginally higher than in the previous year but turnaround times were slightly better - due primarily to more tenancy terminations and a number of more specialist properties proving difficult to let.

A new process has been implemented across Housing and Asset Management to more effectively manage difficult-to-let voids and consider their strategic future.

Our 0.8% void loss compares extremely well with the sector average of more than 1.45%.

30 year net present value  
of our asset groups:





# Strategic Report

Whilst responsive maintenance was broadly on budget (after embedding more than £5.5m of savings), the total maintenance spend including capital component work (£36m) was just £2m below budget due to underspend on capital component replacements.

Measure	2017 Actual	Comparison to			
		2016 Actual	Peer group	2016 Actual	Peer group
Capital maintenance cost per property	£754	£457	£665	<div></div>	<div></div>
Responsive, cyclical and void cost per property	£839	£993	£739	<div></div>	<div></div>

Both the measures for maintenance cost per property are shown as performing poorly compared to peers, however we are pleased with the increased investment in our properties which should reduce longer term costs.

RFT Services has made further VfM progress on maintaining our properties and communal areas by bringing cleaning and grounds maintenance in-house - making these services more efficient and resolving long-standing contractor issues.

We are using measures to better understand what is required to deliver outstanding services that offer excellent value for money. We are still in the early stages, but expected savings are

£4,000 for cleaning and £40,000 for grounds maintenance - achieved alongside service improvements.

RFT Services was awarded BS EN ISO 14001:2015 and BS EN ISO 9001:2015 for its Quality Management and Environmental Systems - international standards that demonstrate commitment to quality services and reducing environmental impact while driving down costs, improving productivity and boosting customer satisfaction.

RFT was also awarded the OHSAS 18001 for its Health & Safety Management System.



# Strategic Report

## Understanding our performance

We regularly check and challenge our VfM performance - benchmarking against our peer group and monitoring key financial measures - to highlight which areas need the biggest improvement.

Our peer group includes similarly-sized housing associations and we calculate their average results from data in their latest audited financial statements.

This year the measures used for comparison include those from the sector scorecard developed by the Efficiencies Working Group.

Absolute and comparative costs	2017 Actual	2016 Actual	Peer group	2016 Actual	Peer group
Housing stock	22,521	22,323	N/A		N/A
Management cost per unit - Social Housing	£ 718	£ 850	£ 1,059		
Maintenance cost per unit charged to I&E - Social Housing	£ 820	£ 1,028	£ 1,037		
Total maintenance cost per unit	£ 1,593	£ 1,451	£ 1,404		
Operating margin	43.8%	39.6%	26.8%		
Net margin	26.4%	21.5%	19.6%		
Return on public capital invested (RPCI)	16.1%	13.8%	N/A		N/A
Rent collection	99.1%	99.0%	N/A		N/A
Current arrears	2.9%	2.5%	3.7%		
Void loss	0.8%	0.8%	2.9%		
Relet days	46.3	40.0	N/A		N/A
Average cost of funding	3.8%	3.9%	4.9%		
EBITDA MRI (interest cover)	219%	217%	159%		
Cash generated per unit managed	£ 3,569	£ 2,650	£ 2,344		
Debt per unit	£ 27,248	£ 27,134	£ 23,556		
Gearing (debt to cost of assets)	41.3%	41.3%	42.8%		
Units developed	292	243	N/A		N/A
£s invested for every £ generated	0.64	0.59	0.72		
Return on capital employed (ROCE)	3.7%	3.6%	4.1%		
Ratio of responsive repairs to planned maintenance	1.1	1.8	1.3		





# Strategic Report

## VfM savings



## Social value

Over the course of 2016-17, we continued to develop our knowledge around the key areas that can have a real impact on customers, informed by both research and evaluation of existing and piloted services.

For example, in partnership with several local companies, we launched a new pilot project which saw free wi-fi and technology upgrades installed in a number of our flats.

The project in its entirety is a first for the region and the housing sector, and is aimed at improving communication with customers, while reducing costs for them and Flagship.

The trial is helping us understand how smart technology and the Internet of Things (the connection of everyday objects to the internet, allowing them to send and receive data) can help improve:

- » The management of Flagship's homes
- » Everyday life for customers
- » Staff access to a reliable, secure internet connection whilst working remotely.

We also invested in the installation of a communal ground source heat pump to a number of our properties to improve the quality and affordability of customer heating systems and living conditions.

These replaced electric economy 7 storage heaters which were inefficient and expensive to run. The new system, which draws energy from the earth, will not only cut people's energy bills by two thirds, but it also results in zero carbon emissions.

Over the next year, we are formalising our approach to Corporate Social Responsibility (CSR) – based on concepts such as sustainable investment, community benefit, ethical foundations, wellbeing, and transparency. This will help us understand how we are meeting the Social Value Act.



# Strategic Report

## VfM our 2016/17 plans and how we did

Deliver additional £2m annualised efficiency savings (£10m in total)	<div><div></div></div>
Achieve 44% operating margin	<div><div></div></div>
Invest £17m in improving our existing homes	<div><div></div></div>
Maintain arrears levels below 3% – despite universal credit roll-out	<div><div></div></div>
Improve re-let customer satisfaction	<div><div></div></div>
Improve our void re-let times	<div><div></div></div>
Deliver 119 new homes	<div><div></div></div>
Improve our digital offering for customers	<div><div></div></div>
Achieve 90% customer satisfaction	<div><div></div></div>

Strategic Report for the Year Ended 31 March 2017

## VfM our 2017/18 objectives

- » Achieve operating profit £53.7m
- » Deliver 296 new homes
- » Achieve staff satisfaction of 7.5
- » Achieve a Net Promoter Score of +18
- » Embed £2m savings; plus £1m additional savings on materials and vehicle fleet
- » Invest in improving our homes = £18.6m responsive and £19.8m capital / remodelling
- » Maintain arrears levels below 3.0%
- » Improve re-let customer satisfaction
- » Improve void re-let times
- » Improve digital offering

By order of the Board

E Marcus  
Company Secretary  
27 July 2017



# Report of the Board

for the year ended 31 March 2017





# Report of the Board

The Board of Management (the Board) presents its report and audited financial statements for the year ended 31 March 2017.

## Statement of board's responsibilities

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

The Co-operative and Community Benefit Societies Act 2014 requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and the Group and of the surplus or deficit for that period. In

preparing these financial statements, the Board is required to select appropriate accounting policies and then apply them consistently; make judgements and estimates which are reasonable and prudent; state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures being disclosed and explained in the financial statements, and prepare them on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board is responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time

the financial position of the Group and enable it to ensure that the 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. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

# Report of the Board

## Disclosure of information to the auditor

The members of the Board who held office at the date of approval of this Board's report confirm that, so far as they are each aware, there is no relevant audit information of which Flagship's auditor is unaware; and each member of the Board has taken all the steps that they ought to have taken as a member of the Board to make themselves aware of any relevant audit information and to establish that Flagship's auditor is aware of that information.

## Group structure

The trading companies of the Group for the year comprise:

- » Flagship Housing Group Limited;
- » Flagship Housing Developments Limited;
- » RFT Repairs Limited;
- » Gasway Services Limited.

## Community initiatives and charitable donations

During the year the Group spent £455 (2016: £25,195) on community initiatives. No charitable donations were made (2016: nil).



Flagship  
Group

Flagship  
Homes

RFT  
Services

GASWAY

# Report of the Board

## The board of management and executive team

The Board and Executive Team who served Flagship during the year are detailed on page 3 of the financial statements. Each Director of the Board holds one fully paid share of £1 in the Company, with the exception of the Chief Executive, the Chief Operating Officer and the Chief Financial Officer.

The composition of the full Board (with no vacancies) is:

	To 2 October 2016	From 3 October 2016
Non-Executive Directors	4	5
Executive Directors	3	3
	7	8

Flagship has purchased Directors' and Officers' Liability Insurance for the Non-Executive Directors, Executive Directors and staff of the Company.

## Recruitment and selection procedures for Non-Executive Directors

The Board has an open recruitment and selection policy for Non-Executive Directors (NEDs). In the event of a vacancy, advertisements are placed in regional business websites, the local and, where appropriate, specialist press seeking candidates with expertise in the areas where the Board has identified it is least well served, ensuring that all relevantly experienced applicants have an equal opportunity to apply. A copy of the recruitment and selection policy is available on request from the Director (Legal).

All new NEDs are provided with induction training and are required to abide by a formal Code of Conduct setting out their obligations and commitment to the Group.

NEDs serve a maximum term of 6 years (plus a further year in exceptional circumstances) with transitional arrangements in place for existing NEDs who were in post at 1 April 2012.

## National Housing Federation (NHF) Code of Governance

The Board has adopted the NHF Code of Governance 2015 and complies with all aspects of the Code.

# Report of the Board

## Chair's and Non-Executive Directors' remuneration

Flagship remunerates its Chair and other Non-Executive Directors (the Executive Directors do not receive any additional remuneration for serving on the Board). The remuneration is in recognition of the commitment required for these crucial and demanding governance roles. Payments in the year ended 31 March 2017 are summarised as follows:

Board member	Board role	Emoluments - 2017
		£
P Lakey	Chair	24,087
P Remington	Committee Chair / Senior Independent Director	12,300
K Laud	Non-Executive Director	12,300
R Bennett	Committee Chair / Non-Executive Director	12,300
P Hawes	Non-Executive Director	6,150
C Waller (to 30 April 2016)	Co-optee	850
P Cook (to 30 April 2016)	Co-optee	250

## Executive Directors' remuneration

The Board has noted the content of the Combined Code on Directors' Remuneration. Although it does not apply to housing associations, the Board is committed to acting in an open and accountable manner.

