Flagship Group

Annual Report

(including consolidated financial statements)

for the Year Ended 31 March 2019

31 King Street, Norwich, Norfolk NR1 1PD
www.flagship-group.co.uk

A Community Benefit Society registered under the Co-operative and Community Benefit Societies Act 2014:
Registered No. 31211R | Homes and Communities Agency: Registered No. 4651 | An Exempt Charity

Contents

Board of Management, Executive Team and Advisers

Board of Management:

Member		Board	Audit Committee	Remuneration Committee
P Hawes	N	Chair		
P Burton (Appointed 2 Jan 2019)	N	Vice chair		✓
P Remington	N	✓		Chair
R Bennett	N	✓	Chair	✓
P Baynham (Appointed 2 Jan 2019)	N	✓		
P Cook (Resigned 2 Jan 2019)	N	✓	✓	✓
D Jamieson (Appointed 2 Jan 2019)	N	✓	✓	
D McQuade	E	✓		
D Armstrong	E	✓		
H Walsham	E	✓		
J Archibald (Appointed 2 Jan 2019)	E	✓		
P Cook (Appointed 2 Jan 2019)	A		✓	✓
J Pearson (Resigned 2 Jan 19)	A			
A Cole (Resigned 2 Jan 19)	A			
E Marcus	S			

Key:
N – Non-Executive Director; E – Executive Director; S – Company Secretary; A – Board Adviser & Committee Member

Advisers:

Registered Office:
31 King Street, Norwich, Norfolk, NR1 1PD

Solicitors:
Anthony Collins Solicitors, 134 Edmund Street, Birmingham, B3 2ES; Devonshires Solicitors, The Octagon, 27 Middlesborough. Colcester. CO1 1TG; Birketts Solicitors, Kingfisher House, 1 Gilders Way, Norwich NR3 1UB

Internal Auditors:
KPMG, Dragonfly House, 2 Gilders Way, Norwich. NR3 1UB

External Auditor:
Mazars LLP, 45 Church Street, Birmingham, B3 2RT

Bankers:
National Westminster Bank, Norfolk & Waveney Corporate Business Centre, Norfolk House, Exchange Street, Norwich, Norfolk, NR2 1DD

Group Funders:
The Royal Bank of Scotland; Santander UK; The Co-operative Bank; Nationwide Building Society; THFC; Clydesdale Bank; Lloyds Bank

Chair’s Statement

2018-2019 was a good year for the Flagship Group full of change and progress. We welcomed Victory Housing Trust and Blueflame to the Group, created a strategy to help solve the housing crisis in the East of England by 2030, and continued building partnerships that will have a lasting impact for our region.

Turnover has continued to grow, up £22m to £156m, and our operating profit for the year finished at £60.3m – a net profit of £131.6m after accounting for the £94.5m gift on acquisition of subsidiary. We retained our A2 rating from Moody’s with a favourable report which highlighted the Group’s strength of strong operating margins, a simple corporate structure and strong regulatory framework.

We invested £51.9m in new homes; £19.8m improving existing homes, £1.2m on joint ventures and £2.0m on other fixed assets.

These strong financial results are matched by increases in our customer satisfaction, staff engagement and the number of new affordable homes delivered in the year.

During the year, we added 443 affordable homes to our portfolio, 357 of these were for social/affordable rent, 86 for shared ownership and an additional eight were completed for outright sale. In total we sold 16 homes as outright sale, 24 homes under Right to Buy (RTB) and 45 shared ownership homes staircased to 100%.

This success reflects the talent, expertise and experience of the trusted teams we have in place across the Group. Thanks to our people, our Board and senior management team we continue provide more homes and great customer service.

There were some firsts for us this year:

We delivered our first modular homes in Newmarket and sold our first homes in Suffolk, replacing the former homes on the site, which were no longer fit for purpose, with a number of high-quality affordable homes and eight detached homes for sale. The housing sector is ever changing, so it’s important we continue to think of new ways to subsidise the provision of affordable properties for people in housing need.

The organisation set about and achieved its first partnership with a housing association. I am eager to say that together with my fellow Board members we welcome the strategic insight and support Victory brings to the Group. We are both strong and successful housing associations, but together we can be even stronger and more successful. Collectively, we have enhanced financial strength, greater effectiveness and efficiency in our services and support to customers and created the ability to invest more in our existing homes. We are midway through our integration plan and it already shows our strategic focus is working.

In November 2018, we completed the purchase of Blueflame to sit within Gasway and complement our existing gas servicing and installation operation.

Jointly with Hyde Group, Longhurst Group and Cross Keys Homes we set up Evera, a joint venture, bringing together a wealth of skills, expertise and local knowledge; and offering a platform for investment in partnerships with others in the public and private sector. The joint venture aims to tackle the acute housing shortage by delivering homes at a greater pace and during the year started on its first development of a 60-home project in Huntingdonshire.

We look ahead to another year with an increased development programme and further improvements, targeted on our enhancing the experience for our customers and employees.

Simultaneously we will work to continually improve upon our empty homes’ management, keeping on top of the outstanding repairs and managing our arrears.

This year is already shaping up to be an exciting one. And we will pursue this by doing what we do best – putting the customer at the heart of our decisions.

We have over 1,100 people across this region working hard every day to deliver on our goal. I cannot say it enough: our people are the driving force behind our achievements. Thank you to each of you for your energy and for your contributions to Flagship’s success.

Peter Hawes
Chair
25 July 2019

Strategic Report

for the Year Ended 31 March 2019

On 2 January 2019, Victory Housing Trust joined Flagship Housing Group as a subsidiary. The partnership has created the largest housing association in the East of England owning and managing over 28,000 homes.

Over the next 10 years, the new partnership has set an ambitious target to invest £534m in maintaining and improving existing homes and to build more than 10,000 new homes. An important part of this is to develop as many new social rented homes as possible. The partnership will make substantial savings in its first ten years and its development investment is expected to support 400 new jobs. We aim to add a net increase in the number of affordable homes we own by 2.5% each year.

Principal activities

Flagship's primary activity is to provide general needs rented accommodation for people on low incomes. 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 five 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 28,207 (2018: 22,705) homes in management at 31 March 2019.

The results of Victory Housing Trust Limited, Flagship Housing Developments Limited, RFT Repairs Limited, Gasway Services Limited and Blue Flame (Colchester) Ltd are consolidated in the Group's results.

- Victory Housing Trust Limited is a housing association providing affordable housing;
- Flagship Housing Developments Limited provides development services to the Group;
- RFT Repairs Limited provides repairs services to the Group; and
- Gasway Services Limited & Blue Flame (Colchester) Ltd provide gas installation and maintenance services.

Strategy

Our strategy centres on our goal of helping solve the housing crisis in the east of England, meeting our purpose: to provide homes for people in need, and our values are:

- Great people doing great things
- Relentlessly improving performance
- Spending money wisely
- Delivering outstanding customer service

To help us achieve our ambitions, we nurture a culture of continuous improvement, known as the Flagship Way. This enables us all to understand and improve our processes, systems and ways of working.

We measure our success in delivering the strategy by monitoring our progress against a number of key measures over a five-year period:

- Annual net promoter score
- Customer prioritised investment
- Annual staff engagement score
- New affordable homes delivered
- Void loss
- Arrears
- Profit from commercial activity
- Share of profit in JVs
- Total operating profit
- Net profit
- Net profit per home
- ROCE
- Financial viability scorecard

Strategic Report

for the Year Ended 31 March 2019

Regulation

We are regulated by the Regulator of Social Housing (RSH). 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, we were re-issued an A2 (stable) credit rating from Moody's. The Group's credit review reflects strong operating margins, solid financial management practices, simple corporate structure and a strong regulatory framework.

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:

- Failure to align with statutory health and safety obligations
- Brexit impact
- Failure to achieve the business plan

Group results: summary of financials

	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Statement of comprehensive income				
Turnover	**155,737**	133,725	119,574	127,060
Cost of sales	**(22,216)**	(12,849)	(4,177)	(7,841)
Operating costs	**(79,172)**	(64,944)	(62,973)	(68,942)
Surplus on sale of assets	**5,942**	2,955	1,928	1,176
Operating surplus	**60,291**	58,887	54,352	51,453
Net interest and financing charges	**(22,778)**	(23,779)	(23,925)	(24,126)
(Deficit) / surplus on revaluation of investment properties	**(353)**	1,941	1,293	33
Gift on acquisition of subsidiary	**94,478**	-	-	-
Surplus for the year before taxation	**131,638**	37,049	31,720	27,360
Statement of financial position				
Fixed assets	**1,615,037**	1,387,611	1,364,312	1,329,423
Current assets	**105,252**	120,079	94,885	91,767
Current liabilities	**(48,875)**	(40,616)	(41,811)	(38,529)
	1,671,414	1,467,074	1,417,386	1,382,661
Financed by:				
Creditors due after 1 year	**893,490**	825,960	806,536	802,919
Other long-term liabilities	**17,861**	6,590	7,455	5,290
Reserves	**760,063**	634,524	603,395	574,452
	1,671,414	1,467,074	1,417,386	1,382,661
Statement of cash flows				
Net cash flow from operating activities	**86,237**	60,248	80,452	59,182
Cash flows from investing activities	**(63,967)**	(45,639)	(51,190)	(22,769)
Cash flows from financing activities	**(32,731)**	609	(17,686)	(28,473)
Net cash flow	**(10,461)**	15,218	11,576	7,940

Strategic Report

for the Year Ended 31 March 2019

Group results: summary of ratios

	2019	2018	2017	2016
Financial ratios				
Operating margin – social housing (excluding surplus on sale of assets)	**40.2%**	46.5%	46.1%	41.2%
Operating margin – (excluding surplus on sale of assets)	**34.9%**	41.8%	43.8%	39.6%
Operating costs per home – social housing	**£2,482**	£2,586	£2,657	£2,910
Operating costs per home	**£2,807**	£2,860	£2,796	£3,088
Key covenant ratios				
EBITDA MRI	**2.22**	2.33	2.84	2.83
Debt per unit	**£24,257**	£27,575	£27,248	£27,134
Gearing	**38.1%**	44.5%	41.3%	41.3%
Other key performance indicators				
Homes in management	**28,207**	22,705	22,521	22,323
Net Promoter Score	**+28**	+19	+14	N/A
Overall customer satisfaction	**N/A**	N/A	93%	90%
Current tenant rental arrears as a % of income	**3.1%**	3.1%	2.9%	2.5%
Current tenant rental arrears	**£3.4m**	£3.2m	£3.0m	£2.7m
Average weekly gross rent (52 weeks)	**£90.40**	£91.16	£93.83	£94.18
Average re-let time	**36.0 days**	29.6 days	46.3 days	40.0 days
Rent loss from voids as a % of income	**0.60%**	0.50%	0.80%	0.80%
New handovers in year	**443**	266	292	243
First tranche shared ownership sales	**66**	35	17	77
Staircasing shared ownership sales	**54**	68	62	65

Strategic Report

for the Year Ended 31 March 2019

Financial performance review

The financial statements continue to demonstrate strong performance. The Group surplus before tax for the year ended 31 March 2019 was £131.7m (2018: £37.0m) including the gift on acquisition of subsidiary of £94.5m representing Victory joining the group. Total assets less current liabilities are £1,671.4m (2018: £1,467.1m)

Some key facts are:

Income:

- The majority of income comes from social housing income – 77.2% (2018 – 83.4%.) Social housing lettings income has increased by £6.1m to £113.1m. The increase represents Victory's social housing lettings income after it joined the group. The increase in the number of properties owned and let combined with the continued excellent management of void properties during the year countered the effect of the decreased rent levels of 1% in the General Needs properties.
- The housing team maintained their strong performance on rent collection, ending the year with a rent arrears percentage of 3.1% (2018 3.1%), despite challenges following the introduction of Universal Credit into more parts of our region of operation. 2018-19 will continue to be challenging with further roll outs. The housing teams continue to engage with customers to educate and assist as their circumstances change.
- Turnover from gas servicing was £19.4m (2018: £13.8m).
- Turnover from new property sales on the open market was £5.3m (2018: £0.6m).

