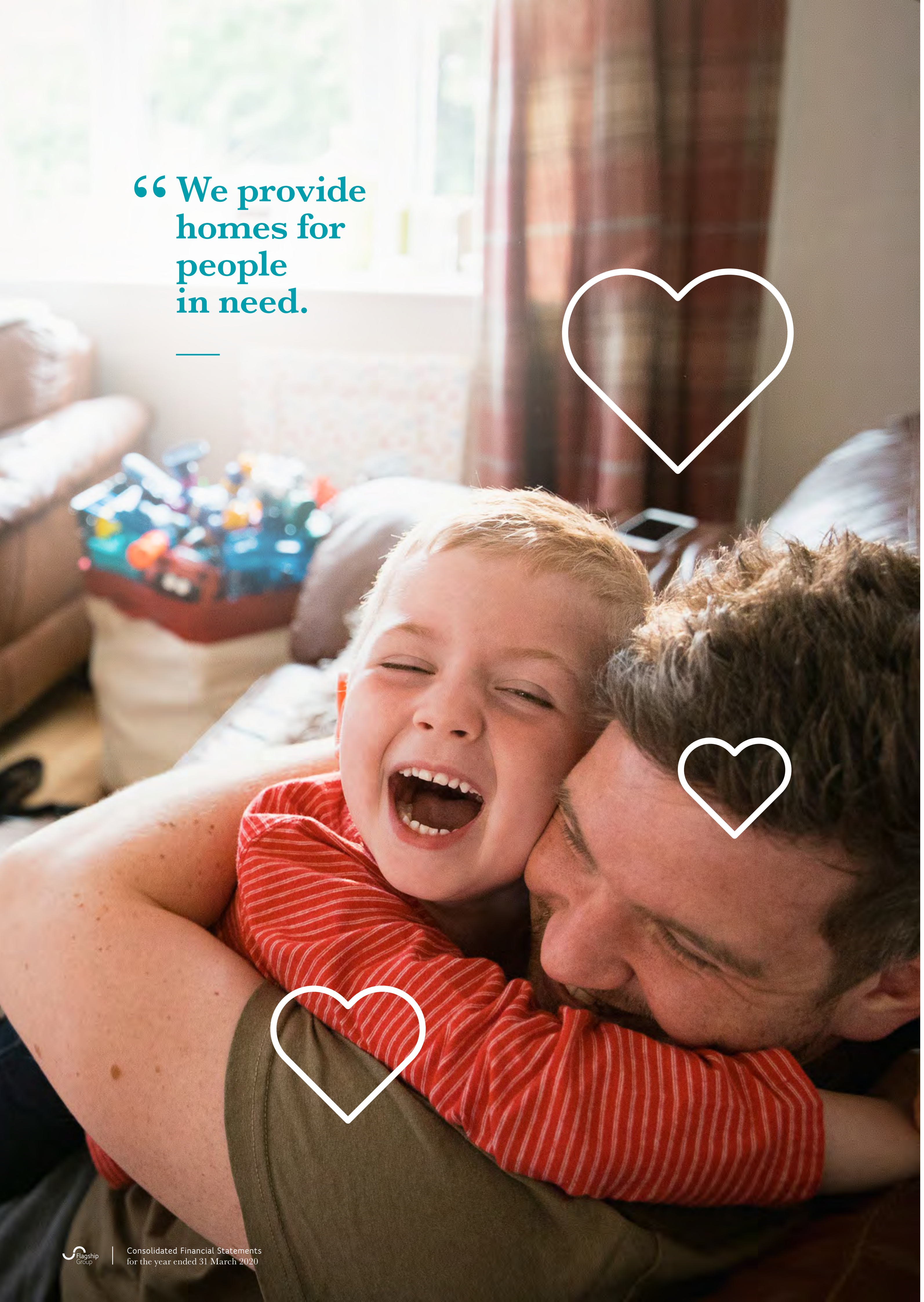
Consolidated Financial Statements

for the year ended
31 March 2020

31 King Street, Norwich, Norfolk NR1 1PD
Regulator of Social Housing Registered No. 4651
Co-operative and Community Benefit Societies Act 2014 Registered No. 31211R

flagship-group.co.uk



Contents

Board of Management, Executive Team and Advisors

The company's non-executive and executive management team are detailed below:

Member		Board	GARC	F&T	H&S	P&C
Hawes. P	N	Chair				
Burton. P	N	Vice Chair				✓
Baynham. P	N	✓		Chair		
Bennett. R	N	✓	Chair	✓		✓
Cook. S (appointed 31 Jan 2020)	N	✓				
Jamieson. D	N	✓	✓		Chair	
Peak. M (appointed 31 Jan 2020)	N	✓				
Remington. P	N	✓		✓		Chair
Taylor-Brown. C (appointed 31 Jan 2020)	N	✓				
Archibald. J (Chief Strategic Officer)	E	✓				
Armstrong. D (Chief Financial Officer)	E	✓	✓	✓		
McQuade. D (Chief Executive Officer)	E	✓				
Walsham. H (Chief Operating Officer)	E	✓			✓	
Cook. P	A		✓			✓
Marcus. E	S					

Key:

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

GARC Governance, Audit & Risk Committee;
F&T Finance & Treasury Committee;
H&S Health & Safety Committee;
P&C People & Culture Committee

Advisers:

Registered Office:	31 King Street, Norwich, Norfolk NR1 1PD
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, 21 Gentleman's Walk, Norwich, Norfolk NR2 1NA
Group Funders:	The Royal Bank of Scotland; Santander UK; The Co-operative Bank; Nationwide Building Society; The Housing Finance Corporation; Clydesdale Bank; Lloyds Bank; M&G Investment Management; Canada Life

Chair's Statement

Peter Hawes, Chair

It's difficult to write with such enthusiasm about our performance for the year ended 31 March 2020 against such an uncertain global recovery backdrop, particularly when we have been impacted, as with many others, by the COVID-19 health crisis.

That said, I do not want the year to pass without recognising the efforts of our staff. It has been another incredibly busy year and our staff have worked hard to take the Group forward in such a positive way.

We performed well this year; delivering 579 new affordable homes and increasing turnover, which has continued to grow and is up £34m to £188m.

The net profit for the year finished at £62.3m and operating profit was £71.7m. Operating costs for the year were £124.9m and we retained our A2 rating from Moody's.

The strong financial results are matched by increases in our customer satisfaction, staff engagement and the number of new affordable homes delivered in the year. Our customer satisfaction increased to 85.1% and our net promoter score sits at +28.

We achieved our staff engagement aim of 8.1 out of 10 in this year's survey with a total of 899 (77%) employees participating from across the Group.

We have made some major investments; we welcomed Suffolk Housing Society to the Group in February 2020, adding 2,839 homes to our portfolio and we now provide over 31,500 homes to people in need. With a keen focus on continuous improvement, together we hope to make our services even better for our customers.

We are partnering with Hopkins Homes to deliver 300 new homes in Stowmarket and entered into a joint venture with Lovell to secure more land and develop more affordable homes. Activities such as these are crucial in helping our goal of solving the housing crisis in the east of England.

Additionally, we were one of 14 housing associations to be selected to partner with Legal and General's affordable housing operation, to manage its homes across the UK.

> "We are well placed to make a positive and significant impact not just to our customers and our people, but also to society.

Chair's Statement

"We performed well this year; delivering 579 new affordable homes.

2019-20 was also a positive year for outright sales. Overall, 23 properties were sold in the year; two at Ashe Coppice, Suffolk, nine in Norwich and 12 in Aldeburgh, Suffolk. We completed the delivery of 56 shared ownership homes in Red Lodge, Suffolk and through our Evera joint venture membership began our first scheme to deliver 60 homes in Huntingdonshire.

And we continued to deliver affordable and social rent properties in Wymondham, Horsford and Narborough in Norfolk, Soham, Cambridgeshire and Stanway, Colchester, to name a few, as well as starting on new developments in Great Ellingham and Knapton in Norfolk and Papworth, Cambridgeshire.

Flagship's business mix and strong financial returns are a key strength which allows the business to adapt to the changing conditions. This was seen during 2019-20 where we invested more in our existing assets and landlord compliance – which remains a key area of focus for the Group. Our ultimate aim is to ensure that all landlord health and safety duties are attained. We are continuing with our programme of electrical inspections and testing with intervals of no longer than five years. As with all areas of health and safety – gas, fire, electrical, asbestos and legionella – we are fostering the momentum the sector has created and continuing our upward trajectory to ensure compliance and give reassurance that our customers are safe.

By growing and sustaining a strong and responsible business over the long-term, guided by a clear purpose and goal, we are well placed to make a positive and significant impact not just to our customers and our people, but also to society.

There are many ways that our staff are helping our communities, these are just an example of some of them.

Our staff raised over £25,000 through charity fundraising for over 16 charities and dedicated over 900 hours of staff volunteering time to community events and projects.

To help support our tenants who face large one-off costs at the start or during tenancies, we partnered with the British Heart Foundation to give tenants the opportunity to access furniture and we committed £3,500 worth of funding to support our tenants who are living in fuel poverty in Norfolk and Suffolk.

And staff filled 30 food boxes for foodbanks at Christmas.

Since September 2019, we've undertaken seven drop-in sessions to engage with residents of the Abbey Estate to understand what matters to them in their local community as part of our commitment to its transformation in partnership with Breckland District Council and Norfolk County Council.

The Group signed up to the domestic abuse campaign, 'Make a Stand' and now have a team working to ensure we are able to tackle domestic abuse in our homes and our workplaces.

And this year we were delighted to establish our own charitable initiative, Hopestead. Working in partnership with local authorities, charities and social enterprises, Hopestead aims to prevent, reduce and alleviate homelessness. We launched earlier than expected to respond to the impact that the COVID-19 crisis would have on the people in our homes – and are working with them to help them keep their homes.

We continue on our journey to do more to make a positive impact on climate change and we installed six communal ground source heat pump systems, providing heating and hot water to 113 Flagship homes in Felixstowe. This will largely replace old, inefficient storage heaters and is likely to reduce our tenant's heating bills by 50%.

Gasway worked alongside Finn Geotherm to replace a costly old heating system with a new renewable energy system in a 1970s development in Lakenheath. This has seen heating bills halved and energy use cut by 70%.

The technology we use has changed how we work to deliver for our customers and our focus on innovations such as modern methods of construction, an app to help us manage our trees remotely and in-depth co-creation sessions held with customers to unearth factors that influence payment behaviours are just some of the areas we have been working on this year.

And these innovations are just part of the story – we have also consciously tried new things when it comes to accessing the broadest talent available. We continued with our unique Degree Apprenticeship programme and were awarded a highly commended in the large employer category at the eastern region National Apprenticeship Awards. On top of that, Gasway won the Norwich City College overall contribution to apprenticeships award.

We currently have 82 people on our apprenticeship programme – comprised of new apprentices as well as staff from across the Group – it is so important to us to invest in our potential future workforce as well as our current one.

There is much to applaud, and the Group Board recognises the tremendous effort of our people, in every part of the organisation, and the difference they are making.

We are now in a different setting. We know there is still much to do, and we recognise the difficulties that COVID-19 has placed on our business in terms of managing our compliance requirements, services to customers and development. Whilst we have faced and will face many challenges, we have demonstrated that we have the right strategy and the right people and culture to deliver a consistent and sustained service to our customers.

And this is what we will focus on throughout the coming year. At a time of uncertainty, we believe our business has an important role to play.

Peter Hawes, Chair
July 2020

Strategic Report

for the year ended 31 March 2020

Purpose and principal activities

The Board of Management (the 'Board') presents its Strategic Report, including its assessment of Value For Money, for Flagship Housing Group Limited (the 'company' or 'Flagship') and its subsidiaries (together the 'Group' or 'Flagship Group') for the year ended 31 March 2020.

The Group consists of six trading companies:

Flagship Housing Group Limited ('FHG')

Victory Housing Trust ('VHT')

Flagship Housing Developments Limited ('FHD')

RFT Repairs Limited ('RFT')

Gasway Services Limited ('GAS')

Blue Flame (Colchester) Limited ('BFL')

On 2 February 2020 Suffolk Housing Society ('SHS') joined Flagship Group by way of a transfer of engagement, furthering the Group's East of England reach and further securing the Group as the largest housing association head quartered in and with a dedicated focus on the East of England.

As a Group, our principal activity is to provide general needs rented accommodation for people on low incomes. Our purpose is to provide homes for people in need.

Our social housing activities are delivered through our three housing brands, Flagship Homes, Victory Housing and Suffolk Housing. Our brands are strategically geographically spread across the East of England enabling us to focus on the needs of all of our customers and deliver a truly local service.

The majority of our housing stock is two and three-bedroom accommodation. We also provide a range of extra care and traditional sheltered housing accommodation, shared ownership homes, a small number of market rented homes and some student accommodation rooms.

The Group had 30,577 social housing properties (2019: 27,325), 348 market rented properties (2019: 282) and 600 student accommodation rooms (2019: 600) in the East of England at 31 March 2020.

The Group continues to develop new social housing properties for those in need in the East of England, which is subsidised, to some extent, by the Group's development of attractive, high quality open market sale properties.

Our repairs, maintenance and capital improvement companies maintain the Group's housing properties but also sell their services to domestic residential customers, other social housing landlords and commercial and local government organisations. All profits generated from outside of the Group are reinvested into our purpose – to provide homes for people in need.