Flagship's policy with regard to the remuneration of the Executive Team reflects that applicable to the remuneration of our entire staff. Flagship seeks to provide remuneration packages that will attract, retain and motivate officers and staff of the quality required, but seeks to avoid paying more than is necessary. External professional advice is sought as necessary to ensure that regard is taken of remuneration levels in similar housing associations and in the locality. All of the Executive Team are employed on contracts with a maximum notice period of six months.

Summary information of the remuneration of Non-Executive Directors and Executive Team is provided in note 29 to the financial statements.



# Report of the Board

## Employees

Employee information is set out in note 30 to the financial statements. Flagship ensures that sufficient staff with appropriate skills are employed and that effective employment policies are in place and good practice is followed.

Flagship involves all our employees in matters affecting their functions. At a formal level this takes place through the Joint Negotiating and Consultation Committee where management consult with elected staff representatives. At an operational level Flagship relies on regular team meetings and 'one to ones' with individuals.

## Equality and diversity

As a housing provider Flagship understands that it has legal and social responsibilities to ensure that: all customers and employees have equal opportunities; unlawful discrimination is eliminated; good relationships between different people are actively promoted.

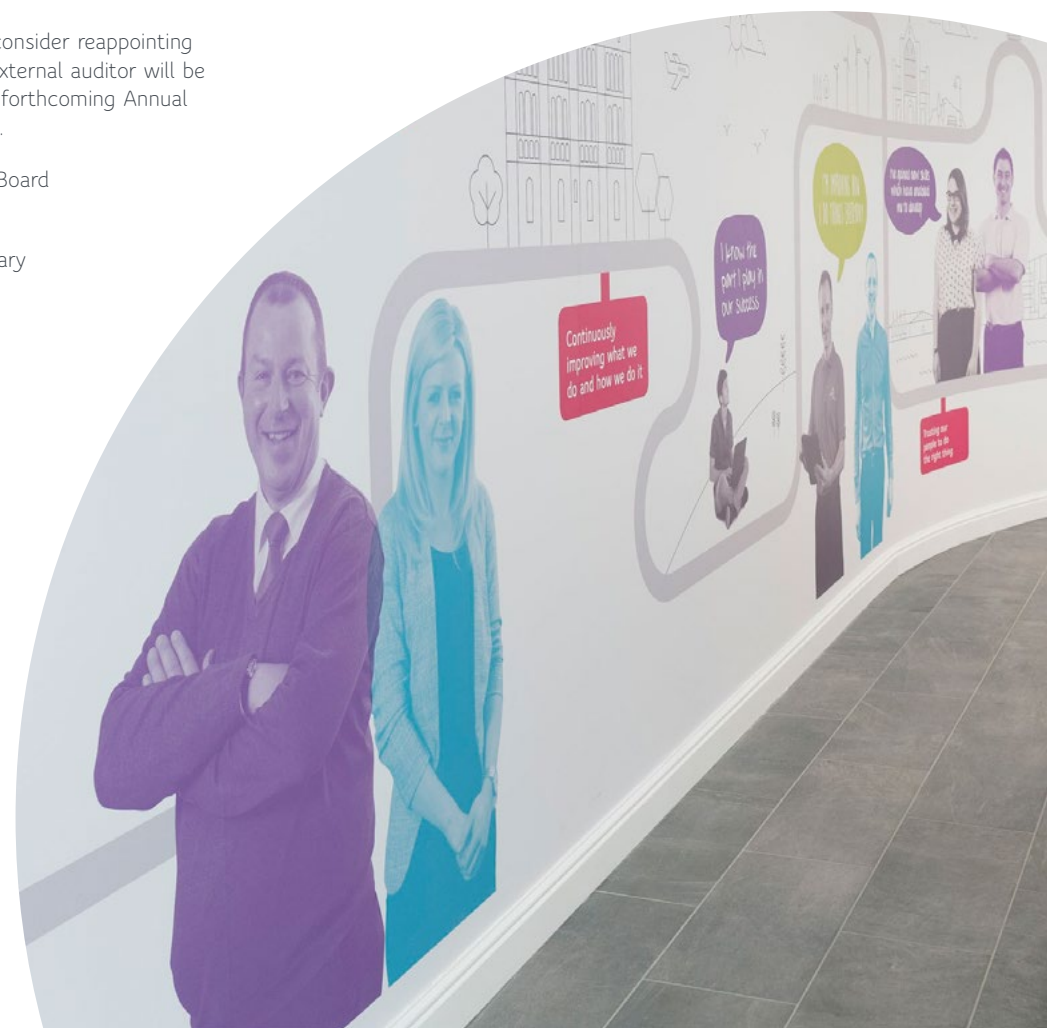
This means Flagship takes steps to ensure that no individual or group of people is treated less favourably because of their: age, disability, gender, gender identity, ethnicity, nationality, religion, faith or belief, sexuality, or any other reason that cannot be justified.

## Auditor

A resolution to consider reappointing Mazars LLP as external auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board

**E Marcus**  
Company Secretary  
27 July 2017





# Report of the Board

## on Corporate Governance and Internal Financial Control

Ensuring that Flagship has in place a system of controls that is appropriate to the various environments in which it operates.

The Board has overall responsibility to the Group and Company for all aspects of the business. This includes ensuring that Flagship has in place a system of controls that is appropriate to the various environments in which it operates. Each member of the Board is responsible as a trustee and has a fiduciary responsibility to the Company's membership. As appropriate for the effective and efficient running of the business, the Board has delegated to the Committees listed to the right, responsibility for specific areas of operation. The schemes of delegation are clearly defined and are reviewed regularly to ensure that they continue to be appropriate in the light of operational experience.

Set out below is the framework of corporate governance and a description of the system of internal control adopted by Flagship.

### Committee structure

The composition of the Committees is summarised below:

Audit and Risk Committee	Three Non-Executive Directors
Remuneration Committee	Four Non-Executive Directors (to 2 October 2016) Five Non-Executive Directors (from 3 October 2016)

### Executive team

Members of the executive team are all full-time employees. They are responsible for the operational management of Flagship and for ensuring that the policies determined by the Board are properly implemented. The composition of the team is:

To 30 September 2016	
Chief Executive	David McQuade
Deputy Chief Executive	Helen Walsham
Executive Director - Finance	David Armstrong
Chief Executive (RFT)	Emma King
Executive Director - Governance & Communications	Rod Ayden
From 1 October 2016:	
Chief Executive	David McQuade
Chief Operating Officer	Helen Walsham
Chief Financial Officer	David Armstrong



# Report of the Board

## on Corporate Governance and Internal Financial Control

### Full compliance statement on internal control

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The Board's responsibility applies for all organisations within the Flagship Group.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which Flagship is exposed.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, is detailed below.

### Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the activities. This process is co-ordinated through a regular reporting framework by the Operations Board.

The Operations Board regularly considers reports on significant risks facing Flagship and is responsible for reporting to the Board any significant changes affecting key risks. The Board reviews the Strategic Risk Map at each of its meetings. The Assurance Map is reviewed by the Audit & Risk Committee at each of the regular meetings.





# Report of the Board

## on Corporate Governance and Internal Financial Control

### Monitoring and corrective action

A process of management control, self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a potentially material impact on the financial statements.

### Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategy, finance and compliance, including treasury management and new investment projects. The Board has adopted the National Housing Federation Code of Governance 2015. This sets out Flagship's policies with regard to the quality, integrity and ethics of Board Directors and employees. It is supported by a framework of policies and procedures with which Board, Directors and employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

### Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years which are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

The internal control framework and the risk management process are subject to regular review by the Internal Auditors who are responsible for providing independent assurance to the Board via the Audit & Risk Committee, which acts under delegated authority from the Board. The Audit & Risk Committee considers internal control and risk at each of its meetings during the year.

A process of management control, self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board.





# Report of the Board

## on Corporate Governance and Internal Financial Control

### Anti-fraud and bribery policy

The Group has a zero-tolerance approach to fraud and bribery. Action is taken to limit the risk through the system of internal control. An anti-fraud and bribery policy and response plan is incorporated in the risk management framework. Regular reviews are undertaken to ensure they remain adequate.

### The Governance and Financial Viability Standard

We certify that Flagship Housing Group has complied with the requirements of the HCA Governance and Financial Viability Standard.

### Statement

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

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

By Order of the Board

**E Marcus**  
Company Secretary  
27 July 2017



# Independent Auditor's Report

to the Members of Flagship  
Housing Group Limited





# Independent Auditor's Report

to the Members of Flagship Housing Group Limited

We have audited the financial statements of Flagship Housing Group Limited for the year ended 31 March 2017 which comprise the Group and Company Statements of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Cash Flow Statement, the Group and Company Statements of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

## Respective responsibilities of the Board of Management and auditors

As explained more fully in the Statement of Board's Responsibilities set out on page 26, the Board is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to Company members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2

of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to Company members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and Company members as a body for our audit work, for this report, or for the opinions we have formed.

## Scope of the audit of the financial statements

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





# Independent Auditor's Report

to the Members of Flagship Housing Group Limited

## Opinion on financial statements

In our opinion the financial statements;

- » give a true and fair view of the state of the Group and Company affairs as at 31 March 2017 and of the Group and Company surplus for the year then ended;
- » have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- » have been prepared in accordance with the requirements of 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.