Expenditure:

- Cost of sales have increased in 2019 to £22.2m (2018: increased to £12.8m.). Operating costs have increased to £79.2m in 2019 (2018: increased to £64.9m.).
- Cost of sales have increased due to the increased shared ownership first tranche sales, an increase in open market sales activity and an increase in gas servicing activity.
- Operating costs include a three months of costs relating to the Victory's activities from when they joined the Group.
- Operating cost per home has improved at £2,807 (2018: £2,860.).
- Routine maintenance, cyclical maintenance, planned maintenance and major works expenditure for the full year for our social properties increased to £43.9m from £35.9m (including the capital elements).

Balance Sheet:

- Housing properties are valued at £1,520.1m (2018: £1,298.0m).
- The properties are held at depreciated historical cost.
- The gearing ratio (showing the level of indebtedness) is calculated at 38.0% (2018: 44.5%).
- The pension liability is £17.7m (2018: £6.5m) This now includes the position of the Group's SHPS scheme. See note 32 for more details.

Cash Flows:

- Operating activities generated cash of £86.2m (2018: £60.2m). Contributing factors are cash investments shown on the statement of financial position as current asset investments decreased by £9.8m (2018: increase £5.1m), Debtors decreased by £1.3m (2018: increased by £1.9m) and Creditors decreased by £4.3m (2018: decreased by ££1.0m). Note 36 shows more detail of this movement.
- Interest paid was higher than last year due to the increase in funding levels with Victory joining the Group.
- During the year £71.8m (2018: £50.8m) was spent on the improvement, construction and purchase of housing properties.
- No (2018: £32m) new funding was received during the year.
- Loan repayments of £7.6m (2018: £7.4m) were made during the year.

Funding:

- Gross loans outstanding were £683.0m (2018: £622.7m). The average interest rate on these loans is 3.80% (2018: 3.80%).
- 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.

Strategic Report

for the Year Ended 31 March 2019

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 28,000 rented homes. We also have a new build development programme where we expect to handover over 4,300 new affordable properties over the next five years.

By delivering services which are truly designed against customer need, 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 five year plan sets out our aims.

Capital structure

Flagship Housing Group Limited is registered under the Co-operative and Community Benefit Societies Act 2014. It has issued share capital of £6. 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 29 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 2019 relating to these facilities was £683.0m (2018: £622.7m). Further details relating to these facilities can be found in note 23 to the financial statements.

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.

Strategic Report

for the Year Ended 31 March 2019

We reviewed our Value for Money (VfM) achievements and set out challenging objectives for the future.

Value for Money (VfM)

Value for Money is an important part of our culture. It sets the tone for doing the best for our customers and is one of our fundamental values - to spend money wisely.

We measure our performance against the previous year and benchmark ourselves against housing associations with between 20,000 and 35,000 homes.

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

Key:

Good

Okay

Requires improvement

Performance highlights this year include:

+28 NPS score

451 new homes

8.2 staff satisfaction score

£51.4m invested in new homes

£45.9m invested in improving homes

Regulator of Social Housing VfM Metrics

From 1 April 2018, a new Value for Money standard came into effect. We have published performance against the defined metrics, as set by the regulator, along with additional metrics that also demonstrate how we are achieving our strategic objectives.

Regulator Defined Metrics

Absolute and Comparative Costs	2019 Actual	2018 Actual	2018 Peer Group	2018 Actual	2018 Peer Group
Reinvestment percentage	6.2%	5.1%	6.0%		
New supply delivered (Social housing units)	1.6%	1.2%	1.3%		
New supply delivered (Non-social housing units)	0.03%	0.05%	0.2%		
Gearing	38.0%	44.5%	43.2%		
EBITDA MRI (interest cover)	222%	233%	215%		
Headline social housing cost per unit	£2,467	£2,462	£3,774		
Operating margin (overall)	34.9%	41.8%	28.3%		
Operating margin (social housing lettings only)	40.2%	45.4%	33.0%		
Return on capital employed (ROCE)	4.0%	4.0%	4.4%		

Strategic Report

for the Year Ended 31 March 2019

Our Strategic Objectives

Absolute and Comparative Costs	2019 Actual	2018 Actual	2018 Peer Group	2018 Actual	2018 Peer Group
Annual net promoter score	+28	+19	N/A		N/A
Staff engagement score	8.2	7.4	N/A		N/A
New homes delivered	451	266	N/A		N/A
New affordable homes delivered	443	254	N/A		N/A
Void loss (£m)	0.63	0.50	1.75		
Current tenant arrears %	3.1%	3.1%	4.4%		
Operating profit from commercial activity (£m)	8.0	4.7	N/A		N/A
Total operating profit (£m)	60.3	58.9	61.4		
Net Profit (£m)	131.6	37.0	33.2		
Net Profit per Home	4,667	1,632	1,218		
Financial viability scorecard			N/A		N/A

Strategy

Society is demanding solutions for more housing, delivered in new and better ways, and for continual improvements in services. Our strategy is designed to meet these challenges.

It centres on our goal of helping to solve the housing crisis in the east of England and meeting our purpose: to provide homes for people in need.

Our strategy is ambitious, and we have seen a sustained increase in our development programme over the past few years. We have a clear aim to increase the number of affordable homes we own by a net 2.5% every year and aspire to increase our programme to over 4,300 over the next five years.

To deliver our strategy we not only focus on delivering new homes, but also ensuring sustainable tenancies.

This year we also explored ways of tackling homelessness and are seeking new ways to advance compassionate and different solutions to help solve this ongoing issue in partnership with other stakeholders.

Our strategy allows us to retain a competitive advantage at a time when policy, technology and customer preferences are evolving rapidly. It focuses on the things that really matter and provides clear direction for how we run our business.

Strategic Report

for the Year Ended 31 March 2019

Growth

Flagship delivers consistency in growth, core operating margin and free cash flow by continuously investing in our services, our brands, our people and through new technologies. Most importantly all profits/cash are invested in providing new homes and improving existing homes.

All decisions relating to growth are driven by criteria that links directly back to our strategy and vision of helping solve the housing crisis in the east of England.

During the year we developed 451 homes and disposed of 111 homes as follows:

Measure	2019 Actual	Compared to 2018 Actual	Compared to 2018 Actual
New homes			
New social rented	357	212	
New shared ownership	86	42	
Open market sale properties	8	12	
Property fixed asset sales			
Right to Buy sales	24	20	
Right to Acquire sales	3	-	
Shared ownership staircasing sales	45	68	
Other disposals	39	6	

In addition to the Group's recent partnership with Victory Housing Trust, we completed the acquisition of Blueflame in November 2018, to sit under Gasway and complement the existing commercial operation.

We've explored different partnership models and this year along with Hyde Group, Longhurst Group and Cross Keys Homes we set up Evera, a joint venture, bringing together a wealth of skills, expertise and local knowledge; and offering a platform for investment in partnerships with others in the public and private sector.

We see joint ventures as a way to use our financial strength and assets creatively, and to work together with partners in a way that delivers a positive outcome.

We seek continuous improvement in all our activities and services to drive cost savings and higher returns, in turn this is redeployed in new strategic opportunities and in meeting our purpose. Ultimately helping drive our business forward.

Strategic Report

for the Year Ended 31 March 2019

Customers

We've improved the way we collect and analyse customer insight data in developing our own bespoke platform to gather and measure feedback in real time. This has enabled us to make substantial financial savings (approximately £60,000 per annum).

We continue to understand our overall relationship with our customers using the Net Promoter Score measurement. This year we were also able to gather the same insights from customers in our subsidiary housing association, Victory Housing Trust and again, we have achieved our strategic goal with combined results of +28 (up from +19 in 2018 and +14 in 2017).

The number of customers scoring us a 9 or 10 out of 10 has climbed from 51% to 55%.

Financial savings **£60k** per annum

Repairs satisfaction **89%** up from 87%

Shaping services through engagement and scrutiny

At Flagship we believe it is important to involve our customers in helping shape services. We want to make it easy for them to talk to us about topics that matter most to them, show we are listening and demonstrate the improvements made.

Our simple framework for engagement has enabled us to deliver three in depth, customer led scrutiny reviews, conduct 12 specific service consultations and derive over 2935 insights to shape our services. The addition of "Spotlight" has enabled us to engage with even more customers in delivering three community based events to tackle local issues.

Repairs And Maintenance

During the year we have invested even more on improving the quality of our homes and to deliver a better service for our customers. £24.1m has been spent on responsive repairs and £19.8m on capital improvements.

RFT continue to demonstrate efficiencies and repair times has continued to reduce, down to an average of 25.8 days from logging a repair to completion.

We have been able to reduce the amount of customer repairs outstanding by 19%, predominantly by the direct allocation of customer calls to our repair's specialist (RFT Services). This has enabled a more efficient repairs booking process enabling customers to secure an appointment at their convenience. This has also driven a reduction in our operating margin (social housing) from 47% to 40%.

In making it more efficient for our tradesman to replenish materials we have developed an application that enables these to be sourced directly from suppliers. We have realised savings of £70k in removing the need to store supplies by distribution centres.

We continue to make savings and efficiencies from insourcing skilled labour, reducing the cost of using sub-contractors (making savings of around £90k) and where possible procuring our own equipment which looks to save more than £25k per year.

These changes have had a positive impact on time, efficiency, attending more repairs, our environmental impact and delivering a better customer service demonstrated by repairs satisfaction rising from 87% to 89%.

Strategic Report

for the Year Ended 31 March 2019

People

At Flagship we believe we should treat our staff just as well as our customers and we foster an environment where our people can thrive and grow.

Through our recent partnership and acquisitions, our employee base has increased to over 1,120 and we aim to be a workplace of choice, committed to providing opportunities through personal development together with a focus on enhancing wellbeing and work life balance.

Investing in our people

We continue to invest in the next generation, adding two more young people to our Bright Futures degree apprenticeship programme and we added a further 29 apprentices to grow and nurture our talent of the future.