"All profits generated from outside of the Group are reinvested into our purpose – to provide homes for people in need.

Strategic Report

> “Our action-driven approach centres on the reason we exist – to provide homes for people in need.

Strategy

Despite the current national uncertainty in light of COVID-19, our strategy remains unchanged. We focus on four key areas: our customers, our assets, our finances and the new supply of housing.

Our action-driven approach centres on the reason we exist – to provide homes for people in need – and on our goal to end the housing crisis in the East of England. Through better use and maintenance of existing homes, new construction, technology and effective and imaginative methods for service delivery, we feel we can achieve it.

The focus on our model of continuous improvement, the Flagship Way, and our values:

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

reinforce our commitment to support sustainable communities.

Collaboration is an important part of this, and, through joint ventures with developers, and partnerships with local authorities and other businesses we were able to create innovative approaches for the supply of housing.

Over the past 12 months we delivered 579 new affordable homes and 23 properties were sold on the open market plus another 104 through shared ownership.

It's not just about providing new homes though, it's also about improving our existing ones and making a difference to our tenants and their communities. Compliance is of critical importance in our work, and we continue to invest in the fabric of our buildings for the safety of our customers.

This year we also established Hopestead, a Group-wide initiative which aims to prevent and reduce homelessness. We launched earlier than expected to respond to the impact that the COVID-19 crisis has had on the people in our homes and hope we will able to offer support to help people retain their tenancies.

We know the year ahead will present challenges and we will adapt our strategy to meet them. By channelling our resources, energy and creativity we will strive to maximise our investment in the communities around us.

Strategic Report

COVID-19 Our response

As might be expected, the risks that COVID-19 poses to our business and the steps we are taking to weather the storm are a prominent focus in our annual report this year. When the pandemic first appeared in China, no-one really understood the impact and reach that the virus would have in such a short period of time.

Our primary responsibility is the safety of our employees, our customers, our suppliers and all other stakeholders that interact with Flagship Group.

The way we delivered our services changed overnight when the UK government announced the lockdown measures. We reacted quickly in the face of new challenges and continued to deliver essential services, with staff where possible, working from home. We introduced enhanced safety procedures to ensure that emergency works could be undertaken in accordance with strict social distancing guidelines to protect our employees and our customers.

From the outset, our goal has been to do the right thing and put the safety and wellbeing of all stakeholders at the forefront of what we do.

These are some of things we have prioritised:

- calling thousands of our vulnerable tenants to check they have everything they need and meet additional needs where identified;
- delivering food parcels to local foodbanks and taken shopping to tenants when they needed it most;
- doubled our kindness fund to enable us to do more random acts of kindness in our communities;
- a directory of services to sign post specialist support for issues such as health, domestic abuse, safeguarding and isolation at a time when access to these services is more challenging;
- prioritised our empty properties for the most vulnerable and in doing so reduced the number of homeless and rough sleepers in the East; and
- maintained essential electrical and gas safety programmes.

Keeping COVID-19 in perspective

One thing we can be sure of is that at some point the pandemic will pass and a sense of normality will return to our daily lives. When the dust settles it will be the work we have put into (1) securing the cash resources of the Group and (2) investment in working smarter that will make the difference to the long-term future of the Group.

COVID-19 has significantly impacted our Group financially and continues to create uncertainty for the future. COVID-19 related financial risks are discussed throughout these financial statements, but our purpose remains the same, to provide homes for people in need.

The housing crisis hasn't gone away during COVID-19 and delivering our purpose is more important now than ever before. As the national lockdown has eased, we have cautiously reactivated our services by thoroughly investigating how to safely deliver those services in a strict socially distant and hygienic way. Every day, we continue to expand the work we are doing, and we are working tirelessly to ensure that the Group can continue to provide all the services it did before the pandemic arrived.

Regulation

We are regulated by the Regulator of Social Housing (RSH). The RSH promotes a viable, efficient, well-governed social housing sector to deliver homes that meet a range of needs.

We strive to have an ongoing, transparent dialogue with the RSH in respect of all issues, both affecting the sector and the Group.

The Group has a governance rating of G1 which means that the Group meets the RSH's governance requirements. The Group has a viability rating of V1 which means that the Group has the financial capacity to deal with a wide range of adverse scenarios. A V1/G1 rating means the Group is considered compliant by the RSH.

In light of COVID-19 the Group has notified the regulator that obtaining access to homes for electrical and gas statutory testing has become increasingly challenging with customer refusal ranging between 40-60% on a week by week basis. This is a challenge which is being identified across the sector but demonstrates our open and transparent relationship with the RSH.

The Group has maintained an A2 (stable) credit rating from Moody's. The Group's credit review reflects strong operating margins, solid financial management, a simple corporate structure and a strong regulatory framework.

Principal strategic and operational risks

Health and safety compliance

Health and safety compliance is an important strategic risk for our organisation to ensure that we protect the safety of all stakeholders in our business and encourage them to thrive. The challenges surrounding health and safety compliance have become more acute in light of COVID-19 because operatives and customers are self-isolating which could prevent the Group from maintaining full compliance.

Gas servicing work, and other essential statutory testing, has continued throughout the pandemic, where safe access can be achieved. The Group has implemented a COVID-19 risk assessment process and 'safe system of working' practices (including the use of appropriate personal protective equipment) to continue to deliver essential safety testing. Resource levels are being monitored on a daily basis with sub-contractor support in place to manage any workload pressures arising from staff unavailability.

A health and safety control failure could result in injury or death to an employee, customer or other third party resulting in legal action, significant financial penalties, adverse publicity, reputational damage, removal of trading licences and a significant fall in trading activity.

Health and safety compliance is therefore, monitored continuously supported by regular policy and procedural reviews to ensure that the Group remains at the forefront of health and safety best practice. The Group has continued to invest in regular training through initiatives such as toolbox talks and specific risk-based training courses which are now delivered online. The Group has a robust reporting framework for health and safety accidents and incidents to monitor the Group's compliance.

Property maintenance

A sudden cessation of our 'normal' responsive non-essential repairs and maintenance programme and our planned capital improvement programme may result in a backlog in non-essential repairs and maintenance required to our properties.

The Group continues to closely monitor its outstanding jobs population to understand the operational and financial impact of reducing the outstanding non-essential jobs population when full service delivery restarts. The Group is appraising the extent of the risk that outstanding unresolved minor repairs could lead to more serious property condition issues. This could have a future financial impact on the Group through increased future disrepair claims and impact the wellbeing of our tenants.

The availability of materials for emergency repairs during lockdown has proven to be an important operational risk for the organisation. The Group is working closely with its supply chain partners to highlight and respond to availability challenges promptly. Availability of personal protective equipment is being monitored daily to ensure that the Group's employees can continue to work safely during the pandemic. No-one can forecast the extent of future measures required to address the on-going pandemic, but expectation is that local and regional lockdowns may be used to manage new virus 'hot spots'. Supply chain management and strong working relationships remain key to managing this risk.

Contractor failure due to COVID-19 is an elevated strategic risk in the current year due to increased likelihood. The Group maintains open and transparent relationships with its contractors to manage this risk.

Merger benefit delays due to COVID-19

Insourcing repairs and maintenance work for VHT and SHS properties was a planned synergy from our merger activities. Undertaking significant operational changes during the COVID-19 crisis isn't in the best interests of our employees or our tenants and effective management of this programme would have been impaired by significant changes in working practices. The Group has therefore delayed the insourcing of these works, with the existing contractors continuing to deliver services, which will invariably delay the benefit realisation.

Safeguarding and anti-social behaviour

COVID-19 has increased the number of people staying at home for long periods of time which increases the risk that unresolved instances of anti-social behaviour will escalate and that safeguarding issues will go unidentified. This carries a significant reputational risk for the Group and a risk that wider communities could be adversely affected.

In response to COVID-19 the Group has had to reduce the number of home visits to safeguard its employees and tenants. In response, the Group has invested in stronger working relationships with other front-line agencies and police forces to support the identification of safeguarding and anti-social behaviour issues enabling the Group to provide the required support to address those issues.

Our housing and anti-social behaviour teams are actively identifying and calling particularly vulnerable tenants regularly to safeguard their wellbeing. We have provided all our call centre staff with safeguarding training to enable them to identify risk and escalate it appropriately so that we can address issues before they escalate.

IT system and data recovery

COVID-19 has increased the pressure on our IT network due to a greater volume of data being transmitted around our network as a result of home working.

A failure in our IT systems is a strategic and operational risk and could result in an adverse impact to front line services, data loss and the inability to readily communicate impairing an effective timely response during the COVID-19 pandemic.

The Group has a detailed business continuity plan to failure of strategic IT systems, has continuous data back-up in place and undertakes regular data recovery test exercises to be able to respond to IT failure in an efficient well-planned manner.

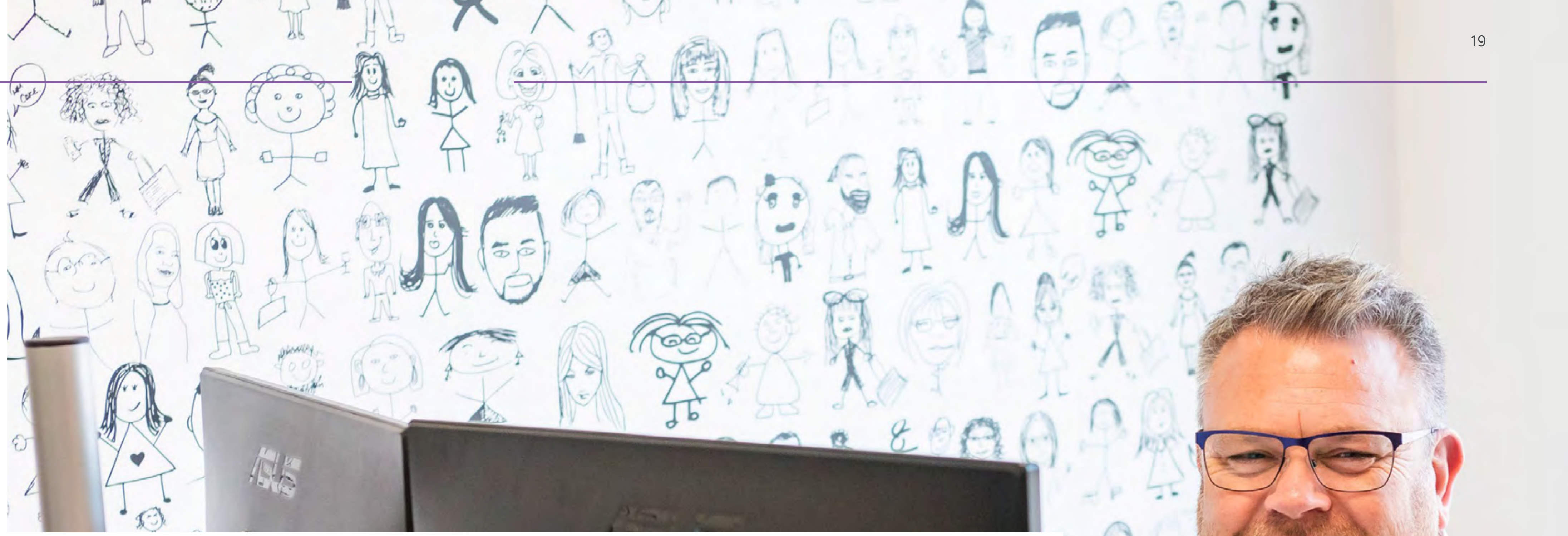
Bank covenant compliance

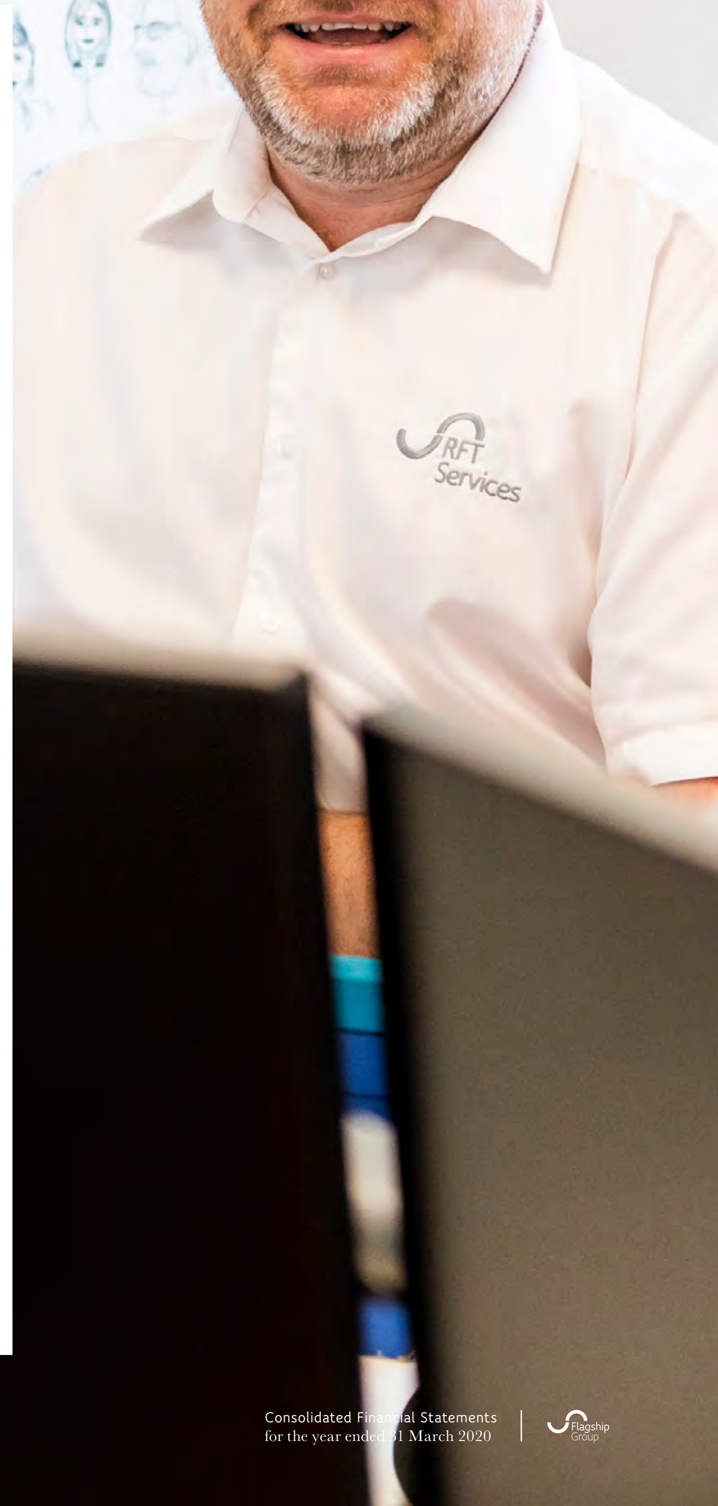
A reduction in profit as a result of COVID-19 has a direct impact on the Group's EBITDA-MRI related bank covenants.