## Matters on which we are required to report by exception

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

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

**Mazars LLP, Chartered  
Accountants and Statutory Auditor**

45 Church Street  
Birmingham, B3 2RT

16 August 2017



# Statement of Comprehensive Income

for the year ended  
31 March  
2017

	Notes	Group 2017	Group 2016	Company 2017	Company 2016
		£'000	£'000	£'000	£'000
<b>Turnover</b>	2	<b>119,574</b>	127,060	<b>117,841</b>	128,856
Cost of sales	2	(4,177)	(7,841)	(1,610)	(7,841)
Operating costs	2	(62,973)	(68,942)	(64,582)	(72,047)
<b>Operating surplus</b>	2	<b>52,424</b>	50,277	<b>51,649</b>	48,968
Gain on disposal of property, plant and equipment	4	1,928	1,176	1,928	1,176
Interest receivable and similar income		1,031	915	2,398	2,224
Interest and financing costs	5	(24,956)	(25,041)	(24,952)	(25,041)
Surplus on revaluation of investment properties	10	1,293	33	1,293	33
<b>Surplus for the year before taxation</b>		<b>31,720</b>	27,360	<b>32,316</b>	27,360
Taxation	6	(246)	(17)	-	-
<b>Surplus for the year</b>	7	<b>31,474</b>	27,343	<b>32,316</b>	27,360
Actuarial gain / (loss) in respect of pension schemes		(2,531)	1,476	(2,531)	1,476
<b>Total comprehensive income for the year</b>		<b>28,943</b>	28,819	<b>29,785</b>	28,836

All amounts relate to continuing activities.

Notes on pages 44 to 104 form part of the financial statements.



# Statement of Financial Position

as at 31 March 2017

	Notes	Group 2017	Group 2016	Company 2017	Company 2016
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	8	5,734	690	810	690
Housing properties	9	1,277,725	1,272,397	1,280,355	1,275,027
Investment properties	10	62,395	37,697	62,727	38,029
Other property, plant & equipment	11	6,184	6,365	4,862	4,121
Investments - Homebuy	12	38	38	38	38
Investments - Other	13	12,236	12,236	33,187	22,336
<b>Total</b>		<b>1,364,312</b>	<b>1,329,423</b>	<b>1,381,979</b>	<b>1,340,241</b>
<b>Current assets</b>					
Inventories	14	6,250	6,925	906	1,624
Debtors due within one year	15	14,596	12,517	8,852	8,114
Current asset investments	16	30,450	40,312	30,450	40,312
Cash at bank and in hand		43,589	32,013	31,963	29,061
<b>Total Current Assets</b>		<b>94,885</b>	<b>91,767</b>	<b>72,171</b>	<b>79,111</b>
<b>Creditors</b>					
Amounts falling due within one year	17	(41,811)	(38,529)	(33,535)	(34,038)
<b>Net current assets</b>		<b>53,074</b>	<b>53,238</b>	<b>38,636</b>	<b>45,073</b>
<b>Total assets less current liabilities</b>		<b>1,417,386</b>	<b>1,382,661</b>	<b>1,420,615</b>	<b>1,385,314</b>

These financial statements were approved by the Board of Management on 27 July 2017 and were signed on its behalf by:

P Lakey **Chair**

R Bennett **Board Member**

D Armstrong **Executive Director - Finance**



# Statement of Financial Position

as at 31 March  
2017

	Notes	Group 2017	Group 2016	Company 2017	Company 2016
		£'000	£'000	£'000	£'000
<b>Financed by:</b>					
<b>Creditors</b>					
Amounts falling due after one year	18	<b>806,536</b>	802,919	<b>806,356</b>	802,919
<b>Provisions for liabilities</b>					
Pension liability	28	<b>7,369</b>	5,290	<b>7,369</b>	5,290
Deferred taxation	24	<b>86</b>	-	-	-
<b>Capital and reserves</b>					
Share capital	25	-	-	-	-
Revenue reserves		<b>189,347</b>	156,904	<b>192,842</b>	159,557
Revaluation reserves		<b>414,048</b>	417,548	<b>414,048</b>	417,548
		<b>1,417,386</b>	1,382,661	<b>1,420,615</b>	1,385,314

These financial statements were approved by  
the Board of Management on 27 July 2017  
and were signed on its behalf by:

P Lakey **Chair**

R Bennett **Board Member**

D Armstrong **Executive Director - Finance**



# Statement of Changes in Reserves

as at 31 March  
2017

Group	Revenue reserve	Revaluation reserve	Total
	£'000	£'000	£'000
<b>At 1 April 2015</b>	124,572	421,061	545,633
Surplus from statement of comprehensive income	28,819	-	28,819
Transfer from revaluation reserve to revenue reserve	3,513	(3,513)	-
<b>At 31 March 2016</b>	156,904	417,548	574,452
Surplus from statement of comprehensive income	28,943	-	28,943
Transfer from revaluation reserve to revenue reserve	3,500	(3,500)	-
<b>At 31 March 2017</b>	189,347	414,048	603,395

Company	Revenue reserve	Revaluation reserve	Total
	£'000	£'000	£'000
<b>At 1 April 2015</b>	127,208	421,061	548,269
Surplus from statement of comprehensive income	28,836	-	28,836
Transfer from revaluation reserve revenue reserve	3,513	(3,513)	-
<b>At 31 March 2016</b>	159,557	417,548	577,105
Surplus from statement of comprehensive income	29,785	-	29,785
Transfer from revaluation reserve to revenue reserve	3,500	(3,500)	-
<b>At 31 March 2017</b>	192,842	414,048	606,890



# Statement of Cash Flow

for the year ended  
31 March  
2017

	Notes	Group 2017	Group 2016	Company 2017	Company 2016
		£'000	£'000	£'000	£'000
<b>Net cash generated from operating activities</b>	32	<b>80,062</b>	59,182	<b>76,608</b>	61,544
<b>Cash flows from investing activities</b>					
Purchase of intangible assets		(4,948)	(497)	(532)	(497)
Purchase of housing properties		(30,260)	(22,449)	(30,202)	(21,577)
Purchase of other fixed assets		(1,893)	(546)	(1,893)	(546)
Purchase of investment property		(23,405)	(7,949)	(23,405)	(7,949)
Proceeds from sale of property, plant and equipment		8,286	7,757	8,175	7,641
Investment in subsidiary		-	-	(10,657)	(5,000)
Interest received		1,420	915	2,787	2,224
<b>Net cash flows from investing activities</b>		<b>(50,800)</b>	(22,769)	<b>(55,727)</b>	(25,704)
<b>Cash flows from financing activities</b>					
Interest paid		(23,769)	(23,821)	(23,728)	(23,821)
Interest element of finance lease rental payments		(1,224)	(1,220)	(1,224)	(1,220)
New loan received		15,000	-	15,000	-
Repayments of borrowings		(7,488)	(2,463)	(7,145)	(2,463)
Capital element of finance lease rental payments		(982)	(969)	(882)	(969)
Cash acquired with subsidiary		777	-	-	-
<b>Net cash flows from financing activities</b>		<b>(17,686)</b>	(28,473)	<b>(17,979)</b>	(28,473)
<b>Net increase in cash and cash equivalents</b>		<b>11,576</b>	7,940	<b>2,902</b>	7,367
Cash and cash equivalents at beginning of year		32,013	24,073	29,061	21,694
<b>Cash and cash equivalents at end of year</b>		<b>43,589</b>	<b>32,013</b>	<b>31,963</b>	<b>29,061</b>

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# Notes to the Financial Statements







# Notes to the Financial Statements

## 1. Principal accounting policies

Flagship Housing Group Limited is a Registered Provider (RP) incorporated under the Co-operative and Community Benefit Societies Act 2014 and registered with the Homes and Communities Agency as an RP as defined by the Homes and Communities Act 2008.

### Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council and the Accounting Direction for Private Registered Providers of Social Housing 2015. The financial statements have also been prepared in compliance with the Statement of Recommended Practice for registered social housing providers 2014 (SORP) and the Housing and Regeneration Act 2008. Flagship Housing Group Limited is a public benefit entity, and applies the relevant paragraphs prefixed "PBE" in FRS 102.

The financial statements are prepared on the historical cost basis of accounting.

### Statement of compliance

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- » Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been made of the group as a whole.
- » No disclosure has been given for the aggregate remuneration of the key personnel of the parent company as their remuneration is included in the totals for the group as a whole.

### Basis of consolidation

The consolidated financial statements incorporate the results of Flagship Housing

Group Limited and all of its subsidiary undertakings as at 31 March 2017 using the acquisition method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition, being the date the Group obtains control.

### Going concern

The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government's announcements in July 2015 impacting on the future income of the Group led to a reassessment of the Group's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

# Notes to the Financial Statements

## Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

### » Development expenditure.

The Group capitalises development expenditure in accordance with the accounting policy described on page 49. Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely

to cease, management monitors the development and considers if changes have occurred that result in impairment.

### » Categorisation of housing properties.

The Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that market rented property and student accommodation are investment properties.

### » Impairment.

The Group has identified a cash generating unit for impairment assessment purposes at a property scheme level.

Other key sources of estimation and assumptions:

### » Tangible fixed assets.

Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values,

where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

### » Revaluation of investment properties.

The Group carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Group engaged independent valuation specialists to determine fair value at 31 March 2016 and 31 March 2017. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long-term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 10.



# Notes to the Financial Statements

## » Pension and other post-employment benefits.

The cost of defined benefit pension plans and other postemployment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the

respective sector. Further details are given in note 28.

## » Impairment of non-financial assets.

Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

» During the year the government announced a change in rent policy which resulted in a material impact on the net income expected to be collected in the future for housing properties and the Group have assessed that this represents a trigger for impairment review.