We saw the launch of the Flagship's 'Women in Leadership' Mentoring programme, a bespoke course for Flagship senior leaders. Mentors have inspired mentees to achieve their potential by sharing their experiences and providing support to develop the skills needed to enable career progression.

Workplace Wellbeing

We have embedded our employee advice service, wellbeing roadshows and health checks. Having launched a mental health first aid training programme, facilitated in-house, we have made savings of £17k and been able to train 75 mental health first aiders to support colleagues and our customers through the challenges mental health issues can bring.

Our latest employee survey has seen satisfaction rise for the third consecutive year to 8.2 (up from 7.4 last year). Using a new all-encompassing staff engagement tool, we've been able to streamline our surveys, conduct pulse checks and gather deeper insights on how we are performing as an employer.

Strategic Report

for the Year Ended 31 March 2019

Housing

We've made progress despite the challenges of affordability, Universal Credit and a shortage of much needed housing.

We predicted customers receiving Universal Credit would be 3.7 times more likely to fall into arrears and much more likely to remain in arrears for the next six months.

Despite a 411% increase in UC claimants on last year, and increasing issues with affordability, encouragingly we ended the year with arrears of 3.1%, level with last year.

To ensure that we are supporting staff to give our customers the best possible customer service, we've introduced a vision called 'Housing Made Simple' focusing on making it easy for customers to move in or out, pay their rent and contact us.

This vision has enabled us to:

- Launch of any day direct debits to make it easier for Flagship customers to pay rent, giving better choice and flexibility. Since the launch in November 2018, over 550 more customers pay using Direct Debit.
- Implement a predictive arrears system, designed to proactively tackle potential arrears and better support customers before arrears become unmanageable.
- Conduct a research project using "nudge theory" to help us understand how best to influence rental income and help customers better sustain their tenancies and avoid arrears.
- Pilot a new way of working to improve the quality of our homes for more sustainable tenancies, reduced arrears, reduced evictions and increased satisfaction.
- Introduce of a kindness fund, a source of funds giving our frontline the freedom to reward, help, support or gift a gesture or financial payment to customers.
- Make a saving of £300k per annum in making estate visits more efficient.
- Help with the collection of rent, resulting an additional £25k of rent being collected in just two months, further reducing arrears.

Strategic Report

for the Year Ended 31 March 2019

Asset Management

We continue to make improvements and investments in our assets for both our business and our customers.

Asset Safety

We have made additional efforts to protect our customers including:

- In-sourcing safety officers for testing and site visits, to have more presence and visibility in the communities that we operate whilst delivering savings of over £50k.
- Delivering more replacement fire doors than last year with an enhanced specification. New market leading doors have been a wise and valuable investment to ensure the safety of our customers.
- Installing smoke, heat and where applicable CO detectors in every general needs home continues and is nearing completion. Remaining installations will occur before the end of the financial year 2019/20.

Energy Efficiency

- Renewable energy remains a priority for us. This year Flagship have been in receipt of £66k of Renewable Heat Incentive which reflects our ongoing commitment to increase the energy efficiency of our customers' homes by installing more sustainable heating solutions.
- We have been successful in securing £528k of warm homes funding grant, this has enabled us to deliver air source heat pumps that are more efficient, affordable and better protect the environment.
- In addition, we have been focusing on other, more traditional ways of making people's homes more efficient, pilots such as introducing more efficient heating systems and the introduction of Ground Source Heat Pump (GSHP) that are predicted to save our customers around £500 per year.
- In all, we have improved the energy efficiency of 123 homes and helped towards the national target of zero emissions by 2050.

In making the best use of our properties, we have received £30k of Homes England Grant to regenerate an older person's scheme, adding living space, refurbishing communal areas and outdoor space whilst making heating efficiencies.

VfM Savings

- £50k insourcing fire testing
- £75k insourcing house clearances
- £197k reduction of bad debts
- £10k saving on telephony licensing
- £60k insourcing customer feedback platform
- £33k in house audit and investigations
- £37k saving on tenders
- £5k reduction on waste disposal
- £17k in-sourcing mental health training
- £70k RFT logistics efficiencies
- £26k reduced cost of cyber security monitoring software

Strategic Report

for the Year Ended 31 March 2019

Corporate Social Responsibility

Our Corporate Social Responsibility commitments enable us to deliver better services and cost savings that will benefit our customers, our staff and the wider community.

This year we have:

Social value

- Raised £13k through staff charity fundraising for East Anglian Air Ambulance, Metabolic Support and others.
- Carried out a community clear-up project in Great Yarmouth involving 28 staff.
- Donated 45 boxes of food to five foodbanks from across the region.
- Signed up to "Make a Stand" a domestic abuse campaign.
- Provided cookery lessons to customers as part of the Healthy Living project working with Joy of Food.
- Worked with local charity Friend in Deed, tackling isolation in housing schemes for older people.
- Donated over 750 litres of paint to the repaint project in Dereham.

More sustainable and environmentally friendly ways of working

- RFT Services gained the ISO14001 by demonstrating compliance with regulatory requirements having encouraged better environmental performance throughout the organisation and increased engagement of employees around environmental issues.
- We have also received the silver SHIFT award for the sustainability of our organisation.
- Reduced noise emissions and waste through using battery equipment and reusing tree waste.
- Installed swift boxes in a number of our new developments.

Impact on the local economy

- We try to support small and local businesses when we procure services providing they evidence better value for money.
- Terms and conditions have been made fairer for all parties, bidders can now comment on criteria at tender stage enabling us to be more fluid and flexible to get the best deal we can, this means suppliers are not signing up to unfavourable terms which benefits all parties longer term.

Strategic Report

for the Year Ended 31 March 2019

VfM - our 2018/19 plans and how we did

The objectives set below were set before the partnership with Victory Housing Trust, our results, where relevant will include three months of VHT performance.

Objective:	Result:
Achieve an operating profit, excluding surplus on sale of assets of £52.4m	We achieved an operating profit, excluding surplus on sale of assets of £54.0m
Deliver 529 new affordable homes	We delivered 443 affordable homes
Achieve a Net Promoter Score of +28	Achieved a Net Promoter Score of +28
Achieve a 7.8 staff satisfaction score	Achieved an 8.2 staff satisfaction score
Achieve current tenant arrears of £3.5m	We ended the year with £3.7m
To reduce outstanding repairs	We have further reduced outstanding repairs at RFT and delivered a far improved response time for our customers.
Improve digital offering	A new customer self-service portal has been scoped and is in development.

2019/20 Objectives

Report of the Board

for the Year Ended 31 March 2019

The Board of Management (the Board) presents its report and audited financial statements for the year ended 31 March 2019.

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.

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 during the year comprise:

Flagship Housing Group Limited;

Victory Housing Trust Limited;

Flagship Housing Developments Limited;

RFT Repairs Limited:

Gasway Services Limited

Blue Flame (Colchester) Limited.

Community initiatives and charitable donations

During the year the Group spent £52k (2018: £Nil) on community initiatives. No charitable donations were made (2018: nil).

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, the Chief Financial Officer and the Chief Strategic Officer.

The composition of the Board changed during the year. Board shall comprise up to six Independent Non-Executive Directors (NEDs) and four Executive Directors (EDs): Chief Executive, Chief Financial Officer, Chief Operations Officer and Chief Strategic Officer. The EDs must always be in a minority.

The current composition of the Board is:

Non-Executive Directors	6
Executive Directors	4
	10

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

Report of the Board

for the Year Ended 31 March 2019

Recruitment and selection procedures for Non-Executive Directors

The Board has a recruitment and selection process for Non-Executive Directors (NEDs). Subject to merger and partnership activity, 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 process 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.

Each NED will be appointed for a term of three years with a maximum term of no more than nine years subject to the transitional arrangements agreed by the Board on 29 June 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.

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).
Payments in the year ended 31 March 2019 are summarised as follows:

Board member	Board role	2019 £
P Hawes	Chair	26,045
P Remington	Committee Chair / Senior Independent Director	13,973
R Bennett	Committee Chair / Non-Executive Director	13,973
P Cook	Non-Executive Director	10,847
P Burton	Vice Chair / Non-Executive Director	4,375
D Jamieson	Non-Executive Director	3,250
P Baynham	Non-Executive Director	3,250

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 33 to the financial statements.

Employees

Employee information is set out in note 34 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 Consultative and Negotiation 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.

Brexit

The directors have considered the potential impacts of Brexit on the future trading performance of the Group at 31 March 2019, including but not limited to labour mobility, supply chain friction, tariffs, regulatory and tax environment changes and related macroeconomic factors. No material risks have been identified warranting disclosure within these financial statements.

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
25 July 2019

Report of the Board

on Corporate Governance and Internal Financial Control

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 below 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 excluding Group Chair
Remuneration Committee	Three Non-Executive Directors excluding Group Chair

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:

Chief Executive	David McQuade
Chief Operating Officer	Helen Walsham
Chief Financial Officer	David Armstrong
Chief Strategic Officer	John Archibald

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.

Report of the Board

on Corporate Governance and Internal Financial Control

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.

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. The Board confirms compliance with the code.

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.

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 RSH Governance and Financial Viability Standard.

Statement

The Board has received the Operational Board'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
25 July 2019

Independent Auditor's Report

to the Members of Flagship Housing Group Limited

We have audited the financial statements of Flagship Housing Group Limited (the 'parent company) and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Group and the parent company's Statements of Comprehensive Income, the Group and the parent company's Statements of Financial Position, the Group Statement of Cash Flows, the Group and the parent company's Statements of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's and the parent company's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

The Board's view on the impact of Brexit is disclosed on page 20.

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Group's and parent Company's trade, customers suppliers and the wider economy.

We consider the impact of Brexit on the Group and the parent Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Group's and parent Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the Group and parent Company and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report

to the Members of Flagship Housing Group Limited

Other information

The Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the parent 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.

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 19, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the company's 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 the company's 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 the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP, Chartered Accountants and Statutory Auditor
45 Church Street, Birmingham B3 2RT
Signed on 12 August 2019

Statement of Comprehensive Income

for the Year Ended 31 March 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Turnover	5	**155,737**	133,725	**127,340**	122,622
Cost of sales	5	**(22,216)**	(12,849)	**(4,295)**	(3,142)
Operating costs	5	**(79,172)**	(64,944)	**(74,044)**	(65,053)
Gain on disposal of property, plant and equipment	7	**5,942**	2,955	**3,511**	2,955
Operating surplus	5	**60,291**	58,887	**52,512**	57,382
Interest receivable and similar income	8	**1,518**	731	**3,491**	2,674
Interest and financing costs	9	**(24,296)**	(24,510)	**(23,857)**	(24,497)
(Deficit) / surplus on revaluation of investment properties	14	**(353)**	1,941	**(353)**	1,941
Gift on acquisition of subsidiary	39	**94,478**	-	**-**	-
Surplus for the year before taxation		**131,638**	37,049	**31,793**	37,500
Taxation	10	**31**	79	**-**	-
Surplus for the year	11	**131,669**	37,128	**31,793**	37,500
Remeasurement of SHPS pension liability		**(3,564)**	-	**(3,566)**	-
Actuarial (loss) / gain in respect of pension schemes		**(2,566)**	533	**(2,566)**	533
Total comprehensive income for the year		**125,539**	37,661	**25,661**	38,033

All results are from continuing activities and were generated in the United Kingdom.