The Group has substantial headroom on this covenant at 31 March 2020 and could comfortably absorb a £25m fall in EBITDA-MRI at 31 March 2020 and remain compliant with this covenant.

The Group has stress tested its emergency budget and business plan in response to COVID-19 with two specific pandemic stress tests and the Group is able to weather the storm in both worst case scenarios.

Strategic Report





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Cash flow

Current economic uncertainty and reduced confidence in future trading conditions has elevated cash flow as a strategic risk which warrants disclosure. A fall in revenue and or cash collection could lead to liquidity pressure for the Group.

The Group has implemented detailed monitoring of rental collection and housing property sales to accurately forward forecast future liquidity pressure challenges. The Group's subsidiary undertakings are monitoring cash flow on a continual basis to ensure that subsidiary liquidity is actively managed strategically alongside Group liquidity to secure the future viability of our trading activities.

The Group secured a COVID Corporate Financing Facility loan after the year-end to increase liquidity over the next twelve months supporting the Group's response during the pandemic.

Sales exposure

COVID-19 closed the housing market in late March 2020 stalling sales resulting in the Group having a number of completed properties unsold on the balance sheet at 31 March 2020. The Group continued to market its properties through digital channels and following the re-opening of the housing market in May 2020 interest and demand has been strong for its properties. At the date of signing this report the Group has not seen a significant fall in the sales price of its completed housing properties with early sales achieving the listed sales price.

However, a fall in housing prices, or a reduction in mortgage funding availability, could have a material adverse effect on the performance of the Group. We mitigate this risk by building prudent assumptions into our development appraisal models and in a buoyant market the profit we make from our property sales significantly exceeds our appraised requirement enabling us to reinvestment in further developments.

Stress testing has demonstrated that the Group should be able to absorb relatively significant price depreciation (up to 10%) before the Group could be exposed to losses from its development activities. However, significant price depreciation would have an adverse cash flow impact and place pressure on the Group's available liquidity.

“ The Group has stress tested its emergency budget and business plan in response to COVID-19.

Strategic
Report

Turnover

£188m

Group results: Summary of financials

Statement of comprehensive income

	2020 £'000	2019 £'000	2018 £'000
Turnover	188,248	154,274	133,725
Cost of sales	(28,501)	(20,096)	(12,849)
Operating costs	(96,426)	(80,484)	(64,944)
Surplus on sale of assets	8,580	5,949	2,955
Loss on investment in joint venture	(244)	-	-
Operating surplus	**71,657**	**59,643**	**58,887**
Net interest and financing charges	(23,730)	(22,763)	(23,779)
(Deficit) / surplus on revaluation of investment properties	(974)	(353)	1,941
Gift on acquisition	15,339	94,367	-
Surplus for the year before taxation	**62,292**	**130,894**	**37,049**

Statement of financial position

	2020 £'000	2019 £'000	2018 £'000
Fixed assets	1,812,284	1,614,839	1,387,611
Current assets	84,633	105,702	120,079
Current liabilities	(99,011)	(49,168)	(40,616)
	1,797,906	**1,671,373**	**1,467,074**
Financed by:			
Creditors due after 1 year	957,681	894,037	825,960
Other long-term liabilities	12,754	17,854	6,590
Reserves	827,471	759,482	634,524
	1,797,137	**1,671,374**	**1,467,074**

Statement of cash flows

	2020 £'000	2019 £'000	2018 £'000
Net cash flow from operating activities	68,364	77,036	60,248
Cash flows from investing activities	(86,192)	(63,952)	(45,639)
Cash flows from financing activities	(24,539)	(33,339)	609
Net cash flow	**(42,367)**	**(20,255)**	**15,218**

31,534
homes in management

Group results: Summary of ratios

Financial ratios	2020	2019	2018
Operating margin – social housing	40.0%	40.3%	46.5%
Operating margin – overall	33.6%	34.8%	41.8%
Operating costs per home - social housing	£2,691	£2,300	£2,586
Operating costs per home	£3,058	£2,853	£2,860

Key covenant ratios	2020	2019	2018
EBITDA MRI (interest cover)	217%	205%	233%
Net debt per unit	£25,554	£24,794	£27,575
Gearing (debt / housing properties cost)	46.6%	42.3%	44.5%

+28
Net Promoter Score*

Other key performance indicators	2020	2019	2018
Homes in management	31,534	28,207	22,703
Net Promoter Score*	N/A	+28	+19
Current tenant rental arrears	£5.3m	£3.9m	£3.2m
Current tenant rental arrears as a % of income	3.8%	3.1%	3.1%
Average weekly gross rent (52 weeks)	£90.39	£91.30	£92.22
Average re-let time	47.0 days	36.0 days	29.6 days
Rent loss from voids as a % of income	0.90%	0.60%	0.50%
New handovers in year	579	443	266
First tranche shared ownership sales	104	66	35
Staircasing shared ownership sales	38	54	68

*Survey at 31 March 2020 delayed due to COVID-19. Survey expected later in 2020 when organisation has adopted its 'new normal' enabling us to effectively engage with tenants, review our score and use it to continue to improve our services.

Financial performance review

The Group continues to perform strongly, with year on year revenue growth of 22% and operating surplus growth of 20%, despite the uncertain outlook at the 31 March 2020.

The Group's performance for the year ended 31 March 2020 includes twelve months of VHT trade (2019: 3 months) and two months of SHS (2019: nil months) trade. Any year on year comparison needs to be interpreted in light of the changes in the Group structure during the periods presented.

The Group's surplus before taxation excluding gift on acquisition for the year ended 31 March 2020 was £47m (2019: £36.5m) demonstrating profitability growth in underlying trading activities.

> **"The Group continues to perform strongly, with year on year revenue growth.**

Strategic Report

Income

79% of the Group's income is generated from its principal trading activity - the provision of social housing (2019 - 77%). Social housing lettings income has increased by £25.8m to £137.7m, primarily driven by a full year of VHT income and two months of SHS income.

The housing team maintained their strong performance on rent collection, ending the year with a rent arrears percentage of 3.8% (2019 3.1%), despite challenges following the introduction of Universal Credit into more parts of our region of operation and COVID-19 starting to impact the finances of our tenants in March 2020.

Shared ownership first tranche property sales revenue increased by £2.8m to £9.9m at 31 March 2020, an increase of 39% year on year, despite COVID-19 closing the housing market in March 2020 delaying a number of expected sales before the year end. The Group completed the first tranche sale of 104 (2019: 66) shared ownership properties with an average revenue per sale of £95,000 at 31 March 2020 compared to £108,000 at 31 March 2019. This is broadly driven by a lower 1st tranche percentage sold during the year ended 31 March 2020.

The Group sold 23 (2019: 16) open market sale properties during the year generating £8m (2019: £5.1m) of revenue at a gross margin of 28% (2019: 28%) demonstrating that the Group's open market sale revenue stream continues to deliver a strong return for re-investment into the Group's social housing purpose.

The Group's heating system repair, maintenance and capital improvement revenue streams generated turnover of £22.3m (2019: £18.2m) during the year at an operating margin of 5% (2019: 8%). The depreciation in operating margin is partially driven by overhead investment in customer service capacity to maintain the quality our customers expect as our heating system service volume continues to grow. The margin depreciation also highlights a trend of large contract tenders being won on lower margins evidencing a challenging and competitive market.

Expenditure

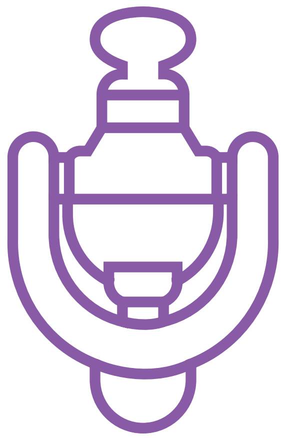
Cost of sales has increased by £8.4m in 2020 to £28.5m. £2.8m of this increase relates to first tranche shared ownership sales whilst £2m relates to an increase in volume of open market sales and the majority of the remainder relating to an increase in gas servicing activities.

Operating costs have increased to £96.4m in 2020, an increase of £15.9m year on year. However, this includes a full year of VHT (2020: £17.1m; 2019: £4.5m) and two months of SHS (2020: £1.3m) which accounts for the majority of the movement.

Operating margin on non-social housing activities has fallen year on year from 16% to 12% predominantly driven by a fall in operating margin on gas servicing activities due to market price competition driving down tender prices and some volatility toward the end of 2020 as a result of COVID-19.

Maintenance expenditure for our social housing properties increased by £5.1m to £30.3m and capital improvement expenditure increased by £8.4m to £28.2m demonstrating our commitment to investment in our social housing stock as evidenced by our reinvestment percentage of 5.9% in 2020 compared to 5.8% in 2019.

Headline social housing cost per unit has increased year on year but this metric can be distorted by merger activity during the year. The cost element is costs incurred during the year, but the denominator is total social housing units owned or managed at the period end. Therefore, as in the case of 2019, the Group only had three months of VHT's costs but all its housing properties at the period end deflating this metric considerably in 2019. SHS does the same to the 2020 metric because the Group has consolidated two months of costs but has all of SHS properties included in the denominator.



"79% of the Group's income is generated from the provision of social housing

Strategic Report

Balance Sheet

Housing properties

Housing properties, held at depreciated historical cost, are valued at £1.7bn (2019: £1.5bn). During the year the Group invested £70m in development of new social housing properties, £28m in capital improvements to existing properties and was gifted £109m of new social housing properties from SHS joining the Flagship Group. The Group disposed of £5m of housing properties which were uneconomic to maintain and recognised a depreciation charge of £23m, to account for the use of its assets.

Our new supply delivered (social housing units) demonstrates that development is an area of strength for us. Our new supply delivered metric has increased by 0.3% year on year to 1.9% of housing stock in 2020. This is 0.3% ahead of our peers demonstrating our drive to solve the housing crisis in the East of England by utilising our ability to finance new build homes for those in need.

Investment properties

The Group's investment properties have seen a £1m revaluation deterioration at 31 March 2020 predominantly driven by market uncertainty in light of COVID-19.

The Group's market rented portfolio valued at MV-STT realised a £1.4m revaluation deficit at 31 March 2020 due to uncertainty in house price values in light of COVID-19, with some forecasts suggesting a short-term depression of up to 10%. The Group continuously monitors its rental yield on its market rented properties and has a detailed investment strategy to trigger sale and realise capital gain where the realistic future yield doesn't offer the return targeted by the Group.

The Group's student accommodation realised a £0.4m revaluation gain despite prudent assumptions in light of COVID-19 predominantly owing to a re-evaluation of lessor expenditure within the discounted cash flow model.

Loans to JV undertakings

The Group continues to invest in development activities by partnering with other organisations to share development risk whilst delivering a greater volume of social housing properties for the East of England.

During the year the Group entered into a joint venture with Lovell Partnerships Limited forming Lovell Flagship LLP to develop a large site in Wymondham. The first phase of 89 homes began during the year and the Group invested £4m in the LLP to support this development.

The Group continues to be a member of Evera Homes LLP and invested £2.2m in the LLP during the year. The LLP has properties available for sale and is expected to become profitable in the next financial year.

Pension scheme provision

COVID-19 has resulted in significant defined benefit ('DB') pension scheme valuation movements, predominantly driven by a fall in underlying liability assumptions, whilst asset values have remained relatively strong. The uncertainty caused by COVID-19, and the on-going rebuilding of the UK economy at the date of signing this report, makes it impossible to determine whether the valuation at 31 March 2020 is just a short-term favourable depreciation to liabilities, or a longer-term sustained depression. Management consider the assumptions applied to the valuation at the date of signing this report to be reasonable in light of available information.