» Following a trigger for impairment, the Group perform impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation

is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Group as the existing property. The cash flows are derived from the business plan for the next 40 years and do not include restructuring activities that the Group is not yet permitted to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

» Following the assessment of impairment, no impairment losses were identified in the reporting period.



# Notes to the Financial Statements

## Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and the Homes and Communities Agency, income from the sale of shared ownership and other properties developed for outright sale.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements.

Sales of properties developed for outright sale are included in Turnover and Cost of Sales.

## Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the Turnover as per note 2. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

## Service charges

Service charge income and costs are recognised on an accruals basis. The Group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position. Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

## Loan interest costs

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

# Notes to the Financial Statements

## Loan finance issue costs

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised.

Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

## Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- » The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of

deferred tax liabilities or other future taxable profits,

- » Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met, and
- » Where timing differences relate to interests in subsidiaries, associates and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

## Value Added Tax

The Group charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Group and not recoverable.

## Intangible assets

Intangible assets are stated at historic cost or valuation, less accumulated amortisation and any provision for impairment. Amortisation is provided on all Intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

**Computer software – 33%**

# Notes to the Financial Statements

## Housing properties

Tangible fixed assets are stated at cost, less accumulated depreciation. Donated land/ assets or assets acquired at below market value from a government source, i.e. local authority, are included as a liability in the Statement of Financial Position at the fair value less consideration paid.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELS), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Group depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELS for identified components are as follows:

Structure	1.0%
Kitchen	5.0%
Bathrooms	3.3%
Boilers	10.0%
Heating system (exc boiler)	3.3%
Windows & doors	3.3%
Lifts	2.5%
Roofs	1.4% to 5.0%

The Group depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the

unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

Leasehold/Freehold Office buildings	4%
Computer equipment	33%
Leased assets	Over the life of the lease
Furniture, fixtures & fittings	10 - 20%
Owned vehicles	25%



# Notes to the Financial Statements

## Low cost home ownership properties

The costs of low cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

## Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

## Property managed by agents

Where the Group carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income.

Where the agency carries the majority of the financial risk, income includes only that which relates solely to the Group.

In both cases, the assets and associated liabilities are included in the Group's Statement of Financial Position.

## Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Statement of Comprehensive Income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.





# Notes to the Financial Statements

## Investment property

Investment property includes commercial and other properties not held for the social benefit of the Group. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive income.

## HomeBuy

The Group operates this scheme by lending a percentage of the cost to home purchasers, secured on the property. The loans are interest free and repayable only on the sale of the

property. On a sale, the fixed percentage of the proceeds is repaid. The loans are financed by an equal amount of SHG. On redemption:

- » The SHG is recycled
- » The SHG is written off, if a loss occurs
- » The Group keeps any surplus.

Homebuy loans are treated as concessionary loans and are initially recognised at the amount paid to the purchaser and reviewed annually for impairment. The associated Homebuy grant from the HCA is recognised as deferred income until the loan is redeemed.

## Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, which have been classified as fixed asset investments as the Group intends to hold them on a continuing basis, are re-measured to market

value at each balance sheet date. Gains and losses on re-measurement are recognised in the Statement of Comprehensive Income.

Investments in listed company shares, which have been classified as current asset investments, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in the statement of Comprehensive Income.



# Notes to the Financial Statements

## Current asset investments

Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the Statement of Comprehensive Income.

## Stock and properties held for sale

Stock of materials are stated at the lower cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

Properties developed for outright sale are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell.

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of Comprehensive Income.

## Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

## Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

## Social Housing and other government grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received for items of cost written off in the Statement of Comprehensive Income is included as part of Turnover.

When Social Housing Grant (SHG) in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Group under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency and Greater London Authority. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.



# Notes to the Financial Statements

## Non-monetary government grant

On disposal of assets for which non-monetary government grants are held as liabilities in the Statement of Financial Position, the unamortised amount in creditors is derecognised and recognised as income in the Statement of Comprehensive Income.

## Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

## Disposal Proceeds Fund (DPF)

Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF, this creditor is carried forward until it is used to fund the acquisition of new social housing.

## Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

## Agreements to improve existing properties

Where the Group has entered into agreements to purchase property from a third party and subsequently enters into a sub-contracting agreement to carry out improvement works to the properties, the related assets and liabilities are shown at gross values unless the right of net settlement exists.

## Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Group has a participating interest.

Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the Group's financial statements calculated by the repayments known, discounted to the net present value at the year ended using a market rate discount factor of 3.02% at 31 March 2014, 1.92% at 31 March 2015, 2.06% at 31 March 2016 and 1.33 at 31 March 2017. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period incurred.

# Notes to the Financial Statements

## Revaluation reserve

The revaluation reserve represents the difference on transition between the fair value of social housing properties and other assets and the historical cost carrying value, where deemed cost transitional relief was taken.

## Financial Instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through the Statement of Comprehensive Income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Financial instruments held by the Group are classified as follows:

- » Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method.
- » Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method.
- » Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method.
- » Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment.
- » An investment in another entity's equity instruments other than non-convertible preference shares and nonputtable ordinary and preference shares are held at fair value.
- » Derivatives such as interest rate swaps are classified as financial assets or financial liabilities at fair value.

Financial assets and financial liabilities at fair value are classified using the following fair value hierarchy:

- a. The best evidence of fair value is a quoted price in an active market.
- b. When quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted to reflect any circumstances specific to the sale, such as a distress sale, if appropriate.
- c. Where there is no active market or recent transactions then a valuation technique is used to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.



# Notes to the Financial Statements

## Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

The following financial instruments are assessed individually for impairment:

- a. All equity instruments regardless of significance; and
- b. Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:

- a. For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
- b. For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring

after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in the Statement of Comprehensive Income immediately.



## 2. Turnover, Operating Costs and Operating Surplus

– Group

Group 2017	Notes	Turnover	Cost of sales	Operating costs	Operating surplus
		£'000	£'000	£'000	£'000
Social housing lettings	3(a)	106,507	-	(57,427)	49,080
Other social housing activities:					
Supporting People Block Subsidy contracts		143	-	(133)	10
Shared ownership property first tranche sales		2,278	(1,610)	-	668
Other		160	-	(37)	123
Non-social housing activities	3(c)				
Lettings		5,124	-	(3,758)	1,366
Gas servicing		3,402	(2,567)	(873)	(38)
Other		1,960	-	(745)	1,215
<b>Total</b>		<b>119,574</b>	<b>(4,177)</b>	<b>(62,973)</b>	<b>52,424</b>

Group 2016	Notes	Turnover	Cost of sales	Operating costs	Operating surplus
		£'000	£'000	£'000	£'000
Social housing lettings	3(a)	106,800	-	(60,949)	45,851
Other social housing activities:					
Supporting People Block Gross contracts		1,168	-	(1,105)	63
Supporting People Block Subsidy contracts		686	-	(649)	37
Shared ownership property first tranche sales		10,290	(7,841)	-	2,449
Other		2,141	-	(1,910)	231
Non-social housing activities	3(c)				
Lettings		4,296	-	(3,719)	577
Other		1,679	-	(610)	1,069
<b>Total</b>		<b>127,060</b>	<b>(7,841)</b>	<b>(68,942)</b>	<b>50,277</b>



## 2. Turnover, Operating Costs and Operating Surplus

– Company

Company 2017	Notes	Turnover	Cost of sales	Operating costs	Operating surplus
		£'000	£'000	£'000	£'000
Social housing lettings	3(b)	106,507	-	(59,909)	46,598
Other social housing activities:					
Supporting People Block Subsidy contracts		143	-	(133)	10
Shared ownership property first tranche sales		2,278	(1,610)	-	668
Other		160	-	(37)	123
Non-social housing activities	3(c)				
Lettings		5,124	-	(3,758)	1,366
Other		3,629	-	(745)	2,884
<b>Total</b>		<b>117,841</b>	<b>(1,610)</b>	<b>(64,582)</b>	<b>51,649</b>

Company 2016		Turnover	Cost of sales	Operating costs	Operating surplus
		£'000	£'000	£'000	£'000
Social housing lettings	3(b)	106,800	-	(63,656)	43,144
Other social housing activities:					
Supporting People Block Gross contracts		1,168	-	(1,105)	63
Supporting People Block Subsidy contracts		686	-	(649)	37
Shared ownership property first tranche sales		10,290	(7,841)	-	2,449
Other		2,141	-	(1,910)	231
Non-social housing activities	3(c)				
Lettings		4,296	-	(3,719)	577
Other		3,475	-	(1,008)	2,467
<b>Total</b>		<b>128,856</b>	<b>(7,841)</b>	<b>(72,047)</b>	<b>48,968</b>





### 3. [a] Income and Expenditure from social housing lettings

– Group

	General needs housing	Supported Housing and housing for older people	Keyworker housing	Shared ownership	Total 2017	Total 2016
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>						
Rents receivable net of identifiable service charges	91,137	6,852	111	3,349	101,449	101,670
Service income	630	2,057	3	188	2,878	2,894
Amortisation of capital grants	1,888	179	2	111	2,180	2,236
<b>Total income</b>	<b>93,655</b>	<b>9,088</b>	<b>116</b>	<b>3,648</b>	<b>106,507</b>	<b>106,800</b>
<b>Expenditure</b>						
Services	2,781	1,848	3	162	4,794	3,509
Management	13,047	1,610	15	854	15,526	18,317
Routine maintenance	13,994	1,420	15	-	15,429	20,827
Cyclical maintenance	2,093	199	2	-	2,294	1,348
Bad debts	761	41	-	20	822	369
Depreciation of housing properties	16,077	1,526	16	943	18,562	16,579
Property lease charges	-	-	-	-	-	-
<b>Total expenditure</b>	<b>48,753</b>	<b>6,644</b>	<b>51</b>	<b>1,979</b>	<b>57,427</b>	<b>60,949</b>
Operating surplus on lettings	44,902	2,444	65	1,669	49,080	45,851
Rent losses from voids	(1,307)	(161)	(1)	1	(1,468)	(1,427)