There is no material difference between surplus for the year before taxation and the surplus for the financial period stated above and their historical cost equivalent.

Notes on pages 29 to 67 form part of the financial statements.

Statement of Financial Position

as at 31 March 2019

	Notes	Group 2019 £'000	Group 2018 (Restated) £'000	Company 2019 £'000	Company 2018 (Restated) £'000
Fixed assets					
Intangible assets	12	**8,610**	6,697	**1,578**	925
Housing properties	13	**1,520,077**	1,297,954	**1,344,280**	1,300,584
Investment properties	14	**64,006**	64,336	**64,338**	64,668
Other property, plant & equipment	15	**7,721**	5,470	**5,771**	4,572
Investments - Homebuy	16	**-**	38	**-**	38
Investments - Other	17	**14,623**	13,116	**59,187**	42,630
		1,615,037	1,387,611	**1,475,154**	1,413,417
Debtors due after one year	19	**328**	-	**-**	-
Current assets					
Inventories	18	**14,187**	12,766	**325**	1,794
Debtors due within one year	19	**16,613**	12,936	**8,178**	10,036
Current asset investments	20	**25,778**	35,570	**25,778**	35,570
Cash at bank and in hand		**48,346**	58,807	**14,907**	42,727
Total Current Assets		**104,924**	120,079	**49,188**	90,127
Creditors					
Amounts falling due within one year	21	**(48,875)**	(40,616)	**(32,366)**	(34,170)
Net current assets		**56,049**	79,463	**16,822**	55,957
Total assets less current liabilities		**1,671,414**	1,467,074	**1,491,976**	1,469,374

	Notes	Group 2019 £'000	Group 2018 (Restated) £'000	Company 2019 £'000	Company 2018 (Restated) £'000
Financed by:					
Creditors					
Amounts falling due after one year	22	**893,490**	825,960	**811,547**	825,852
Provisions for liabilities					
Pension liability	32	**17,748**	6,502	**17,748**	6,502
Deferred taxation	28	**113**	88	**-**	-
Capital and reserves					
Share capital	29	**-**	-	**-**	-
Revenue reserves		**358,570**	229,531	**261,188**	232,027
Revaluation reserves		**401,493**	404,993	**401,493**	404,993
		1,671,414	1,467,074	**1,491,976**	1,469,374

These financial statements were approved by the Board of Management on 25 July 2019 and were signed on its behalf by:

P Hawes — Chair

R Bennett — Board Member

D Armstrong — Executive Director - Finance

Statement of Changes in Reserves

as at 31 March 2019

Group	Notes	Revenue reserve £'000	Revaluation reserve £'000	Total £'000
At 31 March 2017		189,347	414,048	603,395
Prior year adjustment	40	(977)	(5,555)	(6,532)
At 31 March 2017 As Restated		188,370	408,493	596,863
Surplus from statement of comprehensive income		37,661	-	37,661
Transfer from revaluation reserve to revenue reserve		3,500	(3,500)	-
At 31 March 2018		229,531	404,993	634,524
Surplus from statement of comprehensive income		125,539	-	125,539
Transfer from revaluation reserve to revenue reserve		3,500	(3,500)	-
At 31 March 2019		358,570	401,493	760,063

Company	Notes	Revenue reserve £'000	Revaluation reserve £'000	Total £'000
At 31 March 2017		191,471	414,048	605,519
Prior year adjustment	40	(977)	(5,555)	(6,532)
At 31 March 2017 As Restated		190,494	408,493	598,987
Surplus from statement of comprehensive income		38,033	-	38,033
Transfer from revaluation reserve to revenue reserve		3,500	(3,500)	-
At 31 March 2018		232,027	404,993	637,020
Surplus from statement of comprehensive income		25,661	-	25,214
Transfer from revaluation reserve to revenue reserve		3,500	(3,500)	-
At 31 March 2019		261,188	401,493	662,681

Cash Flow Statement

for the Year Ended 31 March 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Net cash generated from operating activities	36	**86,237**	60,248	**81,418**	60,490
Cash flows from investing activities					
Purchase of intangible assets		**(4,404)**	(2,818)	**(1,452)**	(754)
Purchase of housing properties		**(71,770)**	(50,839)	**(68,510)**	(50,643)
Purchase of other fixed assets		**(2,006)**	(1,050)	**(1,488)**	(1,050)
Purchase of investment property		**(23)**	-	**(23)**	-
Proceeds from sale of property, plant and equipment		**11,045**	7,922	**7,676**	7,918
Investment in subsidiary		-	-	**(16,300)**	(8,563)
Cash on acquisition of subsidiary		**2,944**	414	**-**	-
Loan to Joint Venture		**(1,250)**	-	**-**	-
Interest received		**1,518**	732	**3,491**	2,674
Taxation		**(21)**	-	**-**	-
Net cash flows from investing activities		**(63,967)**	(45,639)	**(76,606)**	(50,418)

	Notes	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash flows from financing activities					
Interest paid		**(23,076)**	(22,645)	**(23,069)**	(22,645)
Interest element of finance lease rental payments		**(796)**	(1,146)	**(788)**	(1,133)
New loan received		**-**	32,726	**-**	32,726
Repayments of borrowings		**(7,627)**	(7,360)	**(7,627)**	(7,360)
Capital element of finance lease rental payments		**(1,232)**	(966)	**(1,148)**	(896)
Net cash flows from financing activities		**(32,731)**	609	**(32,632)**	692
Net (decrease) / increase in cash		**(10,461)**	15,218	**(27,820)**	10,764
Cash at beginning of year		**58,807**	43,589	**42,727**	31,963
Cash at end of year		**48,346**	58,807	**14,907**	42,727

Notes to the Financial Statements

for the Year Ended 31 March 2019

1. General information

Flagship Housing Group Limited is a Registered Provider (RP) incorporated under the Co-operative and Community Benefit Societies Act 2014. The address of its registered office is 31 King Street, Norwich, Norfolk, NR1 1PD.

Flagship Housing Group Limited is registered with the Homes and Communities Agency as an RP as defined by the Homes and Communities Act 2008.

The company is an exempt charity.

2. Statement of compliance

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.

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.

3. Principal accounting policies

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 2019 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. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities, Homes England, 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 5. 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 6 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.

Notes to the Financial Statements

for the Year Ended 31 March 2019

3. Principal accounting policies *cont*

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.

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 fixed 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:

Goodwill	10%
IT software	20 - 33%

Tangible fixed assets and depreciation

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%
Wetrooms	5.0%
Boilers	6.7%
Heating system (exc boiler)	3.3%
Windows & doors	5.0%
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.

Notes to the Financial Statements

for the Year Ended 31 March 2019

3. Principal accounting policies *cont*

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 low cost home 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.

Other tangible fixed assets

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%
Leasehold improvements	4 - 10%
Computer equipment	33%
Leased assets	Over the life of the lease
Furniture, fixtures & fittings	3 - 20%
Owned vehicles	25%

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.

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 Social Housing Grant (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.

Current asset investments

Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. Cash equivalents are cash deposits with a short maturity of three months or less. 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 of 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 a 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. Social Housing Grant (SHG) received for items of cost written off in the Statement of Comprehensive Income is included as part of Turnover.

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.

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 SHG 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.

Notes to the Financial Statements

for the Year Ended 31 March 2019

3. Principal accounting policies *cont*

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.

Prior to 1 April 2018, it was not possible for the Group to obtain sufficient information to enable it to account for the Social Housing Pension Scheme (SHPS) as a defined benefit scheme, therefore the Group has accounted for the Scheme as a defined contribution scheme to 31 March 2018. 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 2.06% at 31 March 2016, 1.33% at 31 March 2017 and 1.72% at 31 March 2018. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period incurred.

Further details are given in note 32.

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 non-puttable 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:

- The best evidence of fair value is a quoted price in an active market.
- 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.
- 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.

3. Principal accounting policies *cont*

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:

- All equity instruments regardless of significance; and
- 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:

- 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.
- 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.

4. 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 30. 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.

Notes to the Financial Statements

for the Year Ended 31 March 2019

4. Judgements and key sources of estimation uncertainty *cont*

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 2018 and 31 March 2019. 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 14.

Pension and other post-employment benefits.

The cost of defined benefit pension plans and other post-employment 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 32.

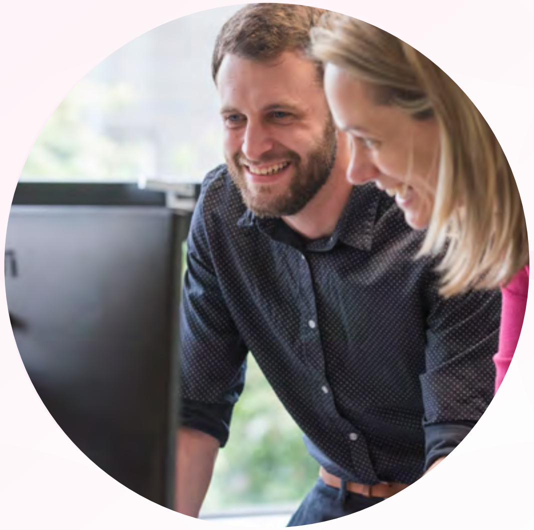
Impairment of non-financial assets.

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.