The Group's DB pension scheme provision has fallen by £5.1m to £12.6m at 31 March 2020. The service costs of the Group's DB schemes (including the net interest expense on unwinding of discounting) totalled £1m (2019: £0.8m). However, actuarial gains due to changes in assumptions, recognised through other comprehensive income totalled £5.7m. The Group adopted a £1.6m liability from SHS joining the Flagship Group and made DB pension scheme contributions of £2m during the financial year.

> "The Group spent £98m on housing properties during the year

Loan financing

The Group has a Board sub-committee dedicated to the oversight of the Group's treasury strategy. Obtaining third party funding at attractive interest rates, whilst managing the debt risk exposure of the Group, is essential to deliver value for money and protect the future viability of our organisation. The Group's properties, and its day to day working capital, is predominantly financed by loans from debt and capital markets.

The gross amount owed by the Group at 31 March 2020 was £791.5m (2019: £683m). The Group has, and continues to, meet all covenants of its lending facilities. The Group regularly stress tests its business plan and budgets, enabling it to make strategic decisions as required, to ensure that compliance is maintained with all covenants.

The Group's gearing ratio (a measure of indebtedness calculated as net borrowings as a proportion of housing property net book value) was 46.6% at 31 March 2020 (2019: 42.3%). The year on year increase is predominantly driven by the SHS acquisition as the fair value of loans acquired from SHS was 96% of the fair value of housing property net book value acquired on 2 February 2020. The Group has repaid and refinanced some of these loans post-acquisition to achieve more favourable lending rates with the consequential impact to the gearing presented above. The Group continues to trade comfortably within its covenants and its gearing metric is consistent with its long-term business plan assumptions.

Cash Flows

The Group generated cash of £68m from operations during the year ended 31 March 2020 (2019: £77m). The year on year fall is driven predominately by an increase in work in progress of £19m.

£14m is due to an increase in work in progress in FHD driven by a change in new property mix with greater volume to be delivered through the company's land led pipeline. Invariably this results in greater investment in the ground in the short-term but reduces non-delivery risk due to market price competition.

£6m is due to an increase in shared ownership properties available for sale at 31 March 2020, presented as work-in-progress, as a result of COVID-19. Due to housing market closure in March 2020 the Group ended the year with a higher number of unsold shared ownership properties impacting the Group's operating cash flow for the year then ended.

The Group spent £98m (2019: £86m) on housing properties during the year and invested a further £6m in its two joint venture interests, Evera Homes LLP and Lovell Flagship LLP.

£38m of new loans (2019: £nil) were acquired during the year and £34m of loans were repaid (2019: £8m) predominantly driven by the refinancing undertaken when SHS joined Flagship Group.

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 30,500 rented homes.

We continuously invest in our homes to protect the long-term viability of our housing stock and provide homes that our tenants can be proud of. Our investment strategy is informed by our stock condition survey. COVID-19 will impact our housing stock investment in 2020-21. We originally planned to invest £45m in capital improvements to our properties but have put a number of projects on hold as a precaution whilst we understand the wider impact of COVID-19 on our business. All planned works, totalling £23m, will continue to be delivered in line with our original forecast and we will look to restart a number of projects placed on hold as we watch how the year unfolds.

We also have a new build development programme where we expect to handover over 3,500 new affordable properties over the next five years. Our forecast development spend for 2020-21 is £46m lower than originally expected, directly correlated to site delays caused by the COVID-19 lockdown, with this spend pushed back into later financial periods. We already have a committed pipeline of over 700 homes for 2021-22, a real strength that offers flexibility and opportunity in an uncertain economic climate.

It is important to remember that, whilst it is disappointing that our investment has been curtailed temporarily, COVID-19 will pass and we will come out the other side in a stronger position, to invest in new opportunities, increase investment in our existing housing properties and build more properties for those in need in the East of England.

Our relentless pursuit of continuous improvement is ensuring that, whilst our external impact has been challenged by this virus, we have continued to learn and improve enabling us to react when stability returns with a greater impact than before positioning us strongly for the future.

Capital structure

Flagship Housing Group Limited is registered under the Co-operative and Community Benefit Societies Act 2014 with registered number 31211R. It has issued share capital of £9 (2019: £6). Each share carries one vote, is not redeemable and does not have any dividend or distribution rights.

3,500

new affordable properties over the next five years

Consolidated Financial Statements
for the year ended 31 March 2020 | Flagship Group

Strategic Report

Performance highlights this year include:

579
new affordable homes delivered

8.1
staff engagement score

£70m
invested in new homes

£28m
invested in improving our homes

Value for Money (VFM)

Value for Money ('VFM') underpins the delivery of our purpose and is embedded into our culture. We have undertaken a comprehensive review of VFM for the year. This gives our stakeholders a rounded picture of how we have performed against our aspirations, how we have progressed since last year, and how we intend to deliver VFM in the future. We report on the metrics prescribed by the Regulator of Social Housing enabling comparatives to be drawn between our performance and others in the sector.

Value for Money is built on three core principles:

1. Efficiency

A measure of productivity and assesses the return realised from converting resources into tangible benefits.

2. Effectiveness

A measure of the impact of value for money. This can be quantitative (the amount of effectiveness) or qualitative (the value of effectiveness).

3. Economy

The price paid for providing a service and is a measure of price and quality.

As a Group, our values are geared toward these VFM principles:

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

We are confident that we have complied with the VFM standard in full. Our Board is committed to ensuring that VFM is embedded in both our culture and our decision-making processes.

We achieve this by:

- setting the overall strategic direction and culture of the Group, recognising how important it is to maximise VFM in order to deliver our strategic aims;
- approving key strategies and ensuring that VFM has been considered throughout;
- including VFM targets in our five-year plan;
- benchmarking against our peer Group (20,000 – 35,000 homes), which enables the Board to challenge the organisation to do more;
- reviewing key performance indicators (including VFM indicators) against our five-year plan objectives and annual budget to ensure the Group is continuously improving; and
- really understanding our performance each year and by setting challenging objectives for the next financial year.

We use a colour coding system to highlight our VfM performance: Good OK Requires improvement

Absolute and Comparative Costs	2020 Actual	2019 Actual	2019 Peer Group	2019 Actual	2019 Peer Group
Staff engagement score		8.1	8.2	OK	N/A
New affordable homes delivered	579	443	N/A	Good	N/A
Void loss (£m)	1.02	0.63	1.46	Requires improvement	Good
Current tenant arrears %	3.8%	3.1%	3.6%	Requires improvement	Requires improvement
Operating profit from commercial activity (£m)	5.0	5.6	N/A	Requires improvement	N/A
Total operating profit (£m)	71.7	59.6	47.2	Good	Good
Net Profit (excluding gift on acquisition) (£m)	46.9	36.7	31.5	Good	Good
Net Profit per Home (excluding gain on acquisition)	1,488	1,302	1,130	Good	Good
Reinvestment percentage	5.9%	5.8%	6.2%	Good	OK
New supply delivered (Social housing units)	1.9%	1.6%	1.6%	Good	Good
New supply delivered (Non-social housing units)	0.07%	0.03%	0.3%	Good	Requires improvement
Gearing	46.6%	42.3%	45.3%	Requires improvement	OK
EBITDA MRI (interest cover)	217%	205%	187%	Good	Good
Headline social housing cost per unit	£2,691	£2,300	£3,460	Requires improvement	Good
Operating margin (overall)	33.6%	34.8%	28.0%	OK	Good
Operating margin (social housing lettings only)	40.0%	40.3%	30.9%	OK	Good
Return on capital employed (ROCE)	4.0%	3.6%	3.9%	Good	Good

> **“ SHS joined us adding 2,839 homes**

Growth

This year we continued our growth ambitions through a partnership with SHS. SHS joined us in February 2020 adding 2,839 homes to our portfolio; further enhancing our operating footprint within the East of England.

Our combined strength and experience mean that we are better placed to enhance our services for our customers.

We delivered 579 new affordable homes during the year ended 31 March 2020. It was also a positive year for outright sales. Overall, 23 properties were sold in the year; two at Ashe Coppice in Suffolk, nine in Norwich and twelve in Aldeburgh, Suffolk. We completed the delivery of 56 shared ownership homes at Red Lodge in Suffolk and through our Evera joint venture membership began our first scheme to deliver 60 homes in Huntingdonshire.

We strengthened our growth opportunities through the following partnerships:

- Evera – a joint venture with Hyde Group, Longhurst Group and Cross Keys Homes to deliver homes in Cambridgeshire and Peterborough;
- Partnering with Hopkins Homes to deliver 300 new homes in Stowmarket;
- Partnering with Legal and General's affordable housing operation, to manage its homes across the UK; and
- Joint venture with Lovell Partnerships Limited to secure more land and develop more affordable homes.

We embarked on a large-scale place-making initiative in Thetford, in partnership with Breckland Council and Norfolk County Council. We are working with the community and local stakeholders so that we can be better informed when designing in aspects to strengthen the connection between people and the places they share.

We continued to develop our plans for using Modern Methods of Construction (MMC) and are committed to use MMC on our own development sites. In conjunction with expert and award-winning architects we have designed our own house types and are now working with potential manufacturers to turn those designs into a reality; modern, energy efficient, high quality homes that our customers will love.

By growing and sustaining a strong and responsible business over the long-term, guided by a clear purpose and goal, we are well placed to make a positive and significant impact not just to our customers and our people, but also to society.

Our gas servicing companies, Gasway Services Limited and Blue Flame (Colchester) Limited, continue to grow and during the year were successful in being awarded a place on Fusion21's heating and renewables framework and Eastern Procurement's planned works framework, as well as winning new contracts with Norwich City Council, Cotman Housing, Estuary Housing and Cambridge Housing Society.

Any profit generated is reinvested where it's needed most, helping us meet our purpose – to provide homes for people in need – and our goal to end the housing crisis in the East of England.

3.5 stars

Trustpilot

Customers

We aim to provide a great customer experience whether that's through online access or direct contact such as phone, email and customer visits. We have listened to what our customers have told us is important to them and have taken action to improve the way we deliver our front-line services by investing in people and technology.

One of our values is to deliver outstanding customer service, and we also recognise that there may be times when things go wrong. If this happens, we want to put things right and learn from any mistakes. During the last year, we have seen a 28% reduction in complaints and a 45% reduction in MP enquiries. Customers continue to praise our staff for being efficient and empathetic, and we have seen our satisfaction rate of our core services (including housing, repairs and customer services) increase to 85.1% - a 0.5% increase on 2018/19. Additionally, our Trustpilot score has also increased to 3.5 stars.

Across the Group we actively encourage customers to give us feedback and we listen to their views, providing us with opportunities to improve and develop our services. We do this through consultation, scrutiny, customer surveys, focus groups, events, and engaging with recognised customer groups.

Over the past year we have involved customers who have reviewed and helped us shape policies, undertaken a review of our estate services and spent time shadowing staff within our contact centres. We have also involved customers in the recruitment of senior positions within the Group.

Our Customer Operations Group (COG) were part of the discussions around a new federated (Governance) structure which was implemented following the transfer of engagement with SHS. Our federated structure will enable us to develop and deliver local services, which can really improve the lives of our tenants and their communities. With five tenant members on the Flagship Homes and Victory Board, tenants are crucial in shaping our services.

As part of our "Behaviour Change" research project, we invited customers to co-creation sessions to help shape the future of our rent collection process. The findings are helping us to develop a more agile process that includes better ways of communicating to suit individual circumstances, with the emphasis being around empathy, compassion and mutual trust.

We want to hear the views of as many customers as we can to help shape our services. Our customer assembly event held last September was attended by approximately 1,000 of the Group's tenants. The focus of the day was to understand our customers' views, including gathering feedback on the National Housing Federations "together with tenants" scheme. This is focussed on ensuring that housing associations are accountable to their tenants.

This year we have also extended the Platform, Flagship's online digital engagement tool to VHT tenants. Using surveys, the Platform enables us to reach more customers, and helps us improve the services we provide.

Our future plans include reviewing our current engagement structure, to ensure we have a strategic, accessible and coherent approach to engagement, which is consistently applied across the Group. In doing this we need to understand our customers and their priorities, and consider local, regional and national issues.

28%
reduction in complaints

88% satisfaction rate

Repairs and Maintenance

Making sure our homes are safe, secure and well-maintained, matters. We are passionate about providing quality repairs and we continue to invest on improving the quality of our homes and delivering an outstanding customer service.

To better inform our customers, we've made more information available and introduced new ways of communicating in respect of major planned improvement works. This helps customers understand what to expect and has reduced enquiries.

Satisfaction with repairs remains a priority and by continually improving how we maintain our homes and serve our customers. We have achieved high satisfaction rates with an overall score of 88%, with the RFT Call Centre achieving a 78.6% satisfaction rate, a 3.5% increase compared to 2018/19.

RFT continue to reduce repair times, down to an average of 25.8 days from logging a repair to completion. By fine tuning our processes, we have continued to deliver year on year improvements, both in efficiencies and effectiveness.

Through 2019/20, we spent £30.3m on responsive repairs and £28.2m on capital improvements. We have continued to insource skilled labour and by reducing the cost of using sub-contractors, we have seen savings and efficiencies of around £90,000.

Efficiency savings of £15,000 have been realised in the year as a result of replacing outdated equipment. We have also managed to increase the amount of capital components without exceeding our annual budget allocation.

Through collaborative working with other departments, we have seen efficiencies rise by 11% across our communal entrance works, generating a saving of approximately £6,000. Also, by strengthening our relationships with suppliers further, we've derived more value from our contracts, realising further cost savings or circa £50,000.