### 3. [b] Income and Expenditure from social housing lettings

– Company

	General needs housing	Supported Housing and housing for older people	Keyworker housing	Shared ownership	Total 2017	Total 2016
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>						
Rents receivable net of identifiable service charges	91,137	6,852	111	3,349	101,449	101,670
Service income	630	2,057	3	188	2,878	2,894
Amortisation of capital grants	1,888	179	2	111	2,180	2,236
<b>Total income</b>	<b>93,655</b>	<b>9,088</b>	<b>116</b>	<b>3,648</b>	<b>106,507</b>	<b>106,800</b>
<b>Expenditure</b>						
Services	2,781	1,848	3	162	4,794	3,509
Management	14,569	1,610	15	854	17,048	18,317
Routine maintenance	14,954	1,420	15	-	16,389	23,534
Cyclical maintenance	2,093	199	2	-	2,294	1,348
Bad debts	761	41	-	20	822	369
Depreciation of housing properties	16,077	1,526	16	943	18,562	16,579
<b>Total expenditure</b>	<b>51,235</b>	<b>6,644</b>	<b>51</b>	<b>1,979</b>	<b>59,909</b>	<b>63,656</b>
Operating surplus on lettings	42,420	2,444	65	1,669	46,598	43,144
Rent losses from voids	(1,307)	(161)	(1)	1	(1,468)	(1,427)



### 3. [c] Turnover from non-social housing activities

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
<b>Lettings</b>				
Market rented and commercial property rents	2,141	1,147	2,141	1,147
Student accommodation	2,282	2,514	2,282	2,514
Private garages	631	635	631	635
Commercial lets	70	-	70	-
<b>Other</b>				
General management charges	-	-	1,669	1,796
Gas servicing	3,402	-	-	-
Other income	1,960	1,679	1,960	1,679
<b>Total</b>	<b>10,486</b>	<b>5,975</b>	<b>8,753</b>	<b>7,771</b>



## 4. Surplus on sale of housing

– Group & Company

	Shared Ownership Staircasing 2017	Others 2017	Total 2017	Total 2016
	£'000	£'000	£'000	£'000
Proceeds of sales	<b>5,469</b>	2,706	<b>8,175</b>	7,641
Cost of disposals	<b>(3,652)</b>	(2,595)	<b>(6,247)</b>	(6,465)
<b>Total</b>	<b>1,817</b>	111	<b>1,928</b>	1,176



## 5. Interest and financing costs

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
On loans wholly or partly repayable in more than 5 years	<b>23,115</b>	23,592	<b>23,119</b>	23,592
Amortisation of debt issue costs	<b>34</b>	34	<b>34</b>	34
Interest accrued on RCGF balance	<b>1</b>	18	<b>1</b>	18
Finance leases	<b>1,095</b>	1,121	<b>1,087</b>	1,121
Unwinding of discounts on provisions	<b>137</b>	99	<b>137</b>	99
Net interest on defined benefit liability	<b>695</b>	680	<b>695</b>	680
	<b>25,077</b>	25,544	<b>25,073</b>	25,544
Less: Interest capitalised	<b>(121)</b>	(503)	<b>(121)</b>	(503)
<b>Total</b>	<b>24,956</b>	25,041	<b>24,952</b>	25,041

The weighted average interest on borrowings of 3.80% (2016: 3.90%) was used for calculating capitalised interest.



## 6. Taxation

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
<b>UK corporation tax:</b>				
Current tax on profits for the year	242	44	-	-
Adjustments in respect of prior years	4	(27)	-	-
<b>Total</b>	<b>246</b>	<b>17</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of tax charge</b>				
Tax on surplus on ordinary activities at standard UK corporation tax rate of 20% (2016: 20%)	6,344	5,152	6,351	4,890
Charitable non-taxable income	(6,236)	(4,970)	(6,351)	(4,890)
Depreciation in excess of capital allowances	134	(138)	-	-
Adjustments in respect of previous periods	4	(27)	-	-
UK corporation tax	246	17	-	-

## 7. Surplus for the year

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
<b>Is stated after charging:</b>				
<b>Auditor's remuneration (excluding VAT):</b>				
In their capacity as auditor	49	50	34	37
Other services	1	1	1	1
Bad debts	830	383	830	383
<b>Operating Leases:</b>				
Hire of plant and machinery	435	336	202	64
Rent of office buildings	620	372	414	291
Amortisation of intangible assets	662	307	412	307
<b>Depreciation on owned assets:</b>				
Housing stock	17,642	15,237	17,642	15,237
Loss on replacement of components	1,808	3,611	1,808	3,611
Other assets	1,725	2,062	851	832
<b>Depreciation on assets held under finance leases:</b>				
Other assets	501	610	501	610
<b>(Surplus) / loss on sale of fixed assets</b>				
Housing stock	(1,881)	(1,182)	(1,881)	(1,182)
Other assets	23	-	(41)	-
Gift aid received	-	-	813	1,310





## 8. Intangible assets

– Group

	Goodwill	IT Software	Total
<b>Cost</b>	£'000	£'000	£'000
<b>At 1 April 2016</b>	-	2,181	2,181
Additions	5,102	712	5,814
Disposals	-	(114)	(114)
<b>At 31 March 2017</b>	<b>5,102</b>	<b>2,779</b>	<b>7,881</b>
<b>Depreciation</b>			
<b>At 1 April 2016</b>	-	1,491	1,491
Charge for the year	228	434	662
Disposals	-	(6)	(6)
<b>At 31 March 2017</b>	<b>228</b>	<b>1,919</b>	<b>2,147</b>
<b>Net book value 31 March 2017</b>	<b>4,874</b>	<b>860</b>	<b>5,734</b>
<b>Net book value 31 March 2016</b>	<b>-</b>	<b>690</b>	<b>690</b>



## 8. Intangible assets

– Company

	IT Software	Total
<b>Cost</b>	£'000	£'000
<b>At 1 April 2016</b>	2,181	2,181
Additions	532	532
Disposals	(3)	(3)
<b>At 31 March 2017</b>	<b>2,710</b>	<b>2,710</b>
<b>Depreciation</b>		
<b>At 1 April 2016</b>	1,491	1,491
Charge for the year	412	412
Disposals	(3)	(3)
<b>At 31 March 2017</b>	<b>1,900</b>	<b>1,900</b>
<b>Net book value 31 March 2017</b>	<b>810</b>	<b>810</b>
<b>Net book value 31 March 2016</b>	<b>690</b>	<b>690</b>



## 9. [a] Tangible fixed assets

- Housing properties
- Group

	Housing Properties	Housing Properties Under Construction	Shared Ownership Properties	Shared Ownership Properties Under Construction	Total
<b>Cost</b>	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2016</b>	1,343,018	5,835	75,792	774	1,425,419
Additions	15,856	12,055	-	1,834	29,745
Disposals	(4,633)	-	(3,320)	-	(7,953)
Transfers	7,533	(7,533)	2,539	(2,539)	-
Transfer to current assets	-	420	-	-	420
<b>At 31 March 2017</b>	<b>1,361,774</b>	<b>10,777</b>	<b>75,011</b>	<b>69</b>	<b>1,447,631</b>
<b>Depreciation</b>					
<b>At 1 April 2016</b>	146,639	-	6,383	-	153,022
Charge for year	17,361	-	944	-	18,305
Disposals	(1,172)	-	(249)	-	(1,421)
<b>At 31 March 2017</b>	<b>162,828</b>	<b>-</b>	<b>7,078</b>	<b>-</b>	<b>169,906</b>
<b>Net book value 31 March 2017</b>	<b>1,198,946</b>	<b>10,777</b>	<b>67,933</b>	<b>69</b>	<b>1,277,725</b>
<b>Net book value 31 March 2016</b>	<b>1,196,379</b>	<b>5,835</b>	<b>69,409</b>	<b>774</b>	<b>1,272,397</b>



## 9. [b] Tangible fixed assets

- Housing properties
- Company

	Housing Properties	Housing Properties Under Construction	Shared Ownership Properties	Shared Ownership Properties Under Construction	Total
<b>Cost</b>	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2016</b>	1,345,648	5,835	75,792	774	1,428,049
Additions	15,856	12,055	-	1,834	29,745
Disposals	(4,633)	-	(3,320)	-	(7,953)
Transfers	7,533	(7,533)	2,539	(2,539)	-
Transfer to current assets	-	420	-	-	420
<b>At 31 March 2017</b>	<b>1,364,404</b>	<b>10,777</b>	<b>75,011</b>	<b>69</b>	<b>1,450,261</b>
<b>Depreciation</b>					
<b>At 1 April 2016</b>	146,639	-	6,383	-	153,022
Charge for year	17,361	-	944	-	18,305
Disposals	(1,172)	-	(249)	-	(1,421)
<b>At 31 March 2017</b>	<b>162,828</b>	<b>-</b>	<b>7,078</b>	<b>-</b>	<b>169,906</b>
<b>Net book value 31 March 2017</b>	<b>1,201,576</b>	<b>10,777</b>	<b>67,933</b>	<b>69</b>	<b>1,280,355</b>
<b>Net book value 31 March 2016</b>	<b>1,199,009</b>	<b>5,835</b>	<b>69,409</b>	<b>774</b>	<b>1,275,027</b>



## 9. [c] Tangible fixed assets – Housing properties

	Group 2017	Group 2016	Company 2017	Company 2016
<b>Maintenance spend</b>	£'000	£'000	£'000	£'000
The amount spent on existing properties during the year was:				
Maintenance capitalised in fixed assets	<b>16,978</b>	10,209	<b>16,978</b>	10,209
Maintenance expensed in the Income and Expenditure account	<b>18,891</b>	22,175	<b>18,891</b>	22,175
<b>Total</b>	<b>35,869</b>	32,384	<b>35,869</b>	32,384

Development administration expenditure and interest costs capitalised during the year amounted to: Group and Company £945k (2016: £1,426k).