Following a trigger for impairment, the Group performs 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 committed 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

for the Year Ended 31 March 2019

5. Turnover, Operating Costs and Operating Surplus

Group 2019	Notes	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	6(a)	113,089	-	(67,780)	45,309
Other social housing activities:					
- Shared ownership property first tranche sales		7,102	(4,008)	-	3,094
- Other		114	-	(174)	(60)
Non-social housing activities	6(c)				
- Lettings		6,870	-	(3,994)	2,876
- Property sales		5,279	(4,096)	(5)	1,178
- Gas servicing		19,411	(13,326)	(5,236)	849
- Community initiatives		-	-	(26)	(26)
- Other		3,872	(786)	(1,957)	1,129
		155,737	**(22,216)**	**(79,172)**	**54,349**
Gain on disposal of property, plant and equipment	7				5,942
Total					**60,291**

Group 2018	Notes	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	6(a)	106,970	-	(56,380)	50,590
Other social housing activities:					
- Supporting People Block Subsidy contracts		478	-	(98)	380
- Shared ownership property first tranche sales		73,968	(3,142)	-	826
- Other		71	-	(4)	67
Non-social housing activities	6(c)				
- Lettings		6,649	-	(3,267)	3,382
- Property sales		585	(435)	(150)	-
- Gas servicing		13,751	(8,982)	(4,321)	448
- Other		1,253	(290)	(724)	239
		133,725	**(12,849)**	**(64,944)**	**55,932**
Gain on disposal of property, plant and equipment	7				2,955
Total					**58,887**

Notes to the Financial Statements

for the Year Ended 31 March 2019

5. Turnover, Operating Costs and Operating Surplus *cont*

Company 2019	Notes	Turnover	Cost of sales	Operating costs	Operating surplus
		£'000	£'000	£'000	£'000
Social housing lettings	6(b)	107,124	-	(68,632)	38,492
Other social housing activities:					
- Shared ownership property first tranche sales		6,753	(4,295)	-	2,458
- Other		63	-	(11)	52
Non-social housing activities	6(c)				
- Lettings		6,867	-	(3,994)	2,873
- Property sales		83	-	(5)	78
- Other		6,450	-	(1,402)	5,048
		127,340	**(4,295)**	**(74,044)**	**49,001**
Gain on disposal of property, plant and equipment	7				3,511
Total					**52,512**

Company 2018	Notes	Turnover	Cost of sales	Operating costs	Operating surplus
		£'000	£'000	£'000	£'000
Social housing lettings	6(a)	106,970	-	(60,960)	46,010
Other social housing activities:					
- Supporting People Block Subsidy contracts		478	-	(98)	380
- Shared ownership property first tranche sales		3,968	(3,142)	-	826
- Other		71	-	(4)	67
Non-social housing activities	6(c)				
- Lettings		6,649	-	(3,267)	3,382
- Property sales		585	(435)	(150)	-
- Other		4,486	-	(724)	3,762
		122,622	**(3,142)**	**(65,053)**	**54,427**
Gain on disposal of property, plant and equipment	7				2,955
Total					**57,382**

Notes to the Financial Statements

for the Year Ended 31 March 2019

6. (a) Income and Expenditure from social housing lettings

Group	General needs housing	Supported Housing and housing for older people	Keyworker housing	Shared ownership	Total 2019	Total 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rents receivable net of identifiable service charges	96,561	7,291	109	3,737	**107,698**	101,371
Service income	1,063	1,726	3	197	**2,989**	3,211
Amortisation of capital grants	2,080	185	2	121	**2,388**	2,388
Other grants receivable	13	1	-	-	**14**	-
Total income	99,717	9,203	114	4,055	**113,089**	106,970
Expenditure						
Services	2,568	1,807	3	233	**4,611**	4,393
Management	15,002	1,403	15	913	**17,333**	14,295
Routine maintenance	16,402	1,618	16	-	**18,036**	17,360
Cyclical maintenance	6,589	615	5	-	**7,209**	2,555
Bad debts	521	53	-	14	**588**	1,068
Depreciation of housing properties	17,418	1,552	17	1,016	**20,003**	16,709
Total expenditure	58,500	7,048	56	2,176	**67,780**	56,380
Operating surplus on letting	**41,217**	**2,155**	**58**	**1,879**	**45,309**	**50,590**
Rent losses from voids	(504)	(124)	(1)	(2)	(631)	(1,163)

Notes to the Financial Statements

for the Year Ended 31 March 2019

6. (b) Income and Expenditure from social housing lettings

Company	General needs housing	Supported Housing and housing for older people	Keyworker housing	Shared ownership	Total 2019	Total 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rents receivable net of identifiable service charges	91,513	6,756	109	3,554	**101,932**	101,371
Service income	944	1,713	3	192	**2,852**	3,211
Amortisation of capital grants	2,037	181	2	120	**2,340**	2,388
Total income	94,494	8,650	114	3,866	**107,124**	106,970
Expenditure						
Services	2,338	1,782	3	225	**4,348**	4,393
Management	18,743	1,765	18	1,118	**21,644**	18,875
Routine maintenance	15,978	1,418	16	-	**17,412**	17,360
Cyclical maintenance	4,820	428	5	-	**5,253**	2,555
Bad debts	459	46	-	12	**517**	1,068
Depreciation of housing properties	16,938	1,504	17	999	**19,458**	16,709
Total expenditure	59,276	6,943	59	2,354	**68,632**	60,960
Operating surplus on letting	**35,218**	**1,707**	**55**	**1,512**	**38,492**	**46,010**
Rent losses from voids	(488)	(123)	(1)	(1)	**(633)**	(1,163)

Notes to the Financial Statements

for the Year Ended 31 March 2019

6. (c) Turnover from non-social housing activities

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Lettings				
Market rented and commercial property rents	2,271	2,591	2,271	2,591
Student accommodation	3,908	3,217	3,908	3,217
Private garages	688	616	688	616
Commercial lets	3	225	-	225
Other				
General management charges	-	-	3,410	3,614
Property sales	5,279	585	83	-
Gas servicing	19,411	13,751	-	-
Other income	3,872	1,253	3,040	872
	35,432	22,238	13,400	11,135

7. Gain on disposal of property, plant and equipment

Group

	Proceeds of sales 2019 £'000	Cost of disposals 2019 £'000	Total 2019 £'000	Total 2018 £'000
Housing property disposals				
Right to buy sales	815	(938)	(123)	(58)
Right to acquire sales	483	(81)	402	(1)
Shared ownership staircasing	5,100	(2,261)	2,839	2,914
Open market disposals	3,986	(1,298)	2,688	108
Other fixed asset disposals				
Property plant & equipment disposals	177	(41)	136	(8)
	10,561	(4,619)	5,942	2,955

Company

	Proceeds of sales 2019 £'000	Cost of disposals 2019 £'000	Total 2019 £'000	Total 2018 £'000
Housing property disposals				
Right to buy sales	707	(892)	(185)	(58)
Right to acquire sales	327	(64)	263	(1)
Shared ownership staircasing	5,100	(2,261)	2,839	2,914
Open market disposals	1,541	(947)	594	108
Other fixed asset disposals				
Property plant & equipment disposals	-	-	-	(8)
	7,675	(4,164)	3,511	2,955

Right to buy proceeds are stated net of the share due to councils under the right to buy sharing agreements.

Notes to the Financial Statements

for the Year Ended 31 March 2019

8. Interest receivable and similar income

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Bank interest receivable	616	295	466	288
Other interest receivable	902	436	902	436
Gift aid receipts	-	-	2,123	1,950
	1,518	731	3,491	2,674

9. Interest and financing costs

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
On loans wholly or partly repayable in more than 5 years	24,355	22,492	23,374	22,492
Amortisation of debt issue costs	22	25	-	25
Interest accrued on RCGF balance	1	1	1	1
Finance leases	124	1,784	115	1,771
Net interest on defined benefit liability	673	612	673	612
Unwinding of fair value of loans	(459)	-	-	-
Unwinding of discounts on provisions	1,148	81	1,148	81
	25,864	24,995	25,311	24,982
Less: Interest capitalised	(1,568)	(485)	(1,454)	(485)
	24,296	24,510	23,857	24,497

The weighted average interest on borrowings of 3.80% (2018: 3.80%) was used for calculating capitalised interest.

10. Taxation

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
UK corporation tax:				
Current tax on profits for the year	-	(79)	-	-
Adjustments in respect of prior years:	(31)	-	-	-
	(31)	(79)	-	-
Reconciliation of tax charge				
Tax on surplus on ordinary activities at standard UK corporation tax rate of 19% (2018: 19%)	21,171	7,039	5,840	7,125
Charitable non-taxable income	(21,171)	(7,051)	(5,840)	(7,125)
Depreciation in excess of capital allowances	-	91	-	-
Adjustments in respect of previous periods	(31)	-	-	-
UK corporation tax	(31)	79	-	-

Notes to the Financial Statements

for the Year Ended 31 March 2019

11. Surplus for the year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Is stated after charging:				
Auditor's remuneration (excluding VAT):				
· In their capacity as auditor	**87**	58	**44**	38
· Other services	**2**	7	**2**	7
Bad debts	**667**	1,144	**541**	1,077
Operating Leases:				
· Hire of plant and machinery	**92**	758	**64**	217
· Rent of office buildings	**508**	533	**341**	474
Amortisation of intangible assets	**1,771**	1,317	**799**	638
Depreciation on owned assets:				
· Housing stock	**19,306**	16,116	**18,325**	16,116
· Loss on replacement of components	**697**	1,282	**1,333**	1,282
· Other assets	**1,432**	763	**820**	763
Depreciation on assets held under finance leases:				
· Other assets	**600**	489	**600**	489
(Surplus) / loss on sale of fixed assets				
· Housing stock	**(5,690)**	(2,962)	**(3,367)**	(2,962)
· Other assets	**(135)**	6	**-**	6

12. Intangible assets

Group	Goodwill £'000	IT Software £'000	Total £'000
Cost			
At 1 April 2018	6,628	3,533	10,161
Additions	1,717	1,973	3,690
Disposals	-	(6)	(6)
At 31 March 2019	8,345	5,500	13,845
Depreciation			
At 1 April 2018	895	2,569	3,464
Charge for the year	739	1,032	1,771
Disposals	-	-	-
At 31 March 2019	1,634	3,601	5,235
Net book value 31 March 2019	**6,711**	**1,899**	**8,610**
Net book value 31 March 2018	5,733	964	6,697

Company	IT Software £'000	Total £'000
Cost		
At 1 April 2018	3,463	3,463
Additions	1,452	1,452
Disposals	-	-
At 31 March 2019	4,915	4,915
Depreciation		
At 1 April 2018	2,538	2,538
Charge for the year	799	799
Disposals	-	-
At 31 March 2019	3,337	3,337
Net book value 31 March 2019	**1,578**	**1,578**
Net book value at 31 March 2018	925	925

Notes to the Financial Statements

for the Year Ended 31 March 2019

13. (a) Tangible fixed assets – Housing properties

Group	Housing properties	Housing properties under construction	Shared ownership properties	Shared ownership properties under construction	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2018	1,398,044	18,202	73,217	69	1,489,532
Prior year adjustment	(14,459)	-	(307)	-	(14,766)
At 1 April 2018 - restated	1,383,585	18,202	72,910	69	1,474,766
Additions	175,188	59,299	7,156	7,302	248,945
Disposals	(8,206)	-	(2,518)	-	(10,724)
Transfers	53,670	(57,933)	11,565	(7,302)	-
Transfer from / (to) current assets	(360)	918	(1,286)	-	(728)
At 31 March 2019	1,603,877	20,486	87,827	69	1,712,259
Depreciation					
At 1 April 2018	176,323	-	6,822	-	183,145
Prior year adjustment	(6,947)		614		(6,333)
At 1 April 2018 - restated	169,376	-	7,436	-	176,812
Charge for year	18,476	-	830	-	19,306
Disposals	(3,669)	-	(267)	-	(3,936)
At 31 March 2019	184,183	-	7,999	-	192,182
Net book value					
At 31 March 2019	**1,419,694**	**20,486**	**79,828**	**69**	**1,520,077**
At 31 March 2018 - restated	1,214,209	18,202	65,474	69	1,297,954