By more effectively managing our logistics supplies, and improving our stock management system, we have been able to better identify non-moving stock lines from our vehicles and generate further savings. The technology used in this process, has in turn improved our service to our customers, and over the course of the year, equated to a saving of £50,000. Additionally, by scrutinising waste and improving our separation system we have saved £30,000.

Grounds maintenance and cleaning services received a disappointing combined customer satisfaction score of 43.7%, despite cleaning services seeing a 6.7% improvement on 2018-19.

We have increased the number of cleaning visits to many of our communal areas and made changes to our cleaning procedures to deliver a comprehensive clean on each visit. We have also carried out additional visits where needed to improve customer satisfaction.

We have invested in new grounds maintenance equipment, such as mulching deck mowers, to reduce the volume of grass cuttings left behind. We are trailing new shrub and hedge regeneration techniques to improve the green space around our properties whilst protecting local wildlife.

People

Our people are important to us. Our culture enables people to set their own paths and be accountable for their work. We operate in an agile environment with a focus on enhancing wellbeing and promote the importance of a healthy work-life balance.

Through our recent partnership with SHS in February, we now employ over 1,200 people. We strive to be an employer of choice and endeavour to give our people the information they need to do their jobs, to instil open lines of communication and give them the freedom to do what's right for the customer.

This year, we also saw the 'One Year On' Integration Survey between Flagship and Victory Housing. This was a follow-up to the Day 100 survey and allowed us to directly compare where we had improved one year on from partnering in January 2019. The results of this survey were incredibly positive and saw us improve in each topic of the survey's questions, leadership, enablement, integration and development.

Investing in our people

We aim to attract, recruit, develop and retain talented people. Our Bright Futures apprenticeship programme has continued to develop, and our commitment to develop our own talent has seen a further 29 apprentices brought into the programme.

During 2019/2020, by delivering training internally, being collaborative and effectively working with external partners, the Group has saved £63,000 in training costs.

Workplace Wellbeing

We have continued to embed our employee assistance programme, wellbeing hub, wellbeing roadshows, which this year saw us introduce mindfulness, meditation and yoga in the workplace. In addition, we have launched the first workplace WI in Norfolk; bringing working women together, to support one another, develop friendships and share experiences. We have also launched a men's health forum – dedicated to helping men open-up and talk about their mental and physical health.

Towards the end of the financial year, due to the coronavirus outbreak, we experienced a massive shift in the way we do things; staff found themselves in a completely different working environment, 50% were working from home, and many were placed on furlough leave. Suddenly, wellbeing became very important, and the need for mental health support increased dramatically.

Having launched a mental health first aid training programme last year, the Group was able to respond quickly to this increased demand. Over 100 mental health first aiders have been on hand through 2019/2020, to help support colleagues through the challenges mental health issues can bring.

By embracing technology, we have continued to save and explore our wellbeing offer, by providing webinars, tool kits and a virtual wellbeing café.

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. Our latest employee survey, which for the first time included GAS and BFL, met our target of 8.1 for staff satisfaction.

1,200 people employed

"We have continued with our ambition of Housing Made Simple

Housing

In February 2020, SHS successfully joined the Group, and through this partnership, we now have additional resources to deliver better things across our operating area. And whilst we continue to progress towards delivering the levels of housing we need, we do so against a backdrop of ongoing challenges such as affordability for our customers and welfare reform.

For better place-shaping, community wellbeing and delivery of services we appointed three managing directors earlier this year to each lead Flagship Homes, Victory Housing and Suffolk Housing. Our three housing brands are working alongside each other to develop a consistent approach to quality and customer satisfaction.

In the last year the percentage of tenants on Universal Credit (UC) in arrears has fallen to 60%, despite a 227% increase in UC claimants. Arrears ended the year at 3.8%, albeit this position was adversely impacted by an additional week's rent being raised (53-week year). The month-end arrears balance was below the previous year with the average collection rate for the year at 99.9% per month, compared to 99.6% last year. The impact to date on collection of arrears has not been significant as a result of COVID-19 see page 26.

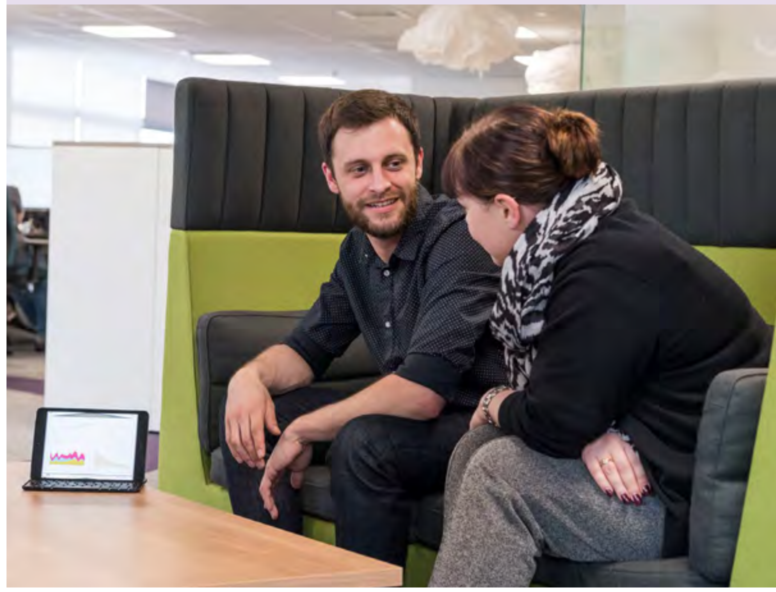
We launched a new web-based empty homes app to allow us to manage our empty homes process from one place. It gives a clear oversight of our empty homes, as well as automating tasks to make it easier for our teams to co-ordinate and manage and improve our turnaround times.

Furthermore, our estates team brought empty homes clearance back in-house, completing 465 clearances last year, generating a saving of around £300,000.

We have continued with our ambition of Housing Made Simple, focused on making it easy for tenants to move in or out, pay their rent and contact us.

Throughout the year the team has:

- provided 114 random acts of kindness for tenants;
- worked with one of our key local authority partners to provide ten properties for rough sleepers;
- concluded and began implementing the recommendations of our research project into how we can best influence rental income and help tenants better sustain their tenancies and avoid arrears;
- built and launched a new contracts system, to ensure we are achieving value for money; and
- managed nine homes on behalf of Peal Community Housing, generating income through providing housing management to third parties.



Asset Management

Through 2019/20, we have continued to make improvements and investments in our assets for both our business and customers.

Asset Safety

Our priority is the safety of our customers, and we've continued to increase our efforts to ensure their homes and communities are a safe place to live. We have further improved the safety measures in our tenants' homes, using the highest standards and specifications available to us. By going above and beyond we have delivered future proof improvements to the homes of many.

2019/20 has seen several developments in safety, including:

- enhanced specification of smoke detectors and carbon monoxide alarms;

and

- a dedicated compliance team to oversee safety compliance across all our homes.

Energy Efficiency

We continue to progress further with renewable energy, ensuring our customers benefit from sustainable solutions and efficient systems. At a cost of over £3.5m, we have continued to improve energy efficiency, using renewable technology in over 300 homes, moving us closer to the national target of zero emissions by 2050.

Through 2019/20 we have qualified for over £400k of grant which reflects our ongoing commitment to increase the energy efficiency of our customer's homes; installing more sustainable heating solutions and promoting energy efficient asset interventions, saving our customers on average over £400 per year.

We have continued to increase efficiency across our service offering by:

- using Eco funding from Ofgem received in 2018/19, we have delivered solid wall insulation to 14 properties, achieving a significant impact on the efficiency of our customers' homes;

and

- we have continued to keep our customers warm over the winter months, insulating over 780 homes.

780
homes have been insulated

Placemaking

We want to enhance lives and opportunities; and by promoting and prioritising social value, we aim to provide sustainable homes, in sustainable locations, that enable our customers to thrive for generations to come.

Aimed at delivering transformational change in the way that we think about asset investment, over the course of 2020, we're working on a project to develop a broader, more holistic asset evaluation model, which we're calling Right Home, Right Place. By adopting an overarching approach to estate regeneration, and a focus on long term affordable, sustainable locations, we aim to truly influence place-shaping and enhance the lives and opportunities of our customers.

By working closer with other departments in the Group, we have been able to pilot a new approach focused around enhancing the effectiveness of our estate improvements – bringing further benefit to our customers and communities.

Similarly, our engagement work in the communities we serve has continued, creating a collaborative vision between us and our customers for meaningful change, in some of our most deprived housing areas.

Through our garage resolution programme, we have an ambition to create wide-spread socio-economic benefits by redeveloping garage sites and where possible providing more homes for people in need. By removing the physical barriers that garages often create and encouraging movement of people, recreation and play; we hope to provide safer spaces that are better integrated with the surrounding neighbourhood.

VfM Savings

£90k	new fire alarm service and maintenance contract procured
£15k	combining FHG and VHT lift contracts
£51k	centralising reporting tools through to one Group system
£38k	reducing the need for external assessments
£18k	reduced the risk category of properties

Strategic Report

Social and community investment

Our approach to Corporate Social Responsibility (CSR) ensures we create a culture that maximises social, marketplace, workplace and environmental value in every area of our business.

Our ethical approach allows us to make a real difference to others and work in a sustainable way, enabling us to deliver better services and cost savings, bringing benefit to our customers, staff and communities.

As part of this we've:

Been socially responsible

- raised over £25,000 through staff charity fundraising for over 16 charities including St Elizabeth's Hospice, Dementia UK, the Benjamin Foundation and the MS Society;
- donated 30 food boxes to local foodbanks across the region;
- dedicated over 900 hours of volunteering time (from 120 staff) and £6,000 to community events and projects; transforming a domestic abuse refuse home, installing a new kitchen at a local school and carry out estate clean-ups;
- participated in fundraising activities for local charities including Leeway, YMCA, Fresh start – new beginnings and St Martins;
- introduced a furniture voucher scheme with the British Heart Foundation, to help and support customers at the start or during tenancies and donated computer screens, keyboards and various other pieces of equipment to local schools;
- committed £3,500 worth of funding to support our customers who are living in fuel poverty in Norfolk and Suffolk;
- sent six staff members on training with Your Own Place to help young people move on to independence after a period of homelessness; and
- worked with local charity 'Friend in Deed', we continue to help tackle social isolation in our older persons living schemes, by promoting intergenerational friendships between local parents, their children and our customers.

Engaged our communities

- continued to invest in our communities through community grants (of up to £5k) from our Community Fund. These awards are determined by a customer panel which has distributed over the past 11 years £560,000 of grants to 184 local community projects to date;
- created opportunities for community engagement through several community events. Continuing the use of our Spotlight events in Wickham Market and Newmarket to understand how we could continue to improve services in the local area;
- provided a Refuge property in North Norfolk which has created much needed resource in this area;
- involved our customers in shaping ideas for estate improvements through seven drop-in sessions and we've received 344 insights in the first online poll with customers of the Abbey Estate to understand what matters to them in their local community;
- signed up to the domestic abuse campaign, 'Make a Stand' and now have a dedicated team looking at our safeguarding policy for staff and our customers. A team are working to ensure it meets demands to tackle domestic abuse in our homes, workplaces and communities; and
- supported the "See the person" campaign - a campaign that aims to change public perceptions about social housing customers. We are working with our customers to understand their experiences of stereotyping and what we need to stop/start doing as a landlord

Environmental efforts

- encouraged better environmental performance throughout the organisation, and increased engagement of employees around environmental issues. RFT Services gained the ISO14001 by demonstrating compliance with regulatory requirements and now reports under the Streamlined energy and carbon reporting provisions;
- received the silver SHIFT award for sustainability, measuring environmental performance which allows us to demonstrate how we are delivering against challenging environmental targets. The SHIFT assessment measures organisations against more than 50 environmental criteria;
- pledged to plant one tree for each staff member, in an aim to replace as many damaged, dying or dead shrubs, bushes and hedges as possible to offset our carbon emissions;
- begun an exciting, innovative project on the Grange Farm Estate in Felixstowe, which aims to reduce our customer's heating bills by 50%. The project will replace old, inefficient storage heaters with six communal Ground Source heat pump (GSHP) systems, providing heating and hot water to 113 Flagship homes;
- worked alongside Finn Geotherm to reduce the energy usage of 134 of our customers in a 1970s social housing scheme in Lakenheath. By installing a new renewable energy system, our customers energy usage has been reduced by 70% and their bills halved;
- installed 300 Air Source Heat Pumps (ASHP) into customers' homes. Reducing energy bills for our customers by 50% and their energy usage by 70%; and
- been part of a £2m renovation of the Jubilee Hall on Aylsham Road in Norwich to help create a sustainable community hub that will help build the foundations for strong families and community relationships in this under-resourced area of the city.