## 10. Tangible fixed assets – Investment properties held for letting

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
<b>At 1 April 2016</b>	<b>37,697</b>	29,715	<b>38,029</b>	30,047
Additions	<b>23,405</b>	7,949	<b>23,405</b>	7,949
Gain from adjustment in value	<b>1,293</b>	33	<b>1,293</b>	33
<b>At 31 March 2017</b>	<b>62,395</b>	37,697	<b>62,727</b>	38,029

Investment properties were valued at 31 March 2016 by Savills professional qualified external valuers. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation standards. In valuing the properties the following significant assumptions were used:

Discount rate	5.25%
Annual inflation rate	0.25% for Yr 1 increasing to 2.0% from Yr 4
Level of long term rent increase	1.1% for Yr 1, 2.0% from Yr 2



## 11. Tangible fixed assets

- Other property, plant and equipment
- Group

	Offices	Plant and Equipment	Total
<b>Cost</b>	£'000	£'000	£'000
<b>At 1 April 2016</b>	3,168	11,607	14,775
Additions	116	2,839	2,955
Disposals	-	(1,891)	(1,891)
<b>At 31 March 2017</b>	<b>3,284</b>	<b>12,555</b>	<b>15,839</b>
<b>Depreciation</b>			
<b>At 1 April 2016</b>	1,744	6,666	8,410
Charge for the year	161	2,183	2,344
Disposals	-	(1,099)	(1,099)
<b>At 31 March 2017</b>	<b>1,905</b>	<b>7,750</b>	<b>9,655</b>
<b>Net book value 31 March 2017</b>	<b>1,379</b>	<b>4,805</b>	<b>6,184</b>
<b>Net book value 31 March 2016</b>	<b>1,424</b>	<b>4,941</b>	<b>6,365</b>



## 11. Tangible fixed assets

– Other property, plant and equipment

– Company

	Offices	Plant and Equipment	Total
<b>Cost</b>	£'000	£'000	£'000
<b>At 1 April 2016</b>	2,664	6,535	9,199
Additions	-	2,379	2,379
Disposals	-	(1,566)	(1,566)
<b>At 31 March 2017</b>	<b>2,664</b>	<b>7,348</b>	<b>10,012</b>
<b>Depreciation</b>			
<b>At 1 April 2016</b>	1,380	3,698	5,078
Charge for the year	126	872	998
Disposals	-	(926)	(926)
<b>At 31 March 2017</b>	<b>1,506</b>	<b>3,644</b>	<b>5,150</b>
<b>Net book value 31 March 2017</b>	<b>1,158</b>	<b>3,704</b>	<b>4,862</b>
<b>Net book value 31 March 2016</b>	<b>1,284</b>	<b>2,837</b>	<b>4,121</b>
<b>Net book value of tangible fixed assets held under finance leases</b>		<b>2017</b>	<b>2016</b>
		£'000	£'000
Group		2,189	2,170
Company		2,151	2,170





## 12. HomeBuy

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
Loans to home purchasers	<b>38</b>	38	<b>38</b>	38



## 13. Fixed asset investments

The group comprises the following entities, all non-regulated and registered in England:

Name	Entity type	Ownership	Nature of business	
Flagship Housing Developments Limited	Company	100%	Design and build	
RFT Repairs Limited	Company	100%	Repairs and maintenance	
RFT Repairs & Maintenance Limited	Company	100%	Dormant	
East Anglian Lettings Limited	Company	100%	Dormant	
Flagship Community Housing Limited	Company	100%	Dormant	
Gasway Services Limited	Company	100%	Gas installation and maintenance	
Betts Holdings Limited	Company	100%	Property holding company	
	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
<b>At 1 April 2016</b>	<b>12,236</b>	12,236	<b>22,336</b>	17,336
Additions	-	-	<b>10,851</b>	5,000
<b>At 31 March 2017</b>	<b>12,236</b>	12,236	<b>33,187</b>	22,336
Group companies	-	-	<b>20,951</b>	10,100
Liquidity deposit reserve	<b>12,234</b>	12,234	<b>12,234</b>	12,234
Other Investments (at historical cost)	<b>2</b>	2	<b>2</b>	2
<b>Total</b>	<b>12,236</b>	12,236	<b>33,187</b>	22,336

During the year Flagship Housing Developments issued 5,000,000 ordinary £1 shares to Flagship Housing Group Limited at cost. Flagship Housing Group purchased Gasway Services Limited and its parent company Betts Holdings Limited for £5,851k.



## 14. Inventories

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
Raw materials and consumables	1,052	691	-	2
Completed properties for sale	906	569	906	569
Work in progress	4,292	5,665	-	1,053
<b>Total</b>	<b>6,250</b>	<b>6,925</b>	<b>906</b>	<b>1,624</b>



## 15. Debtors

	Group 2017	Group 2016	Company 2017	Company 2016
<b>Debtors due within one year</b>	£'000	£'000	£'000	£'000
Amounts owed by group undertakings	-	-	<b>1,203</b>	1,607
<b>Rent arrears</b>				
Amounts due from tenants	<b>7,168</b>	5,858	<b>7,168</b>	5,858
Net present value adjustment	-	-	-	-
Bad and doubtful debt provision	<b>(3,757)</b>	(2,920)	<b>(3,757)</b>	(2,920)
<b>Other trade debtors</b>				
Amounts due from other trade debtors	<b>1,710</b>	245	<b>213</b>	219
Bad and doubtful debt provision	-	-	-	-
Other debtors	<b>636</b>	949	<b>231</b>	908
Prepayments and accrued income	<b>8,839</b>	8,385	<b>3,794</b>	2,442
<b>Total</b>	<b>14,596</b>	12,517	<b>8,852</b>	8,114



## 16. Current asset investments

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
Unlisted investments – at cost less impairment	<b>30,450</b>	40,312	<b>30,450</b>	40,312



## 17. Creditors – Amounts falling due within one year

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 19)	<b>7,360</b>	7,186	<b>7,360</b>	7,186
Obligations under finance leases and hire purchase contracts (note 23)	<b>1,699</b>	1,628	<b>1,635</b>	1,628
Trade creditors	<b>6,124</b>	5,028	<b>3,741</b>	3,591
Other creditors	<b>3,552</b>	2,963	<b>3,349</b>	2,962
Accruals and deferred income	<b>17,154</b>	16,352	<b>12,399</b>	13,570
Other taxes and social security costs	<b>854</b>	599	<b>234</b>	346
SHPS past service deficit	<b>875</b>	843	<b>875</b>	843
Deferred capital grant (note 20)	<b>2,290</b>	2,397	<b>2,290</b>	2,397
Recycled Capital Grant Fund (note 21)	<b>1,590</b>	1,455	<b>1,590</b>	1,455
Disposals Proceeds Fund (note 22)	<b>62</b>	60	<b>62</b>	60
Corporation tax	<b>251</b>	18	-	-
<b>Total</b>	<b>41,811</b>	38,529	<b>33,535</b>	34,038



## 18. Creditors – Amounts falling due after more than one year

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 19)	<b>589,936</b>	582,255	<b>589,936</b>	582,255
Deferred debt issue costs	<b>(25)</b>	(57)	<b>(25)</b>	(57)
Obligation under finance leases and hire purchase contracts (note 23)	<b>15,309</b>	15,537	<b>15,129</b>	15,537
SHPS past service deficit	<b>5,725</b>	6,273	<b>5,725</b>	6,273
Other creditors	<b>378</b>	-	<b>378</b>	-
Accruals and deferred income	<b>604</b>	644	<b>604</b>	644
Deferred Capital Grant (note 20)	<b>194,609</b>	198,267	<b>194,609</b>	198,267
<b>Total</b>	<b>806,536</b>	802,919	<b>806,356</b>	802,919



## 19. Debt analysis

Housing loans are secured by way of a fixed charge on specific assets of the Group. They bear interest at variable (linked to LIBOR) and fixed rates. The current average interest rate is 3.80%; the average during the year was 3.90%. The above maturities are calculated by reference to the existence of committed facilities at 31 March 2017. The earliest dates on which repayment could be demanded under committed revolving facilities are as follows:

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
<b>Housing loans:</b>				
Repayable in one year or less	<b>7,360</b>	7,186	<b>7,360</b>	7,186
Repayable between one and two years	<b>7,545</b>	7,360	<b>7,545</b>	7,360
Repayable between two and five years	<b>23,882</b>	23,245	<b>23,882</b>	23,245
Repayable in five years or more	<b>558,508</b>	551,650	<b>558,508</b>	551,650
<b>Total</b>	<b>597,295</b>	589,441	<b>597,295</b>	589,441
<b>The interest rate profile of the Group was:</b>		<b>Variable Rate</b>	<b>Fixed Rate</b>	<b>Total</b>
		£'000	£'000	£'000
Syndicated bank loans		132,504	322,896	455,400
RSL Finance (No 1) Bond		-	126,895	126,895
THFC - EIB Loan		-	15,000	15,000
<b>Total</b>		132,504	464,791	597,295
		<b>Weighted Average Rate</b>	<b>Weighted Average Term of fixing</b>	<b>Undrawn Facilities</b>
		%	Years	£'000
<b>Syndicated bank loans</b>				-
RSL Finance (No 1) Bond		6.6%	22	-
THFC - EIB Loan		2.0%	29	-
Revolving credit facilities		0.0%	0	50,000





## 20. Deferred capital grant

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
At the start of the year	<b>200,664</b>	202,099	<b>200,664</b>	202,099
Grant received in the year	<b>198</b>	2,116	<b>198</b>	2,116
Grant released on disposals	<b>(1,673)</b>	(1,211)	<b>(1,673)</b>	(1,211)
Released to income in the year	<b>(2,290)</b>	(2,340)	<b>(2,290)</b>	(2,340)
<b>At the end of the year</b>	<b>196,899</b>	200,664	<b>196,899</b>	200,664
Amount due to be released < 1 year	<b>2,290</b>	2,397	<b>2,290</b>	2,397
Amount due to be released > 1 year	<b>194,609</b>	198,267	<b>194,609</b>	198,267
<b>Total</b>	<b>196,899</b>	200,664	<b>196,899</b>	200,664



## 21. Recycled capital grant fund

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
At the start of the year	1,455	1,078	1,455	1,078
<b>Inputs:</b>				
Grant recycled	521	876	521	876
Interest accrued	1	18	1	18
<b>Recycling:</b>				
New build	(387)	(517)	(387)	(517)
At the end of the year	1,590	1,455	1,590	1,455



## 22. Disposals proceeds fund

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
At the start and end of the year	60	60	60	60
<b>Inputs:</b>				
Grant recycled	-	-	-	-
Interest accrued	2	-	2	-
At the end of the year	62	60	62	60



## 23. Obligations under finance leases

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
<b>Net finance lease obligations:</b>				
In one year or less	<b>1,699</b>	1,628	<b>1,635</b>	1,628
Between two and five years	<b>15,310</b>	15,537	<b>15,130</b>	15,537
<b>Total</b>	<b>17,009</b>	17,165	<b>16,765</b>	17,165



## 24. Provision for deferred tax

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
Accelerated capital allowances	86	-	-	-



## 25. Non-equity share capital

	2017	2016
	£	£
<b>Allotted, issued and fully paid</b>		
At start of the year	142	142
Redeemed during the year	(137)	-
At end of the year	5	142

The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights.



## 26. Capital commitments

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<b>26,186</b>	24,081	<b>26,186</b>	24,081

The total amount contracted for at 31 March 2017 in respect of new dwellings relates to approved schemes for which grant approval has been received and or private finance arranged.

## 27. Operating leases

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
<b>Within one year:</b>				
Land & buildings	405	313	329	313
Other operating leases	181	-	-	-
<b>Between one to five years:</b>				
Land & buildings	1,138	869	856	869
Other operating leases	146	-	-	-
<b>Between five to ten years:</b>				
Land & buildings	1,304	45	975	45
Other operating leases	-	-	-	-
<b>Between 10 and 20 years:</b>				
Land & buildings	1,170	-	1,170	-
Other operating leases	-	-	-	-
<b>Total</b>	<b>4,344</b>	<b>1,227</b>	<b>3,330</b>	<b>1,227</b>

The Group holds housing stock, distribution centres, office accommodation and other plant & machinery under non-cancellable operating leases. At 31 March 2017, the Group had commitments of future minimum leases payments as follows:





## 28. Pension obligations

The Group and Company participates in four defined benefit schemes: the Norfolk County Council Pension Fund, Suffolk County Council Pension Fund, the Social Housing Pension Scheme (which is managed by The Pensions Trust), and the Plumbing & Mechanical Services (UK) Industry Pension Scheme. The Group participates in various defined contribution schemes. Details of the schemes operated are outlined below.

### 28. [a] Norfolk County Council Pension Fund and Suffolk County Council Pension Fund

The Norfolk County Council Pension Fund and Suffolk County Council Pension Fund are defined benefit pension schemes. Valuations for the purposes of FRS 102 were carried out at 31 March 2017. The results of the valuations are as follows:

Assumptions:			Group and Company 2017	Group and Company 2016
Financial assumptions:			% per annum	% per annum
Pension increase rate			2.40%	2.15%
Salary increase rate			2.70%	3.65%
Discount rate			2.50%	3.45%

Mortality rates (based on the funds VitaCurves with improvements in line with the CMI 2010 model)				
	Males 2017	Females 2017	Males 2016	Females 2016
	Years	Years	Years	Years
Current pensioners: post-retirement life expectancy	22.00	24.40	22.25	24.35
Future pensioners: post-retirement life expectancy	24.00	26.40	24.40	26.90

The major categories of plan assets as a percentage of total plan assets			Group and Company 2017	Group and Company 2016
Equities			66.5%	63.0%
Bonds			21.5%	23.5%
Property			9.5%	12.0%
Cash			2.5%	1.5%
			100.0%	100.0%



## 28. [a] Norfolk County Council Pension Fund and Suffolk County Council Pension Fund

- Continued

### Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liabilities

	Group and Company 2017	Group and Company 2016
	£'000	£'000
<b>Opening position</b>		
Fair value of plan assets	15,300	15,053
Present value of funded liabilities	(20,473)	(21,842)
Present value of unfunded liabilities	(117)	(131)
<b>Opening position as at 31 March 2016</b>	<b>(5,290)</b>	<b>(6,920)</b>
<b>Service cost</b>		
Current service cost	(96)	(142)
<b>Total Service cost</b>	<b>(96)</b>	<b>(142)</b>
<b>Net Interest</b>		
Interest income on plan assets	521	470
Interest cost on defined benefit obligation	(695)	(680)
<b>Total Net Interest</b>	<b>(174)</b>	<b>(210)</b>
<b>Total Defined Benefit Cost Recognised in the Statement of Comprehensive Income</b>	<b>(270)</b>	<b>(352)</b>
<b>Cash Flows</b>		
Plan participants' contributions (net)	-	-
Employers Contributions	523	497
Contributions in respect of unfunded benefits	9	9
Benefits paid (net)	-	-
Unfunded benefits paid (net)	-	-
<b>Closing position before re-measurements</b>	<b>(5,028)</b>	<b>(6,766)</b>



## 28. [a] Norfolk County Council Pension Fund and Suffolk County Council Pension Fund

- Continued

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liabilities

	Group and Company 2017	Group and Company 2016
	£'000	£'000
<b>Re-measurements</b>		
Change in demographic assumptions	245	-
Changes in financial assumptions	(4,097)	1,234
Other experience	(233)	379
Return on assets excluding amounts held in net interest	1,744	(137)
<b>Total measurements recognised in Other Comprehensive Income</b>	<b>(2,341)</b>	<b>1,476</b>
<b>Closing position</b>		
Fair value plan assets	17,424	15,300
Present value of funded liabilities	(24,674)	(20,473)
Present value of unfunded liabilities	(119)	(117)
<b>Closing position as at 31 March 2017</b>	<b>(7,369)</b>	<b>(5,290)</b>



## 28. [b] Social Housing Pension Scheme

The Group participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Group 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 Group closed the scheme to new entrants from 1 April 2008.

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 Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

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

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

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

Where the scheme is in deficit and where the Group has agreed to a deficit funding arrangement, the Group 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.



## 28. [b] Social Housing Pension Scheme

- Continued

Reconciliation of opening and closing provisions		Group and Company 2017	Group and Company 2016
		£'000	£'000
Provision at start of period		7,116	7,677
Unwinding of the discount factor (interest expense)		137	99
Deficit contribution paid		(843)	(616)
Remeasurements - impact of any change in assumptions		190	(44)
<b>Provision at end of period</b>		<b>6,600</b>	<b>7,116</b>
<b>Statement of Comprehensive Income impact</b>			
Interest expense		137	99
Remeasurements - impact of any change in assumptions		190	(44)
Contributions paid in respect of future service*		193	276
<b>Costs recognised in the Statement of Comprehensive Income</b>		<b>520</b>	<b>331</b>

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

Assumptions	31 March 2017	31 March 2016	31 March 2015
	% per annum	% per annum	% per annum
Rate of discount	1.33	2.06	1.92

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.



# Social Housing Pension Scheme – Growth Plan

Flagship Housing Group participates in the SHPS's Growth Plan. The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

The last formal valuation of the scheme was performed as at 30 September 2014 by a professionally qualified actuary using the

projected unit credit method. The market value of the scheme's assets at the latest valuation date was £793m. The valuation revealed a shortfall of assets compared to liabilities of £176.5m, equivalent to a funding level of 81.8%. The next full actuarial valuation is due on 30 September 2017.

Employers joining the scheme after 1 October 2002, including the Group, that do not transfer any past service liabilities to the scheme, pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre-October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis i.e. the cost of security benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buyout debt is the proportion of the Plan's pre-October 2001 liability attributable to employment

with the leaving employer compared to the total amount of the Plan's pre-October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buyout market. The amounts of debt can therefore be volatile over time.

Flagship Housing Group has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2016.