Notes to the Financial Statements

for the Year Ended 31 March 2019

13. (b) Tangible fixed assets – Housing properties

Company	Housing properties	Housing properties under construction	Shared ownership properties	Shared ownership properties under construction	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2018	1,400,674	18,202	73,217	69	1,492,162
Prior year adjustment	(14,459)	-	(307)	-	(14,766)
At 1 April 2018 - restated	1,386,215	18,202	72,910	69	1,477,396
Additions	18,938	41,351	-	7,302	67,591
Disposals	(7,648)	-	(2,518)	-	(10,166)
Transfers	43,287	(43,317)	7,332	(7,302)	-
Transfer from / (to) current assets	-	918	-		918
At 31 March 2019	1,440,792	17,154	77,724	69	1,535,739
Depreciation					
At 1 April 2018	176,323	-	6,822	-	183,145
Prior year adjustment	(6,947)		614		(6,333)
At 1 April 2018 - restated	169,376	-	7,436	-	176,812
Charge for year	17,674	-	759	-	18,433
Disposals	(3,519)	-	(267)	-	(3,786)
At 31 March 2019	183,531	-	7,928	-	191,459
Net book value					
At 31 March 2019	**1,257,261**	**17,154**	**69,796**	**69**	**1,344,280**
At 31 March 2018 - restated	1,216,839	18,202	65,474	69	1,300,584

Notes to the Financial Statements

for the Year Ended 31 March 2019

13. (c) Tangible fixed assets – Housing properties

Maintenance spend	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
The amount spent on existing properties during the year was				
Maintenance capitalised in fixed assets	**19,807**	14,635	**18,938**	14,635
Maintenance expensed in the Income and Expenditure account	**24,124**	21,265	**22,665**	21,265
	43,931	35,900	**41,603**	35,900

Development administration expenditure and interest costs capitalised during the year amounted to: Group £2,622k (2018: £1,602k) and Company £2,508k (2018: £1,602k).

14. Tangible fixed assets – Investment properties held for letting

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 1 April	**64,336**	62,395	**64,668**	62,727
Additions	**23**	-	**23**	-
Gain from adjustment in value	**(353)**	1,941	**(353)**	1,941
At 31 March	**64,006**	64,336	**64,338**	64,668

Investment properties were valued at 31 March 2019 by Cartas Jonas and 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

Market rented properties

Discount rate	5.25%
Annual inflation rate	2.5% for Yrs 1&2, decreasing to 2.0% from Yr 3
Level of long term rent increase	2.5% for Yrs 1&2, decreasing to 2.0% from Yr 3

Student accommodation

Discount rate	9.0%
Annual inflation rate - rent	2.5%
Level of long term rent increase	2.5% for Yrs 1-5, 1.0% from Yr 6

Notes to the Financial Statements

for the Year Ended 31 March 2019

15. Tangible fixed assets – Other property, plant and equipment

Group Cost	Offices £'000	Plant and Equipment £'000	Total £'000
At 1 April 2018	3,294	12,716	16,010
Additions	392	4,475	4,867
Disposals	-	(1,476)	(1,476)
At 31 March 2019	3,686	15,715	19,401
Depreciation			
At 1 April 2018	2,052	8,488	10,540
Charge for the year	183	1,848	2,031
Disposals	-	(891)	(891)
At 31 March 2019	2,235	9,445	11,680
Net book value 31 March 2019	**1,451**	**6,270**	**7,721**
Net book value 31 March 2018	1,242	4,228	5,470

Company Cost	Offices £'000	Plant and Equipment £'000	Total £'000
At 1 April 2018	2,670	7,380	10,050
Additions	4	3,171	3,175
Disposals	-	(1,186)	(1,186)
At 31 March 2019	2,674	9,365	12,039
Depreciation			
At 1 April 2018	1,631	3,847	5,478
Charge for the year	123	1,297	1,420
Disposals	-	(630)	(630)
At 31 March 2019	1,754	4,514	6,268
Net book value 31 March 2019	**920**	**4,851**	**5,771**
Net book value 31 March 2018	1,039	3,533	4,572

Net book value of tangible fixed assets held under finance leases	**2019 £'000**	2018 £'000
Group	**3,320**	2,189
Company	**3,264**	2,120

16. HomeBuy

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Loans to home purchasers	-	38	-	38

Notes to the Financial Statements

for the Year Ended 31 March 2019

17. Fixed asset investments

The group includes the following companies regulated by the Regulator of Social Housing (RSH), and registered in the United Kingdom:

	Registered Number	Ownership	RHS Registered Number	Nature of business
Flagship Housing Group Ltd	IP031211	N/A	4651	Housing Association
Victory Housing Trust (Charity Commission Reg No: 1112915)	05275586	100%	L4460	Housing Association

The group also comprises of the following companies, all non-regulated and registered in the United Kingdom:

	Registered Number	Ownership	Nature of business
Flagship Housing Developments Limited	05131085	100%	Design and build
RFT Repairs Limited	08341166	100%	Repairs and maintenance
RFT Repairs & Maintenance Limited	08417425	100%	Dormant
East Anglian Lettings Limited	08421578	100%	Dormant
Flagship Community Housing Limited	09892942	100%	Dormant
Gasway Services Limited	04158628	100%	Gas installation and maintenance
Airwolf Limited	07336837	100%	Dormant
Milgas Services Limited	04871692	100%	Dissolved on 27 November 2018
Seagway Limited	09929104	100%	Dormant
Blue Flame (Colchester) Limited	05086349	100%	Gas installation and maintenance

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 1 April	**13,116**	12,236	**42,630**	33,187
Additions	**1,507**	880	**16,557**	12,943
Capital reduction in subsidiary	-	-	-	(3,500)
At 31 March	**14,623**	13,116	**59,187**	42,630
Group companies	**-**	-	**45,814**	29,514
Liquidity deposit reserve	**13,371**	13,114	**13,371**	13,114
Other Investments (at historical cost)	**1,252**	2	**2**	2
	14,623	13,116	**59,187**	42,630

During the year:

Group:

On 2 January 2019, the Group entered into a business combination, recognising the value of Victory Housing Trust in the statement of comprehensive income as a gift to Flagship Housing Group Ltd as per FRS102 (PBE 34.77) for the year ended 31 March 2019. This amounted to a gift of £94.5m.

Flagship Housing Developments Ltd invested £1.25m in a joint venture, Evera Homes LLP

Company:

Flagship Housing Developments Ltd issued £15m of ordinary shares

Gasway Services Ltd issued £1.3m of ordinary shares

Gasway Services Ltd bought Blue Flame (Colchester) Ltd

Notes to the Financial Statements

for the Year Ended 31 March 2019

18. Inventories

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Raw materials and consumables	1,362	1,143	-	-
Completed properties for sale	2,387	3,578	269	1,794
Work in progress	10,438	8,045	56	-
	14,187	12,766	325	1,794

19. Debtors

Debtors due within one year	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 restated £'000
Amounts owed by group undertakings	-	-	1,017	4,600
Rent arrears				
Amounts due from tenants	9,799	7,412	8,658	7,412
Net present value adjustment	-	-	-	-
Bad and doubtful debt provision	(5,839)	(4,806)	(5,346)	(4,806)
Other trade debtors				
Amounts due from other trade debtors	3,065	2,374	866	132
Bad and doubtful debt provision	-	(94)	-	(30)
Other debtors	1,305	453	396	262
VAT	32	-	-	-
Prepayments and accrued income	8,251	7,597	2,587	2,466
	16,613	12,936	8,178	10,036
Debtors due after one year	£'000	£'000	£'000	£'000
Other debtors	328	-	-	-

20. Current asset investments

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash equivalents	25,778	35,570	25,778	35,570

21. Creditors - Amounts falling due within one year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Amounts due to group undertakings	-	-	401	-
Bank loans and overdrafts (note 23)	10,827	7,627	7,827	7,627
Fair value adjustment on loans	1,867	-	-	-
Obligations under finance leases and hire purchase contracts (note 27)	1,513	1,529	1,457	1,462
Trade creditors	8,396	7,526	3,995	4,787
Other creditors	3,966	4,084	3,245	4,066
Accruals and deferred income	16,023	13,949	10,452	11,114
Other taxes and social security costs	956	771	-	-
SHPS past service deficit	-	909	-	909
Deferred capital grant (note 24)	3,123	2,287	2,924	2,287
Recycled Capital Grant Fund (note 25)	2,003	1,856	2,003	1,856
Disposals Proceeds Fund (note 26)	62	62	62	62
Corporation tax	139	16	-	-
	48,875	40,616	32,366	34,170

Notes to the Financial Statements

for the Year Ended 31 March 2019

22. Creditors - Amounts falling due after more than one year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Bank loans and overdrafts (note 23)	**672,207**	615,035	**607,207**	615,035
Fair value adjustment on loans	**15,178**	-	-	-
Obligation under finance leases and hire purchase contracts (note 27)	**16,129**	15,658	**16,095**	15,550
SHPS past service deficit	**-**	4,817	**-**	4,817
Accruals and deferred income	**925**	565	**525**	565
Deferred Capital Grant (note 24)	**189,051**	189,885	**187,720**	189,885
	893,490	825,960	**811,547**	825,852

23. 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% (2018: 3.80%); the average during the year was 3.80% (2018: 3.90%). The maturities are calculated by reference to the existence of committed facilities at 31 March 2019. The earliest dates on which repayment could be demanded under committed revolving facilities are as follows:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Housing loans:				
Repayable in one year or less	**10,827**	7,627	**7,827**	7,627
Repayable between one and two years	**18,041**	7,827	**8,041**	7,827
Repayable between two and five years	**44,753**	29,422	**34,753**	29,422
Repayable in five years or more	**609,413**	577,786	**564,414**	577,786
	683,034	622,662	**615,035**	622,662

The interest rate profile of the Group was:	Variable Rate £'000	Fixed Rate £'000	Total £'000
Syndicated bank loans	118,954	327,246	**446,200**
RSL Finance (No 1) Bond	-	121,190	**121,190**
Lloyds loan	3,000	65,000	**68,000**
THFC - EIB Loan (No 1)	-	15,000	**15,000**
THFC - AHF Loan	-	22,754	**22,754**
THFC - EIB Loan (No 2)	-	9,890	**9,890**
	121,954	561,080	**683,034**

Notes to the Financial Statements

for the Year Ended 31 March 2019

23. Debt analysis *cont*

	Weighted Average Rate %	Weighted Average Term of Fixing Years	Undrawn Facilities £'000
Syndicated bank loans	3.12	11.4	-
RSL Finance (No 1) Bond	6.63	23.0	-
Lloyds loan	4.96	8.5	27,000
THFC - EIB Loan (No 1)	2.01	27.0	-
THFC - AHF Loan	2.17	25.0	-
THFC - EIB Loan (No 2)	2.15	27.0	-
Revolving credit facilities	-	-	50,000