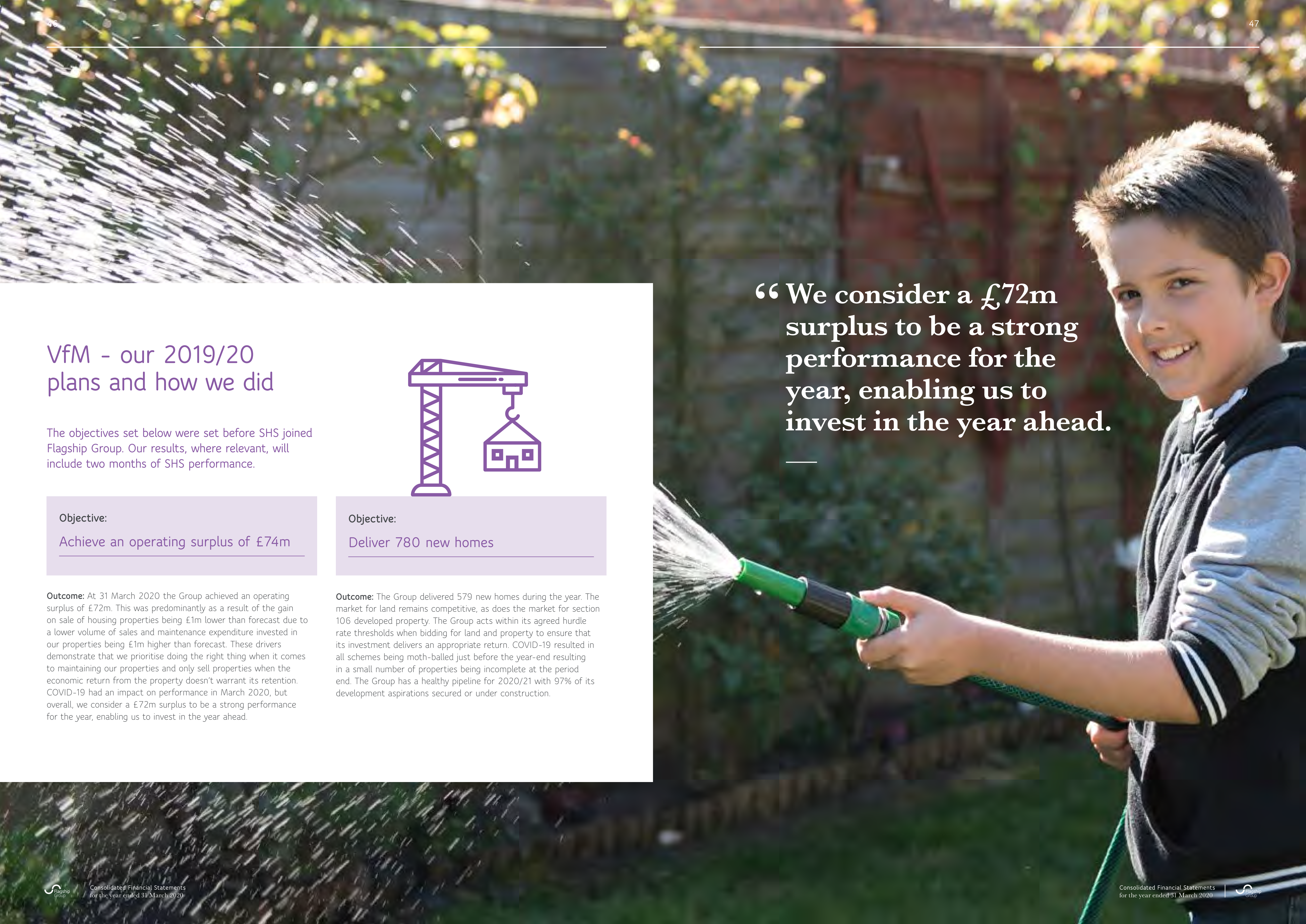
Impact on the local economy

- moved our breakfast and lunch supply for meetings at our King Street office to 'The Feed', a local social enterprise working towards tackling homelessness in Norwich;
- worked with the local community re-paint service, sponsored by Dulux, to redistribute 750 litres of paint to benefit individuals, families and charities in need at an affordable cost
- continued to support small and local businesses, where they demonstrate better value for money
- worked with key suppliers to deliver community-based projects in the region.

Our commitment to doing the right thing for those in housing need continues, and in these unprecedented times we will be strengthening our approach to Corporate Social Responsibility, committing more of our time, resources and money to social and environmental initiatives.

£25,000

raised through staff charity fundraising



VfM - our 2019/20 plans and how we did

The objectives set below were set before SHS joined Flagship Group. Our results, where relevant, will include two months of SHS performance.

Objective:

Achieve an operating surplus of £74m

Outcome: At 31 March 2020 the Group achieved an operating surplus of £72m. This was predominantly as a result of the gain on sale of housing properties being £1m lower than forecast due to a lower volume of sales and maintenance expenditure invested in our properties being £1m higher than forecast. These drivers demonstrate that we prioritise doing the right thing when it comes to maintaining our properties and only sell properties when the economic return from the property doesn't warrant its retention. COVID-19 had an impact on performance in March 2020, but overall, we consider a £72m surplus to be a strong performance for the year, enabling us to invest in the year ahead.

Objective:

Deliver 780 new homes

Outcome: The Group delivered 579 new homes during the year. The market for land remains competitive, as does the market for section 106 developed property. The Group acts within its agreed hurdle rate thresholds when bidding for land and property to ensure that its investment delivers an appropriate return. COVID-19 resulted in all schemes being moth-balled just before the year-end resulting in a small number of properties being incomplete at the period end. The Group has a healthy pipeline for 2020/21 with 97% of its development aspirations secured or under construction.

“We consider a £72m surplus to be a strong performance for the year, enabling us to invest in the year ahead.

Strategic Report

Objective:

Achieve year-end current tenant arrears of £3.9m or less

Outcome: This objective was originally set for Flagship Homes which individually achieved current tenant arrears at 31 March 2020 of £3.8m despite COVID-19 impacting the last few weeks of the financial year. The Group's total arrears at 31 March 2020 was £5.3m (VHT: £1.1m; SHS £0.4m).

Objective:

Achieve a Net Promoter Score of +35

Outcome: The Group's Net Promoter Score survey usually takes place in February / March each year. Due to COVID-19 the Group has delayed its net promoter score survey until later in 2020.

Objective:

Deliver an increase in our staff satisfaction score

Outcome: The Group achieved a staff satisfaction score of 8.1 for the year ended 31 March 2020 (2019: 8.2). The survey had a change in mix against the prior year as GAS and BFL staff were introduced to the survey for the first time. We consider a score of 8.1 to be very positive for the Group and is in line with our five-year plan.

Objective:

Undertake Housing Management services for other providers

Outcome: During the year ended 31 March 2020 the Group started managing nine properties for Peal Community Housing Limited, a registered social landlord in Suffolk. The Group also secured a partnership with Legal & General's affordable housing operation to manage their properties in the East of England.

Objective:

Extend financial support services to customers to help with the roll out of Universal Credit

Outcome: We have introduced random acts of kindness to help meet the needs of tenants whilst they navigate the Universal Credit application process. We have provided all our housing officers with 'empathy' training to enable them to understand and be able to provide the right support to our tenants. We continue to introduce initiatives to support the needs of our tenants by targeting the underlying problems they face enabling them to further help themselves.

Objective:

Provide employment support services to customers to help them get back into work

Outcome: VHT has continued to provide an Employment Support Service to support the delivery of high-quality advice and support to VHT tenants, ensuring they have the right skills to enter employment. The Group continues to explore rolling this out more widely.

Objective:

Insource VHT's Gas and Repair services

Outcome: VHT's gas work is provided by GAS and the benefits of insourcing was realised from when VHT joined Flagship Group. Repair work is split into responsive repairs and maintenance and capital improvement works. During the year RFT adopted the capital improvement works contract for VHT properties and has successfully delivered £1.2m of capital improvements to VHT properties. RFT had been gearing up to adopt the responsive contract for VHT, expected to 'go live' in early 2020-21 but in light of COVID-19, the responsible action was to temporarily place the insourcing on hold. The outgoing contractor continues to provide the services agreed under their service level agreement.

Objective:

Further enhance our digital services for customers

Outcome: During the year we have recruited a digital director to develop our digital vision and a roadmap to accelerate the digital agenda in our organisation. One of the first projects to be delivered by the digital team is the introduction of chat bots on our website for our customers and our employees providing a 24/7 customer service environment for frequently asked questions. The bots utilise artificial intelligence to learn over time and improve the information that we can make readily available to our customers and our employees.

2020/21 Objectives

Our targets for the year ended 31 March 2021:

- A combined annual net promoter score of +28 – whilst this might appear that we are standing still a consistent year on year performance given the challenges we are facing with COVID-19 will demonstrate a strong platform to build upon. Our five-year milestone remains at +36;
- 445 new affordable homes – once again COVID-19 has impacted our development goals, but this remains a challenging objective whilst we continue to face on-going economic uncertainty;
- Operating margin (excluding gain or loss on disposal of fixed assets) of 32% for the year;
- Our asset compliance scorecard to be green across all measures at 31 March 2021;
- Deliver a net profit per home of £1,623 or better for the year to support our longer-term asset investment goals;
- Increase in our staff satisfaction score to 8.4;
- Provide £0.4m of funding to our charitable initiative, Hopestead, to provide targeted support to those customers significantly impacted by COVID-19 initially and to continue their work to alleviate homelessness;
- Achieve a headline social housing cost per unit of £2,972 and reinvestment in our social housing stock of 5.6%; and
- Complete the insourcing of VHT's repair services.

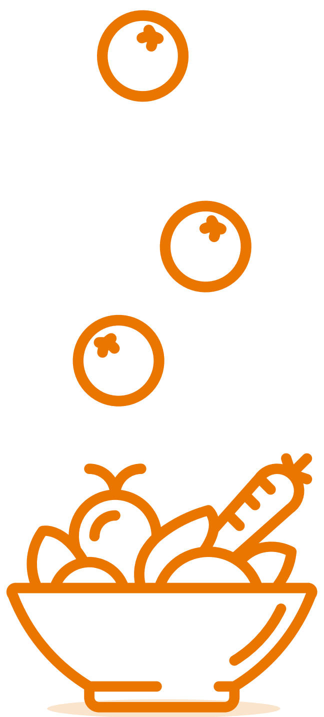
By order of the Board

E Marcus, Company Secretary
15 July 2020

Report of the Board

for the year ended 31 March 2020

The Board of Management presents its annual report for the audited financial statements of the company and the Group for the year ended 31 March 2020.



Future developments

The trading performance of the Group and an indication of the likely future developments in the Group's business have been presented on pages 10 to 49 within the Strategic Report.

Group structure

The Group consists of six trading companies:

Flagship Housing Group Limited

Victory Housing Trust

Flagship Housing Developments Limited

RFT Repairs Limited

Gasway Services Limited

Blue Flame (Colchester) Limited

On 2 February 2020 Suffolk Housing Society became part of Flagship Housing Group Limited, through the transfer of engagement mechanism, available to Co-operative and Community Benefit Societies. At that date, Suffolk Housing Society ceased to exist as a legal entity and the fair value of its assets and liabilities, and its trading activities were assumed by Flagship Housing Group Limited, and form part of these financial statements from 2 February 2020.

Consolidated Financial Statements
for the year ended 31 March 2020

Report of the Board

Community initiatives and charitable donations

During the year the Group paid £116,697 (2019: £52,070) towards community initiatives. No charitable donations were made (2019: £nil).

The board of management and executive team

The board and executive team who served the company in office at 31 March 2020 are detailed on page 5 of the financial statements. The Board is comprised of nine non-executive directors and four executive directors and are drawn from a wide background bringing together professional, commercial and local experience.

Each non-executive director is appointed for a term of three years with a maximum term of no more than nine years subject to detailed transitional arrangements ratified by the Board.

The company has an open recruitment and selection policy for non-executive directors. Recruitment is transparent and focuses on filling experience gaps on the Board. A copy of the recruitment and selection process is available on request in writing to the company secretary.

The Board has adopted the National Housing Federation Code of Governance (the 'Code') and complies with all aspects of the code, except for the number of directors on the Board. Three additional non-executive directors joined the Board of Management following the transfer of engagement of Suffolk Housing Society to ensure continuity and support future succession planning. In January 2022 one of the non-executive directors will be reaching the end of their tenure and the number of Board members will be reduced through retirement to realign the Group with the Code.

All new non-executive directors are provided with induction training to enable them to meet their obligations and commitment to the Group, in accordance with the governance code.

Employees

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and employees are consulted regularly on a wide range of matters affecting their current and future interest.

The Group is committed to equal opportunities. Its people are diverse and are chosen for their experience, potential and personal attributes regardless of gender, sexual orientation, marital status, age, race, colour, nationality, ethnic origin, religion or disability.

The Group is committed to giving full and fair consideration to applications for employment that disabled individuals make to the Group and is committed to equal training opportunities, career development, and promotion of such individuals. With regard to individuals who become disabled, the Group's policy is to take all reasonable steps, including retraining, to ensure that they can remain in employment wherever practicable.

The Group remains committed to equality of opportunity in all its employment policies, practices and procedures. All employees should be given equal opportunity and are appraised solely on performance against objectives, personal attributes and potential.

Employee remuneration

The Group's policy (including for Board members) is to provide remuneration packages that attract, retain and motivate talent without paying more than is necessary to deliver the Group's strategic objectives. External benchmarking is undertaken to ensure remuneration levels are consistent with both, the sector nationally and regionally, and with similar roles in non-sector organisations. Notice periods are set at levels considered appropriate to facilitate a transparent recruitment process and effective responsibility handover.

Statement of Board's responsibilities

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

The Co-operative and Community Benefit Society Act 2014 requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland".

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the Group will continue in business.