Estimated employer debt on withdrawal	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
Pension scheme	50,240	38,337	50,240	38,337
Growth plan	54	54	54	54



## 28. [c] The Plumbing & Mechanical Services (UK) Industry Pension Scheme

The Group participates in the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of

the Scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

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

The last formal valuation of the Scheme was performed as at 5 April 2012 by a professionally qualified actuary using the

Projected Unit Method and the actuary found that the assets were sufficient to cover 100% of the Scheme's liabilities.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 5 April 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. This shows that the assets covered liabilities by about 98% on an ongoing basis.

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
Contributions	5	9	-	-

## 28. [d] Defined Contribution Pension Schemes

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
Contributions	<b>778</b>	826	<b>468</b>	490

The Group participates in a number of defined contribution pension schemes. From 1 February 2014, the Group offered auto-enrolment in a pension scheme for all staff. The scheme offered is a defined contribution workplace pension scheme. Contributions paid by the Group to the schemes were:





## 29. Directors' emoluments

The Directors are defined as the members of the Board and the Executive Directors. All the Executive Directors' remuneration was borne by Flagship.

The aggregate amount of emoluments (including pension contributions) with respect to service as Directors and paid to or receivable by the Directors in the Group during the year was Group: £735,130 (2016: £950,532). Retirement benefits are accruing to

the Executive Directors under defined benefit schemes 2 members; (2016 – 3 members) and defined contribution schemes 1 member, (2016 – 3 members). The Chief Executive, who is also the highest paid Director, is an ordinary member of the Social Housing Pension Scheme (see Note 28b). From 1 April 2016, the Chief Executive has opted out of the scheme, the company contributions being rolled into their salary.

	2017			2016		
	Executive Directors	Non-Executive Directors	Total	Executive Directors	Non-Executive Directors	Total
	£	£	£	£	£	£
Salary	553,778	75,525	629,303	703,663	83,861	787,524
Benefits	22,883	-	22,883	31,624	-	31,624
<b>Total excluding pension contributions</b>	<b>576,661</b>	<b>75,525</b>	<b>652,186</b>	<b>735,287</b>	<b>83,861</b>	<b>819,148</b>
Pension contributions	82,994	-	82,994	131,384	-	131,384
<b>Aggregate total</b>	<b>659,655</b>	<b>75,525</b>	<b>735,180</b>	<b>866,671</b>	<b>83,861</b>	<b>950,532</b>

Emoluments paid to the highest paid Director	2017	2016
	£	£
Salary	204,321	186,617
Benefits	6,215	5,593
<b>Total excluding pension contributions</b>	<b>210,536</b>	<b>192,210</b>
Pension contributions	-	16,785
<b>Aggregate total</b>	<b>210,536</b>	<b>208,995</b>



## 30. Employee information

	Group 2017 Number	Group 2016 Number	Company 2017 Number	Company 2016 Number
The average full time equivalent number of persons (including Executive Directors) employed during the year	599	706	263	397

The full time equivalent number is calculated based on a 37-hour working week.

Staff costs (for the above persons)	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
Wages and salaries (including redundancy costs)	12,718	21,352	8,555	12,544
Social Security costs	1,213	1,898	830	1,050
Pension costs	1,102	1,237	814	904
<b>Total – excluding temporary staff costs</b>	<b>15,033</b>	<b>24,487</b>	<b>10,199</b>	<b>14,498</b>
Temporary staff costs	134	364	73	303
<b>Total</b>	<b>15,167</b>	<b>24,851</b>	<b>10,272</b>	<b>14,801</b>



## 30. Employee information

- Continued

### Salary bands

Salary banding for all employees earning over £60,000 (including salaries and benefits in kind and compensation for loss of office, but excluding pension contributions paid by the employer):

	Group 2017 Number	Group 2016 Number	Company 2017 Number	Company 2016 Number
£60,000 to £70,000	3	5	3	5
£70,001 to £80,000	2	4	2	3
£80,001 to £90,000	4	4	3	4
£90,001 to £100,000	2	3	2	2
£100,001 to £110,000	-	1	-	1
£110,001 to £120,000	3	-	3	-
£120,001 to £130,000	2	-	2	-
£130,001 to £140,000	-	4	-	4
£190,001 to £200,000	-	1	-	1
£210,001 to £220,000	1	-	1	-
<b>Total</b>	<b>17</b>	<b>22</b>	<b>16</b>	<b>20</b>



## 31. Housing stock

- Group and Company

	2017	2016
	Units	Units
<b>Social properties</b>		
General needs housing	18,373	18,302
Housing accommodation at intermediate rent	355	317
Supported housing and housing for older people	1,778	1,781
Shared ownership accommodation	1,098	1,123
Keyworker properties	19	22
<b>Non-social properties</b>		
Housing accommodation let at market rent	296	176
Student accommodation	600	600
Other	2	2
<b>Total</b>	<b>22,521</b>	<b>22,323</b>



## 32. Notes to the cash flow statement

	Group 2017	Group 2016	Company 2017	Company 2016
	£'000	£'000	£'000	£'000
<b>Cash flow from operating activities</b>				
Surplus for the year	<b>31,474</b>	27,343	<b>32,316</b>	27,360
<b>Adjustment for non-cash items:</b>				
Depreciation of housing properties	<b>18,305</b>	15,237	<b>18,305</b>	15,237
Depreciation of other fixed assets	<b>2,344</b>	2,365	<b>999</b>	1,135
Amortisation of intangible assets	<b>515</b>	307	<b>413</b>	307
(Increase) in inventories	<b>937</b>	(5,442)	<b>720</b>	(942)
(Increase) in debtors	<b>(3,208)</b>	(663)	<b>(3,121)</b>	(111)
Decrease / (increase) in current asset investments	<b>9,861</b>	(162)	<b>9,861</b>	(162)
(Decrease) in creditors	<b>(622)</b>	(4,174)	<b>(1,786)</b>	(4,297)
(Decrease) in provisions	<b>(452)</b>	(154)	<b>(452)</b>	(154)
Pension costs less contributions payable	<b>(516)</b>	(561)	<b>(516)</b>	(561)
Carrying amount of intangible asset disposals	<b>108</b>	2	-	2
Carrying amount housing property disposals	<b>6,532</b>	8,305	<b>6,532</b>	8,305
Carrying amount other fixed asset disposals	<b>790</b>	443	<b>640</b>	282
(Increase) in fair value of investment property	<b>(1,293)</b>	(33)	<b>(1,293)</b>	(33)
<b>Adjustments for investing or financing activities:</b>				
Proceeds from the sale of housing properties	<b>(8,286)</b>	(7,641)	<b>(8,175)</b>	(7,641)
Proceeds from the sale of other fixed assets	-	(116)	-	-
Interest payable	<b>24,993</b>	25,041	<b>24,952</b>	25,041
Interest received	<b>(1,420)</b>	(915)	<b>(2,787)</b>	(2,224)
<b>Net cash generated from operating activities</b>	<b>80,062</b>	59,182	<b>76,608</b>	61,544



## 33. Financial instruments

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

	Group 2017	Group 2016	Company 2017	Company 2016
<b>Financial assets</b>	£'000	£'000	£'000	£'000
<b>Measured at discounted amount receivable:</b>				
Rent arrears financing transactions (see note 15)	-	-	-	-
<b>Measured at undiscounted amount receivable:</b>				
Rent arrears and other debtors (see note 15)	5,121	1,313	3,624	1,287
Amounts due from related undertakings (see note 15)	-	-	1,592	1,607
Unlisted investments	30,450	40,312	30,450	40,312
<b>Total</b>	<b>35,571</b>	<b>41,625</b>	<b>35,666</b>	<b>43,206</b>
<b>Financial liabilities</b>				
<b>Measured at amortised cost:</b>				
Loans payable (see note 19)	597,295	589,441	597,295	589,441
Obligations under finance leases (note 23)	17,009	17,165	16,765	17,165
SHPS past service deficit (notes 17 and 18)	6,600	7,116	6,600	7,116
<b>Measured at undiscounted amount payable:</b>				
Trade and other creditors (see note 17)	6,429	3,158	3,854	1,721
<b>Total</b>	<b>627,333</b>	<b>616,880</b>	<b>624,514</b>	<b>615,443</b>



## 33. Financial instruments

- Continued

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group 2017	Group 2016	Company 2017	Company 2016
<b>Interest income and expense</b>	£'000	£'000	£'000	£'000
Total interest income for financial assets at amortised cost	<b>1,031</b>	915	<b>1,839</b>	2,224
Total interest expense for financial liabilities at amortised cost	<b>(24,956)</b>	(25,041)	<b>(24,952)</b>	(25,041)
<b>Fair value gains and losses</b>				
On financial assets measured at fair value through the statement of comprehensive income	<b>(2,531)</b>	1,476	<b>(2,531)</b>	1,476



## 34. Related parties

### Transactions with non-registered elements of the business

The Company provides management services to its subsidiaries. It also receives charges from its subsidiaries.

	2017	2016
	£'000	£'000
<b>Payable to Company from subsidiary</b>		
RFT Repairs Limited – management charges	<b>1,492</b>	682
Flagship Housing Developments Limited – management charges	<b>177</b>	522
<b>Payable by Company to subsidiary</b>		
RFT Repairs Limited – provision of maintenance services	<b>23,040</b>	26,930
Flagship Housing Developments Limited – development of housing properties	<b>8,619</b>	15,443

Flagship Housing Group Limited is the Parent entity in the Group and ultimate controlling party. The Group has taken advantage of the exemption available under Section 33 FRS 102 not to disclose transactions with wholly owned subsidiary undertakings.