24. Deferred capital grant

	Group 2019 £'000	Company 2018 restated £'000	Company 2019 £'000	Company 2018 restated £'000
At the start of the year	**192,172**	196,899	**190,644**	196,899
Prior year adjustment	**-**	(1,901)	**-**	(1,901)
At the start of the year - restated	**192,172**	194,998	**192,172**	194,998
Grant received in the year	**2,390**	-	**812**	-
Grant released on disposals	**-**	(438)	**-**	(438)
Released to income in the year	**(2,388)**	(2,388)	**(2,340)**	(2,388)
At the end of the year	**192,174**	192,172	**190,644**	192,172
Amount due to be released < 1 year	**3,123**	2,287	**2,924**	2,287
Amount due to be released > 1 year	**189,051**	189,885	**187,720**	189,885
	192,174	192,172	**190,644**	192,172

25. Recycled capital grant fund

	Group 2019 £'000	Company 2018 £'000	Company 2019 £'000	Company 2018 £'000
At the start of the year	**1,856**	1,590	**1,856**	1,590
Inputs:				
Grant recycled	**147**	265	**147**	265
Interest accrued	**-**	1	**-**	1
Recycling:				
New build	**-**	-	**-**	-
At the end of the year	**2,003**	1,856	**2,003**	1,856

26. Disposals proceeds fund

	Group 2019 £'000	Company 2018 £'000	Company 2019 £'000	Company 2018 £'000
At the start and end of the year	**62**	62	**62**	62
Inputs:				
Grant recycled	**-**	-	**-**	-
Interest accrued	**-**	-	**-**	-
At the end of the year	**62**	62	**62**	62

Notes to the Financial Statements

for the Year Ended 31 March 2019

27. Obligations under finance leases

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Net finance lease obligations:				
In one year or less	**1,513**	1,529	**1,457**	1,462
Between two and five years	**16,129**	15,658	**16,095**	15,550
	17,642	17,187	**17,552**	17,012

28. Provision for deferred tax

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Accelerated capital allowances	**113**	88	**-**	-

29. Non-equity share capital

	2019 £	2018 £
Allotted, issued and fully paid		
At start of the year	**5**	5
Issued during the year	**1**	-
At end of the year	**6**	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.

30. Capital commitments

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**115,926**	63,982	**98,300**	63,982

The total amount contracted for at 31 March 2019 in respect of new dwellings relates to approved schemes for which grant approval has been received and or private finance arranged.

31. Operating leases

The Group holds housing stock, office accommodation and other plant & machinery under non-cancellable operating leases. At 31 March 2019, the Group had commitments of future minimum leases payments as follows:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Within one year:				
Land & buildings	**540**	380	**329**	329
Other operating leases	**489**	405	**-**	-
Between one to five years:				
Land & buildings	**1,710**	1,016	**915**	780
Other operating leases	**698**	427	**-**	-
Between five to ten years:				
Land & buildings	**975**	1,006	**975**	975
Other operating leases	**143**	-	**-**	-
Between 10 and 20 years:				
Land & buildings	**776**	975	**776**	975
Other operating leases	**-**	-	**-**	-
	5,331	4,209	**2,995**	3,059

32. 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.

32(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 2019. The results of the valuations are as follows:

Assumptions:	**Group and Company 2019**	**Group and Company 2018**
Financial assumptions:	% per annum	% per annum
Pension increase rate	2.50%	2.40%
Salary increase rate	2.80%	2.70%
Discount rate	2.40%	2.60%

Mortality rates (based on the funds VitaCurves with improvements in line with the CMI 2010 model)

	Males 2019 Years	Females 2019 Years	Males 2018 Years	Females 2018 Years
Current pensioners: post-retirement life expectancy	22.10	24.40	22.00	24.40
Future pensioners: post-retirement life expectancy	24.10	26.40	24.00	26.40

The major categories of plan assets as a percentage of total plan assets	**Group and Company 2019**	**Group and Company 2018**
Equities	55.0%	57.0%
Bonds	31.0%	30.0%
Property	10.5%	11.0%
Cash	3.5%	2.0%
	100.0%	100.0%

Sensitivity Analysis	**Norfolk Pension Fund**		**Suffolk Pension Fund**	
	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£'000)	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£'000)
0.5% decrease in real discount rate	9%	1,740	8%	477
0.5% increase in salary increase rate	0%	79	1%	47
0.5% increase in the pension increase rate (CPI)	8%	1,644	7%	424

Notes to the Financial Statements

for the Year Ended 31 March 2019

32(a). Norfolk County Council Pension Fund and Suffolk County Council Pension Fund *cont*

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

	Group and Company 2019 £'000	Group and Company 2018 £'000
Opening position		
Fair value of plan assets	17,955	17,424
Present value of funded liabilities	(24,345)	(24,674)
Present value of unfunded liabilities	(112)	(119)
Opening position as at 1 April 2018	(6,502)	(7,369)
Service cost		
Current service cost	(126)	(137)
Total Service cost	(126)	(137)
Net Interest		
Interest income on plan assets	467	436
Interest cost on defined benefit obligation	(629)	(612)
Total Net Interest	(162)	(176)
Total Defined Benefit Cost Recognised in the Statement of Comprehensive Income	(288)	(270)

	Group and Company 2019 £'000	Group and Company 2018 £'000
Cash Flows		
Plan participants' contributions (net)	-	-
Employers Contributions	728	718
Contributions in respect of unfunded benefits	6	9
Benefits paid (net)	-	-
Unfunded benefits paid (net)	-	-
Closing position before re-measurements	(6,056)	(6,955)
Re-measurements		
Change in demographic assumptions	-	-
Changes in financial assumptions	(1,233)	399
Other experience	49	-
Return on assets excluding amounts held in net interest	779	1,744
Total measurements recognised in Other Comprehensive Income	(405)	(2,341)
Closing position		
Fair value plan assets	19,258	17,955
Present value of funded liabilities	(25,659)	(24,345)
Present value of unfunded liabilities	(60)	(112)
Closing position as at 31 March 2019	(6,461)	(6,502)

32(b). Social Housing Pension Scheme

The Group participates in the Social Housing Pension Scheme (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.

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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

Notes to the Financial Statements

for the Year Ended 31 March 2019

32(b). Social Housing Pension Scheme *cont*

Year ended 31 March 2019

The Social Housing Pension Scheme is a defined benefit pension schemes. Valuations for the purposes of FRS 102 were carried out at 31 March 2019. The results of the valuations are as follows:

Assumptions:	**Group and Company 2019**	**Group and Company 2018**
Financial assumptions:	% per annum	% per annum
Inflation (RPI)	3.28%	3.18%
Inflation (CPI)	2.28%	2.18%
Salary increase rate	3.28%	3.18%
Discount rate	2.33%	2.58%
Allowance for commutation of pension for cash at retirement (% of maximum allowance)	75.0%	75.0%

Mortality rates (based on the funds VitaCurves with improvements in line with the CMI 2010 model)

	Males 2019 Years	**Females 2019 Years**
Current pensioners: post-retirement life expectancy	**21.80**	**23.50**
Future pensioners: post-retirement life expectancy	**23.20**	**24.70**

The major categories of plan assets:	**Group and Company 2019**	**Group and Company 2018**
Global Equity	**5,319**	5,912
Absolute Return	**2,735**	3,656
Distressed Opportunities	**575**	289
Credit Relative Value	**579**	-
Alternative Risk Premia	**1,823**	1,135
Fund of Hedge Funds	**142**	986
Emerging Markets Debt	**1,091**	1,207
Risk Sharing	**955**	277
Insurance-Linked Securities	**907**	786
Property	**711**	1,378
Infrastructure	**1,658**	767
Private Debt	**424**	266
Corporate Bond Fund	**1,475**	1,229
Long Lease Property	**465**	-
Secured Income	**1,132**	1,110
Over 15 Year Gilts	**-**	-
Liability Driven Investment	**11,560**	10,905
Net Current Assets	**61**	28
Total assets	**31,612**	29,931

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Notes to the Financial Statements

for the Year Ended 31 March 2019

32(b). Social Housing Pension Scheme *cont*

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

	Group and Company 2019 £'000
Opening position	
Fair value of plan assets	29,931
Present value of funded liabilities	(39,223)
Opening position as at 1 April 2018	**(9,292)**
Service cost	
Current service cost	(243)
Expenses	(22)
Total Service cost	**(265)**
Net Interest	
Interest income on plan assets	777
Interest cost on defined benefit obligation	(1,005)
Total Net Interest	**(228)**
Total Defined Benefit Cost Recognised in the Statement of Comprehensive Income	**(493)**
Cash Flows	
Plan participants' contributions (net)	-
Employers Contributions	1,003
Benefits paid (net)	-
Closing position before re-measurements	**(6,955)**
Re-measurements	
Change in demographic assumptions	(123)
Changes in financial assumptions	(2,801)
Other experience	(69)
Return on assets excluding amounts held in net interest	519
Total measurements recognised in Other Comprehensive Income	**(2,474)**
Closing position	
Fair value plan assets	31,612
Present value of funded liabilities	(42,768)
Closing position as at 31 March 2019	**(11,256)**

Notes to the Financial Statements

for the Year Ended 31 March 2019

32(b). Social Housing Pension Scheme *cont*

Year ended 31 March 2018

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

Deficit contributions

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

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

Where the scheme is in deficit and where the 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

Reconciliation of opening and closing provisions

	Group and Company 2018 £'000
Provision at 1 April 2017	6,600
Unwinding of the discount factor (interest expense)	81
Deficit contribution paid	(875)
Remeasurements - impact of any change in assumptions	(80)
Provision at 31 March 2018	5,726
Statement of Comprehensive Income impact	
Interest expense	81
Remeasurements – impact of any change in assumptions	(80)
Contributions paid in respect of future service*	-
Costs recognised in the Statement of Comprehensive Income	1

* 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.

32(b). Social Housing Pension Scheme *cont*

Assumptions	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.72	1.33	2.06

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

	Group and Company 2018 £'000
Estimated employer debt on withdrawal	50,240

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 as at 30 September 2017, which has not been finalised at the time of publication.

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 2017.

	Group 2019 £'000	Company 2018 £'000	Company 2019 £'000	Company 2018 £'000
Estimated employer debt on withdrawal	**54**	54	**54**	54

32(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 2014 by a professionally qualified actuary using the Projected Unit Method and the actuary found that the assets were sufficient to cover 101% 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 April 2017. 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 102% on an ongoing basis.

	Group 2019 £'000	Company 2018 £'000	Company 2019 £'000	Company 2018 £'000
Contributions	**8**	7	**-**	-

32(d). Defined Contribution Pension Schemes

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:

	Group 2019 £'000	Company 2018 £'000	Company 2019 £'000	Company 2018 £'000
Contributions	**1,946**	968	**904**	571

33. 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: £817,431 (2018: £643,070). Retirement benefits are accruing to the Executive Directors under defined benefit schemes 2 members; (2017 – 2 members) and defined contribution schemes 1 member, (2017 – 1 members). The Chief Executive, who is also the highest paid Director, was an ordinary member of the Social Housing Pension Scheme until 31 March 2016 (see Note 28b). From 1 April 2016, the Chief Executive opted out of the scheme, the company contributions being rolled into their salary.