£116,697

paid towards community initiatives

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The Board have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company 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 the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Financial Statements for the year ended 31 March 2020 | Flagship Group

Report of the Board

Executive team

Members of the executive team are full-time employees and are responsible for the day to day operational management of the Group. They are responsible for ensuring that policies determined by the Board are properly implemented.

The executive team have created a senior management team, encompassing leaders from across the organisation, which together, form the Flagship Operations Board.

The composition of the executive team is as follows:

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

The composition of the Flagship Operations Board and a biography of all key management personnel can be found on the company's website www.flagship-group.co.uk.

Risk and internal control

The Board recognises that they are ultimately responsible for both management of risk and the system of internal control. Day to day risk management is delegated to the Flagship Operations Board (with leadership from the executive directors) who are full time employees and hold no interest in the company's share capital. The senior management team act with the delegated authority given to them by the Board

No system of internal control can provide absolute assurance or eliminate all risk. The Group has adopted an approach to risk whereby it is expected that management of day to day risk happens automatically as daily business is carried out by every employee in accordance with documented procedures, supported by the business planning process and management of strategic risks. Whilst recognising the need to understand and monitor risk, the Group acknowledges the need for realistic risk control and management to provide a sound basis on which to carry out business so not to constrain and restrict healthy growth opportunity. The Group will normally look to manage, mitigate or monitor risk, as appropriate, but will avoid risk in excess of its clearly understood risk appetite.

Each company within the Group maintains a risk register to monitor and control all strategic and operational risks that may affect achievement of its objectives. A risk appetite is assigned to each risk, alongside an evaluation of the likelihood of occurrence and the impact on delivering the Group's strategic and operational risks. The risk register also includes controls put in place to reduce the risk to an acceptable level. Each company revisits its risk register at every Board meeting.

The Group monitors and controls all risks that may affect achievement of its objectives through regular review of the consolidated risk register by the Board, the Board's committees (in accordance with their schedule of delegation) and the Flagship Operations Board creating a hierarchical assurance framework through successive levels of management to address strategic and operational risk.

The Group's internal audit function (which leverages input from an external independent auditor) undertakes an agreed audit plan for each financial year to appraise the effectiveness and robustness of the Group's control environment. Oversight of the internal audit function is performed by the Governance, Audit and Risk Committee (GARC) which provides assurance to the Flagship Housing Group Limited Board under delegated authority.

The Group uses a 'Board action' reporting model with clearly defined responsibility and target delivery dates to ensure that corrective action is taken in relation to any identified control weaknesses to maintain a robust and effective control environment.

Report of the Board

Board committees

The Board has delegated responsibility for specific areas of operation to the committees listed below who engage additional expertise, as required, to maintain an effective system of control. The schemes of delegation are clearly defined and reviewed regularly to ensure that they continue to be appropriate and meet the operational risks of the organisation.

Governance, audit and risk committee (GARC)

Purpose: To oversee the internal and external audit functions and provide the Board with assurance on the effectiveness of the risk management and internal control frameworks.

Members: Three non-executive directors excluding the chair of the Board and a Board advisor.

Health and safety committee (H&S)

Purpose: To oversee the Group's health and safety strategy and action plan.

Members: One non-executive director (excluding the chair of the Board) and two members of the Flagship Operations Board.

Finance and treasury committee (F&T)

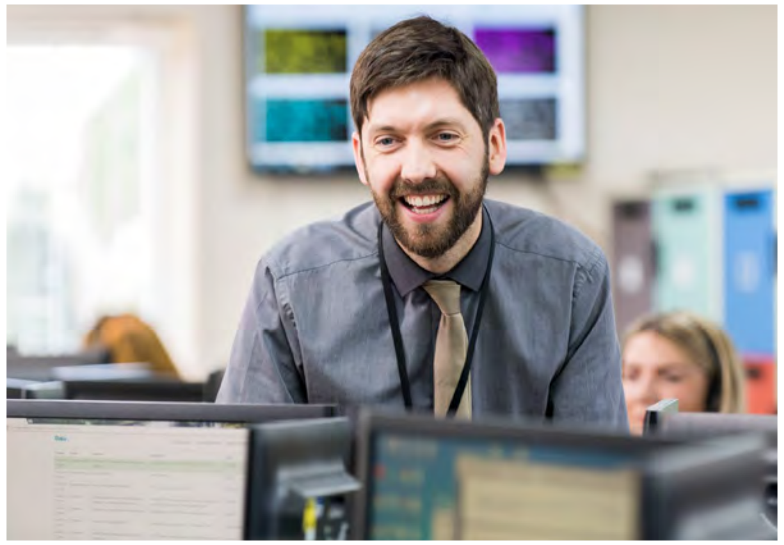
Purpose: To provide oversight for the principal finance and treasury activities of the group, including but not limited to, oversight of treasury strategy, thorough review of financial performance, value for money and integration synergy monitoring and oversight of the development appraisal and scheme acceptance models.

Members: Three non-executive directors excluding the chair of the Board and two members of the Flagship Operations Board.

People and culture committee (P&C)

Purpose: To oversee the Group's remuneration policy for directors' and employees and the Group's compliance with the NHF Code of Governance.

Members: Three non-executive directors excluding the chair of the Board, one member of the Flagship Operations Board and a Board advisor.



Compliance

The company has a zero-tolerance approach to fraud and bribery. An anti-fraud and bribery policy response plan are incorporated in the risk management framework and whistleblowing policies are in place and reviewed on a regular basis.

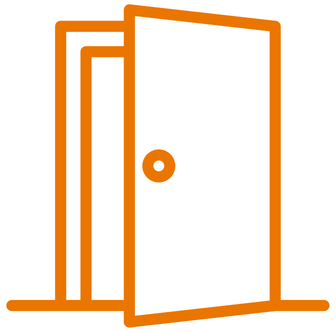
As part of the Group's commitment to continuous improvement, the Group identified some procedural weaknesses in its health and safety compliance framework. New controls and systems were introduced across the Group during the year to enhance compliance, make process more robust and reduce the Group's risk exposure. The Group has addressed the weaknesses identified in its health and safety compliance framework and at the date of signing this report the Group is compliant with health and safety regulation.

During the year the Group reviewed its property compliance data tracking procedures as part of a wider project to improve the information held on its properties enabling it to service them more efficiently, in turn delivering value for money. As part of this exercise the Group discovered that it did not hold copies of electrical safety certificates for some of its properties and was therefore unable to demonstrate that testing had been performed in accordance with the Regulator of Social Housing's ('RSH') Home Standard. The Group self-referred itself to the RSH and has a comprehensive action plan to deliver full compliance during the year ended 31 March 2021.

The Group certifies that it has complied with the requirements of the Regulator of Social Housing's Governance and Viability Standard during the year ended 31 March 2020, except to the extent that the procedural weaknesses noted above impair the Group's compliance with Health and Safety regulations and the unavailability of electrical testing certificates impairs the Group's compliance with the Home Standard.

The Board has received the annual report of the senior leadership team, made enquires as considered appropriate by each non-executive director and received an annual assurance report from the committees as part of the Board's annual review of the effectiveness of the system of internal control.

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



Report of the Board

Housing properties

In the opinion of the Board, there has been no indication of any significant impairment of the Group's properties during the year or up to the date of signing this report.

Brexit

The Board continues to assess the potential impact of Brexit on the future trading performance of the Group. The 11-month transition period has provided short term stability, but the future of the UK's relationship with the European Union after 31 December 2020 continues to create uncertainty in respect of labour mobility, supply chain fluidity, tariffs, regulatory and tax environment changes and related macroeconomic factors. No material risks have been identified warranting disclosure within these financial statements.

COVID-19

The Board acknowledges significant uncertainty surrounding the duration of the COVID-19 national pandemic on the economy of the United Kingdom and continue to assess the impact on the future trading performance of the Group.

The pandemic is unprecedented and there is no way to predict the extent of the future impact COVID-19 will have on the Group's future trading performance. It is not yet clear how the virus will continue to impact society regionally, how long it will last or what the medium to long term effect will be on the markets in which we operate.

The Group has prepared an emergency budget with prudent assumptions in response to COVID-19 and performed scenario sensitivity testing to appraise the robustness of the Group's position in an uncertain and constantly changing environment. The Group continues to respond operationally and strategically to a changing situation and remains in a robust position to continue to deliver its purpose, to provide social housing to those in need.

The Strategic Report contextualises the Group's response to the pandemic and its resilience as it weathers this exceptional situation.

The primary revenue generating activity of the Group, the provision of social housing, is impacted, perhaps to a lesser extent, by the response to the pandemic but the economic impact on the Group's tenants has resulted in marginally higher arrears balances and slower cash collection. At the date of signing this report the Group has not seen a material deterioration in debt recovery and is focussed on supporting customers in the right way as we all strive to get through this crisis and out the other side stronger.

The Group's trading subsidiary undertakings have been impacted by a volume fall in service delivery due to adhering with social distancing guidelines and the availability of staff, who are themselves, self-isolating where necessary. This has not had a material financial impact on the Group's performance at 31 March 2020, owing to the operational impact occurring just two weeks from the year-end, but will impact the Group's performance for the year-ended 3 1 March 2021.

As with most organisations, cash flow presents the greatest challenge from a sudden cessation of trade. The Group has utilised the COVID job retention scheme ('CJRS') and the COVID corporate financing facility ('CCFF') where appropriate to mitigate the cash flow impact for the Group.

The conclusion of our stress testing is that the Group could comfortably sustain a loss of £50m in revenue without exceeding its current bank facilities. This includes prudent assumptions for bad debt and void loss. This is achievable through a reduction in the Group's development programme for the year and a lower investment in the Group's housing properties.

A full appraisal of the cash requirements of the Group has been performed and the Board considers that the financial viability of the Group is such that the Group has sufficient resources to remain viable and at the date of signing these financial statements the Group remains a going concern.

Post balance sheet events

There are no material post balance sheet events which warrant disclosure within the financial statements.

Disclosure of information to auditors

In the case of each Member of the Board in office at the date the Report of the Board is approved:

- so far as the member is aware, there is no relevant audit information of which the company or Group's auditors are unaware;

  and

- they have taken all the steps that they ought to have taken as a member in order to make themselves aware of any relevant audit information and to establish that the company and Group's auditors are aware of that information.

Independent auditors

The auditors, Mazars LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be brought before the annual general meeting.

By order of the Board

E Marcus, Company Secretary
15 July 2020

Independent auditor's report

to the members of Flagship Housing Group Limited

Opinion

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 2020 which comprise the Group and the parent company's Statements of comprehensive income, the Group and the parent company's Balance sheet, the Group and the parent company's Statements of changes in reserves, the Group Statement of cash flows 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).

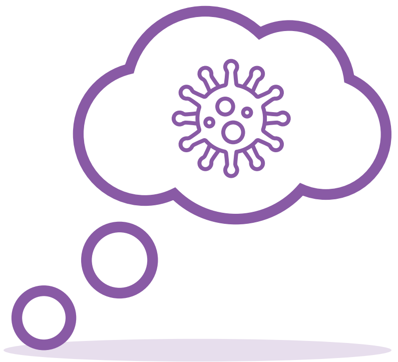
In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2020 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.

Independent auditor's report



Emphasis of matter – Going concern and the impact of the COVID-19 outbreak on the financial statements

In forming our opinion on the Group and parent company financial statements, which is not modified, we draw your attention to the Board's view on the impact of COVID-19 as disclosed on page 18 and 59, and the consideration in the going concern basis of preparation on page 73 and the critical accounting judgements on pages 81 and 82.

During the latter part of the financial year, there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID-19 is still evolving and, based on the information available at this point in time, the Board have assessed the impact of COVID-19 on the business and reflected the Board's conclusion that adopting the going concern basis for preparation of the financial statements is appropriate.

Emphasis of matter – The impact of the COVID -19 outbreak on the investment property valuation

In forming our opinion on the Group and the parent company financial statements, which is not modified, we draw your attention to the Board's view on the impact of COVID-19 on the investment property valuation performed by an independent valuer which contained a material valuation uncertainty as disclosed on page 28, and the consideration in the disclosure of the key source of estimation uncertainty on pages 81 and 82.

The impact of COVID -19 is still evolving and, based on the information available at this point in time, the Board has assessed the impact of COVID -19 on the investment property valuation and reflected the Board's conclusion that the valuation included in the financial statements is appropriate.

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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt on the 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.

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 53, 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.

Independent auditor's report

Auditor's 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

16 July 2020

Financial statements

Statement of Comprehensive Income

for the year ended 31 March 2020

	Note	Group 2020	Group 2019	Company 2020	Company 2019
		£'000	£'000	£'000	£'000
Turnover	5 / 7	188,248	154,274	139,581	127,045
Cost of sales	5	(28,501)	(20,096)	(4,864)	(4,295)
Operating costs	5	(96,426)	(80,484)	(82,492)	(74,044)
Gain on disposal of property, plant and equipment	8	8,580	5,949	2,769	3,511
Share of operating losses in joint ventures	19	(244)	-	-	-
Operating surplus	9	71,657	59,643	54,994	52,217
Interest receivable and similar income	25	1,832	1,518	4,225	3,491
Interest payable and similar charges	24	(25,562)	(24,281)	(23,993)	(23,857)
Deficit on revaluation of investment properties	15	(974)	(353)	(974)	(353)
Gift on acquisition	33	15,339	94,367	15,268	-
Surplus for the year before taxation		62,292	130,894	49,520	31,498
Taxation	13	(21)	197	(9)	-
Surplus for the year		62,271	131,091	49,511	31,498
Re-measurement of SHPS pension liability		-	(3,566)	-	(3,566)
Actuarial gain / (loss) in respect of pension schemes	30	5,718	(2,566)	5,718	(2,566)
Total comprehensive income for the year		67,989	124,959	55,229	25,366

The financial statements were authorised for issue by the board of directors on July 2020 and signed on its behalf by:

P Hawes, Chair

R Bennett, Board Member

D Armstrong, Chief Financial Officer

All results are from continuing activities, 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.