	2019			2018		
	Executive Directors £'000	Non-Executive Directors £'000	Total £'000	Executive Directors £'000	Non-Executive Directors £'000	Total £'000
Salary	613	82	695	476	75	551
Benefits	35	-	35	31	-	31
Total excluding pension contributions	648	82	730	507	75	582
Pension contributions	75	-	75	61	-	61
Aggregate total	723	82	805	568	75	643

Emoluments paid to the highest paid Director	2019 £	2018 £
Salary	227,839	208,951
Benefits	9,977	9,665
Total excluding pension contributions	237,816	218,616
Pension contributions	-	-
Aggregate total	237,816	218,616

34. Employee information

	Group 2019 Number	Group 2018 Number	Company 2019 Number	Company 2018 Number
The average full time equivalent number of persons (including Executive Directors) employed during the year was:	**931**	705	**315**	286

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

Staff costs (for the above persons):	Group 2019 £'000	Company 2018 £'000	Company 2019 £'000	Company 2018 £'000
Wages and salaries (including redundancy costs)	**29,023**	24,136	**9,976**	9,327
Social Security costs	**2,886**	2,419	**1,062**	969
Pension costs	**3,459**	1,288	**2,700**	919
Total – excluding temporary staff costs	**35,368**	27,843	**13,738**	11,215
Temporary staff costs	**443**	112	**112**	63
Total	**35,811**	27,955	**13,850**	11,278

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):

Salary Bands	Group 2019 Number	Group 2018 Number	Company 2019 Number	Company 2018 Number
£60,000 to £70,000	**6**	2	**4**	1
£70,001 to £80,000	**2**	7	**2**	4
£80,001 to £90,000	**5**	4	**3**	4
£90,001 to £100,000	**3**	4	**3**	3
£100,001 to £110,000	**3**	1	**3**	-
£110,001 to £120,000	**-**	-	**-**	-
£120,001 to £130,000	**-**	2	**-**	2
£130,001 to £140,000	**2**	1	**1**	1
£140,001 to £150,000	**1**	2	**1**	2
£150,001 to £160,000	**1**	-	**1**	-
£210,001 to £220,000	**-**	1	**-**	1
£230,001 to £240,000	**1**	-	**1**	-
	24	24	**19**	18

Notes to the Financial Statements

for the Year Ended 31 March 2019

35. Housing stock

Group (Owned and managed) Social Properties	2018 Units	Additions Units	Converted/ Re-classified	Disposals Units	2019 Units
General needs – social rent	18,085	3,798	(25)	(50)	**21,808**
General needs – affordable rent	354	837	4	-	**1,195**
Sheltered housing – social rent	1,497	-	24	-	**1,521**
Sheltered housing – affordable rent	-	-	-	-	**-**
Supported housing and housing for older people – social rent	287	473	(13)	(15)	**732**
Supported housing and housing for older people – affordable rent	-	5	-	-	**5**
Intermediate rented properties	481	256	19	-	**756**
Shared ownership	1,101	243	(9)	(45)	**1,290**
Non-social properties					
Market rented accommodation	282	-	(1)	-	**281**
Student accommodation	600	-	-	-	**600**
Other	18	-	1	-	**19**
Total	22,705	5,612	-	(110)	**28,207**

Company (Owned and managed) Social Properties	2018 Units	Additions Units	Converted/ Re-classified	Disposals Units	2019 Units
General needs – social rent	18,085	4	(4)	(29)	**18,056**
General needs – affordable rent	354	93	5	-	**452**
Sheltered housing – social rent	1,497	-	24	-	**1,521**
Sheltered housing – affordable rent	-	-	-	-	**-**
Supported housing and housing for older people – social rent	287	-	(13)	(15)	**259**
Supported housing and housing for older people – affordable rent	-	-	-	-	**-**
Intermediate rented properties	481	254	(1)	-	**734**
Shared ownership	1,101	82	(11)	(45)	**1,127**
Non-social properties					
Market rented accommodation	282	-	(1)	-	**281**
Student accommodation	600	-	-	-	**600**
Other	18	-	1	-	**19**
Total	22,705	433	-	(89)	**23,049**

Notes to the Financial Statements

for the Year Ended 31 March 2019

36. Notes to the cash flow statements

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash flow from operating activities				
Surplus for the year	**131,669**	37,128	**31,793**	37,500
Adjustment for non-cash items:				
Depreciation of housing properties	**18,978**	16,116	**18,433**	16,116
Depreciation of other fixed assets	**1,674**	1,864	**1,420**	1,256
Amortisation of intangible assets	**1,772**	1,317	**800**	638
Decrease / (increase) in inventories	**698**	(6,516)	**1,469**	(889)
Decrease / (increase) in debtors	**1,319**	(1,947)	**2,046**	(1,167)
Decrease / (increase) in current asset investments	**9,792**	(5,119)	**9,792**	(5,119)
(Decrease) in creditors	**(4,349)**	(965)	**(3,700)**	(4,256)
(Decrease) in provisions	**(612)**	(333)	**(612)**	(334)
Gift on acquisition of subsidiary	**(94,478)**	-	**-**	-
Pension costs less contributions payable	**-**	(874)	**-**	(874)
Carrying amount housing property disposals	**7,228**	5,865	**6,378**	5,865
Carrying amount other fixed asset disposals	**596**	516	**556**	509
Decrease / (increase) in fair value of investment property	**353**	(1,941)	**353**	(1,941)

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Adjustments for investing or financing activities:				
Proceeds from the sale of housing properties	**(11,040)**	(7,922)	**(7,676)**	(7,918)
Proceeds from the sale of other fixed assets	**-**	-	**-**	-
Interest payable	**24,155**	23,791	**23,857**	23,778
Interest received	**(1,518)**	(732)	**(3,491)**	(2,674)
Net cash generated from operating activities	**86,237**	60,248	**81,418**	60,490
Reconciliation of net cash flow to movement in net debt				
(Decrease) / increase in cash in the period	**(10,461)**	15,218	**(27,820)**	10,764
(Decrease) / increase in cash equivalents in the period	**(9,792)**	5,120	**(9,792)**	5,120
Cash (inflow) / outflow from movement in debt	**(60,372)**	(25,366)	**7,628**	(25,366)
Change in net debt resulting from cash flows	**(80,625)**	(5,028)	**(29,984)**	(9,482)

Notes to the Financial Statements

for the Year Ended 31 March 2019

36. Notes to the cash flow statements *cont*

Analysis of net debt - Group	At 31 March 2018 £'000	Cash flows £'000	Non cash transaction £'000	At 31 March 2019 £'000
Cash and cash equivalents				
Cash in hand and at bank	58,807	(10,461)	-	**48,346**
Cash equivalents	35,570	(9,792)	-	**25,778**
	94,377	(20,253)	-	**74,124**
Debt				
Debt due within 1 year	(7,627)	(3,200)	-	**(10,827)**
Debt due after 1 year	(615,035)	(57,172)	-	**(672,207)**
	(622,662)	(60,372)	-	**(683,034)**
Net Debt	(528,285)	(80,625)	-	**(608,910)**
Analysis of net debt - Company				
Cash and cash equivalents				
Cash in hand and at bank	42,727	(27,820)	-	**14,907**
Cash equivalents	35,570	(9,792)	-	**25,778**
	78,297	(37,612)	-	**40,685**
Debt				
Debt due within 1 year	(7,627)	(200)	-	**(7,827)**
Debt due after 1 year	(615,035)	7,828	-	**(607,207)**
	(622,662)	7,628	-	**(615,034)**
Net Debt	(544,365)	(29,984)	-	**(574,349)**

Notes to the Financial Statements

for the Year Ended 31 March 2019

37. Financial instruments

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

Financial assets	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Measured at discounted amount receivable:				
• Rent arrears financing transactions (note 19)	-	-	-	-
Measured at undiscounted amount receivable:				
• Rent arrears and other debtors (note 19)	**7,025**	4,886	**4,178**	2,708
• Amounts due from related undertakings (note 19)	-	-	**1,017**	4,600
• Cash equivalents (note 20)	**25,778**	35,570	**25,778**	35,570
	32,803	40,456	**30,973**	42,878
Financial liabilities				
Measured at amortised cost:				
• Loans payable (note 23)	**683,035**	622,662	**615,035**	622,662
• Obligations under finance leases (note 27)	**17,642**	17,187	**17,552**	17,012
• SHPS past service deficit (notes 21 and 22)	-	5,726	-	5,726
• Amounts due to related undertakings (note 21)	-	-	**401**	-
Measured at undiscounted amount payable:				
• Trade and other creditors (note 21)	**8,872**	7,428	**4,471**	4,787
	709,549	653,003	**637,459**	650,187

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

Interest income and expense	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Total interest income for financial assets at amortised cost	**1,518**	731	**3,491**	2,674
Total interest expense for financial liabilities at amortised cost	**(24,296)**	(24,510)	**(23,857)**	(24,497)
Fair value gains and losses				
On financial assets measured at fair value through the statement of comprehensive income	**(2,566)**	533	**(2,566)**	533

Notes to the Financial Statements

for the Year Ended 31 March 2019

38. Related parties

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.

Transactions with non-registered elements of the business

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

	2019 £'000	2018 £'000
Payable to Company from subsidiary		
RFT Repairs Limited – management charges	**1,861**	1,981
Flagship Housing Developments Limited – management charges	**1,279**	177
Gasway Services Limited – management charges	**206**	-
Payable by Company to subsidiary		
RFT Repairs Limited – provision of maintenance services	**29,417**	23,040
Flagship Housing Developments Limited – development of housing properties	**7,460**	8,619
Gasway Services Limited – gas installation & maintenance services	**9,880**	5,534

39. Gift on acquisition of subsidiary

On 2 January 2019 Victory Housing Trust joined the Group, becoming a 100% subsidiary, for nil consideration. As such, the excess of the fair value of assets received over the fair value of liabilities assumed has been recognised in the Statement of Comprehensive Income.

	2019 £'000 Fair value	2019 £'000 Carrying value	2018 £'000
Fixed Assets			
Intangible fixed assets	**493**	493	493
Housing property	**176,960**	169,892	160,174
Other tangible assets	**651**	651	874
Current assets			
Stock	**2,055**	2,055	2,975
Debtors	**1,166**	1,166	1,523
Cash at bank	**2,455**	2,455	1,294
Creditors: Amounts due within one year	**(7,901)**	(6,793)	(6,638)
Creditors: Amounts due after one year	**(81,401)**	(91,606)	(90,903)
Net Assets - Gift on acquisition of subsidiary	**94,478**	78,313	69,792

Notes to the Financial Statements

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40. Prior year adjustment

A prior year adjustment has been made to correct an error identified to the carrying value of Housing Properties and Deferred capital grant. A summary of the adjustment made at 1 April 2017 is below:

	1 April 2017 £'000
Housing properties net book value	(8,433)
Deferred capital grant due after one year	1,901
	(6,532)
Represented by:	
Accumulated revenue reserve	(977)
Revaluation reserve	(5,555)
	(6,532)