The notes on pages 71 to 119 form an integral part of the financial statements.

Balance sheet

as at 31 March 2020

	Note	Group 2020	Group 2019	Company 2020	Company 2019
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	17	8,199	8,610	2,236	1,578
Housing properties	14	1,699,510	1,519,790	1,513,931	1,344,280
Other property, plant & equipment	18	11,163	7,721	8,893	5,771
Investment properties	15	72,724	64,006	72,724	64,338
Loans to joint venture undertakings	19	7,210	1,250	-	-
Investments	19	13,388	13,372	59,203	59,187
Non-current debtors	20	90	90	-	-
		1,812,284	1,614,839	1,656,987	1,475,154
Current assets					
Inventories	10	32,590	13,862	6,182	325
Debtors due within one year	20	20,288	17,718	8,318	7,883
Cash at bank and in hand		31,755	74,122	19,613	40,684
		84,633	105,702	34,113	48,892
Creditors: amounts falling due within one year	21	(99,011)	(49,168)	(73,260)	(31,729)
Net current (liabilities) / assets		(14,378)	56,534	(39,147)	17,163
Total assets less current liabilities		1,797,906	1,671,373	1,617,840	1,492,317
Creditors: amounts falling due after one year	22	(957,681)	(894,037)	(887,800)	(812,184)
Post-employment benefits	30	(12,618)	(17,748)	(12,618)	(17,748)
Provision for other liabilities	13	(136)	(106)	-	-
Net assets		827,471	759,482	717,422	662,385
Capital and reserves					
Retained earnings		430,406	357,989	320,357	260,892
Revaluation reserves		397,065	401,493	397,065	401,493
Total reserves		827,471	759,482	717,422	662,385

The notes on pages 71 to 119 form an integral part of the financial statements.

Statement of changes in reserve

for the year ended 31 March 2020

(a) Group

	Retained earnings £'000	Revaluation reserve £'000	Total reserves £'000
Opening balance at 1 April 2018	229,530	404,993	634,523
Surplus for the year	131,091	-	131,091
Other comprehensive income for the year	(6,132)	-	(6,132)
Total comprehensive income for the financial year	**124,959**	**-**	**124,959**
Transfer from revaluation reserve to revenue reserve	3,500	(3,500)	-
Total transactions recognised directly in equity	**3,500**	**(3,500)**	**-**
Closing balance at 31 March 2019	**357,989**	**401,493**	**759,482**

	Retained earnings £'000	Revaluation reserve £'000	Total reserves £'000
Opening balance at 1 April 2019	357,989	401,493	759,482
Surplus for the year	62,271	-	62,271
Other comprehensive income for the year	5,718	-	5,718
Total comprehensive income for the financial year	**67,989**	**-**	**67,989**
Transfer from revaluation reserve to revenue reserve	4,428	(4,428)	-
Total transactions recognised directly in equity	**4,428**	**(4,428)**	**-**
Closing balance at 31 March 2020	**430,406**	**397,065**	**827,471**

The notes on pages 71 to 119 form an integral part of the financial statements.

(b) Company

	Retained earnings £'000	Revaluation reserve £'000	Total reserves £'000
Opening balance at 1 April 2018	232,026	404,993	637,019
Surplus for the year	31,498	-	31,498
Other comprehensive income for the year	(6,132)	-	(6,132)
Total comprehensive income for the financial year	**25,366**	**-**	**25,366**
Transfer from revaluation reserve to revenue reserve	3,500	(3,500)	-
Total transactions recognised directly in equity	**3,500**	**(3,500)**	**-**
Closing balance at 31 March 2019	**260,892**	**401,493**	**662,385**

	Retained earnings £'000	Revaluation reserve £'000	Total reserves £'000
Opening balance at 1 April 2019	260,892	401,493	662,385
Movement in reserves on adoption of FRS 102 triennial review	(192)	-	(192)
Adjusted opening balance at 1 April 2019	260,700	401,493	662,193
Surplus for the year	49,511	-	49,511
Other comprehensive income for the year	5,718	-	5,718
Total comprehensive income for the financial year	**55,229**	**-**	**55,229**
Transfer from revaluation reserve to revenue reserve	4,428	(4,428)	-
Total transactions recognised directly in equity	**4,428**	**(4,428)**	**-**
Closing balance at 31 March 2020	**320,357**	**397,065**	**717,422**

The notes on pages 71 to 119 form an integral part of the financial statements.

Statement of cash flows

for the year ended 31 March 2020

	Note	Group 2020 £'000	Group 2019 £'000
Net cash from operating activities	31	68,193	77,115
Taxation		171	(79)
Net cash generated from operating activities		68,364	77,036
Cash flows from investing activities			
Purchase of and works to housing properties	14	(98,019)	(71,770)
Purchase of other assets		(3,187)	(7,413)
Proceeds from the sale of housing properties	8	13,390	10,384
Proceeds from the sale of other fixed assets		430	170
Purchase of investment property	15	-	(23)
Purchase of investments	19	(16)	-
Grant received	26	2,250	2,390
Cash acquired on acquisition of subsidiary	33	4,517	2,944
Loans made to joint venture undertakings	19	(6,204)	(1,250)
Interest received	25	647	616
Net cash from investing activities		(86,192)	(63,952)
Cash flows from financing activities			
Proceeds from issue of bank borrowings		38,365	-
Repayment of bank borrowings		(33,812)	(7,627)
Capital element of finance lease rental payments		(1,474)	(1,232)
Interest paid	24	(27,618)	(24,480)
Net cash from financing activities		(24,539)	(33,339)
Net (decrease) / increase in cash and cash equivalents		(42,367)	(20,255)
Cash and cash equivalents at beginning of year		74,122	94,377
Cash and cash equivalents at end of year		31,755	74,122

The notes on pages 71 to 119 form an integral part of the financial statements.

Notes to Financial Statements

for the year ended 31 March 2020

Notes to the financial statements

for the year ended 31 March 2020

1. General information

Flagship Housing Group Limited ('the company') is a registered provider of social housing, incorporated under the Co-operative and Community Benefit Societies Act 2014.

The company is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is 31 King Street, Norwich, Norfolk, NR1 1PD.

The company is registered with the Homes and Communities Agency as a registered provider as defined by the Homes and Communities Act 2008.

The company is an exempt charity.

2. Statement of compliance

The Group and individual financial statements of Flagship Housing Group Limited have been prepared in compliance with applicable law, United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), the Accounting Direction for Private Registered Providers of Social Housing 2019, the Statement of Recommended Practice for registered social housing providers 2018 update and the Housing and Regeneration Act 2008. The Group is a public benefit organisation, and applies the relevant paragraphs prefixed "PBE" in FRS 102.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated.

a. Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management exercise its judgement in the process of applying the Group and company's accounting policies. The areas involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

b. Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report and the Report of the Board.

The company meets its day-to-day working capital requirements primarily through the cash generated from its trading activities.

The current economic, political and societal conditions as a result of COVID-19 continue to create uncertainty over (a) the extent of arrears due to COVID-19 and the future recoverability of debts; (b) housing market price fluctuations due to COVID-19 and the availability of mortgage financing; (c) availability of customers to be in a position to move home as a consequence of lockdown conditions; (d) land availability at attractive hurdle rates to be used for social housing provision and ability to obtain planning permission in required timeframes under current working conditions; (e) access to housing properties to undertake maintenance and improvement works; (f) ability for customer facing staff to get back into the field and work with customers face to face; (g) availability of staff as a consequence of COVID-19 self-isolation; (h) extent of future lockdowns to manage the virus in society; (i) source availability and price instability of materials; (j) ability to undertake larger project work safely whilst maintaining appropriate social distancing; and (k) future use of investment properties resulting in impairment risk.

As with many organisations, cash flow pressure, remains one of the significant challenges of a sudden increase in arrears / debtors and reduction in revenue streams. Where appropriate the company has engaged with the government's job retention scheme and other government lending initiatives to mitigate some of this pressure.

The company has prepared a budget in response to COVID-19 and has adopted assumptions consistent with the current re-opening of the economy experienced up to the date of signing this report.

It is not possible to predict with certainty whether any future national or regional lockdowns will re-occur which would result in further restrictions to the company's services or what government support would be available for businesses were enforced lockdowns to be re-introduced.

In light of this uncertainty, future trading predictions have been prepared with a prudent outlook in a bid to absorb some of the unpredictable re-opening timeline subject to UK government approval and the risk of localised lockdowns impacting the company over the next twelve months.

Following a detailed review of future forecasts and projections, taking into account the uncertainties presented above, alongside stress testing for possible different future trading scenarios, the company and Group should be able to operate within the level of its current facilities for the foreseeable future.

At the date of signing this report, the director's level of confidence in their viability statement is contingent on a continued gradual re-opening of the UK economy. The rapid changeable situation caused by COVID-19 has resulted in the directors making their reasonable expectation at a significantly lower confidence level at 31 March 2020.

Despite this, after making enquiries, the directors have a reasonable expectation that the company and the Group has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

c. Exemptions for qualifying entities under FRS 102

FRS 102 allows a 'qualifying entity' certain disclosure exemptions, subject to conditions.

The company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29(A), as the information is provided in the consolidated financial statement disclosures; and
- from disclosing key management personnel compensation, as required by FRS 102 paragraph 33.7.

d. Basis of consolidation

The Group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings made up to 31 March 2020.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

e. Functional and presentational currency

The Group financial statements are presented in pound sterling and rounded to thousands.

The company's functional and presentational currency is pound sterling.

Notes to the financial statements

for the year ended 31 March 2020

f. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of discounts, void loss and value added taxes.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity; and (e) when the specific criteria relating to each of the Group's sales channels have been met, as described below.

Rental and service charge income

The Group primarily provides social housing in accordance with its charitable objectives but also provides a limited range of other market rented property. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Service charge income is recognised in the period to which it relates net of losses from voids.

Property management services

The Group provides property management services. Revenue is recognised monthly on a straight-line basis throughout the financial year.

Sale of properties

The Group develops residential property to support its social housing charitable objectives as well as residential property for sale on the open market. Income from residential property developed for open market sale and from first tranche shared ownership property sales is recognised at the point of legal completion of the sale.

Responsive repairs and maintenance service

The Group provides responsive repairs and maintenance services across East Anglia and the Home Counties. Revenue is recognised in the accounting period in which the responsive service was rendered and on completion of the job.

Capital project improvement service

The Group provides capital replacement and improvement services to domestic property owners, social landlords, commercial companies and local government. Revenue is recognised in accordance with the terms of the performance contract in the accounting period in which the services are rendered when the outcome of the contract can be estimated reliably and on completion of the services rendered.

Cover plans

The Group provides annual boiler maintenance cover plans. Revenue is recognised monthly on a straight-line basis throughout the financial year.

Interest income

Interest income is recognised using the effective interest method.

g. Government grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the Group will comply with the conditions and that the funds will be received.

Grants due from government organisations or received in advance are included as current assets, current liabilities or non-current liabilities in accordance with the expected realisation of the income.

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

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income.

h. Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impact specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Group is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as deferred income.

i. Donated land and other assets

Land and other assets donated by local authorities and other government sources is added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the difference between fair value and consideration paid is treated as a non-monetary government grant and recognised on the balance sheet as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income.

On disposal of an asset for which non-monetary government grant was received by the social landlord any unamortised grant remaining within liabilities is derecognised and recognised as income in the statement of comprehensive income.

j. Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plans

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit pension plan

The Group operates defined benefit plans for certain employees. A defined benefit plan defines the benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 're-measurement of net defined benefit liability'.

The cost of the defined benefit plan, is recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) the increase in pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'finance expense'.

Annual bonus plan

The Group operates an annual bonus plan for certain employees. An expense is recognised in the profit and loss account when the Group has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

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Notes to the financial statements

for the year ended 31 March 2020

k. Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

l. 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. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

m. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

n. Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured, they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

o. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Category	Years
Software	3 - 5

Amortisation is included in 'administrative expenses' in the profit and loss account.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

p. Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide a social benefit. Housing properties are principally properties available for rent and are stated at cost (or deemed cost) less accumulated depreciation and impairment. Cost includes original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use (including land for development, materials, direct labour expenses, other direct development costs and related overheads) and financing costs directly attributable to the housing properties.

i. Subsequent additions and major components

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

Repairs, maintenance and minor inspection costs are expensed as incurred.

ii. Assets in the course of construction

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on completion when the economic benefit associated with the property begins to flow to the Group.

iii. Shared ownership property categorisation

Expenditure on shared ownership properties is split proportionally between current and fixed assets based on the element relating to expected first tranche sales using historic geographic and demographic trend data alongside scheme appraisal data. The first tranche proportion is classed as a current asset and the related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

iv. Depreciation and residual values

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

The Group uses the following useful lives for the major components of its housing properties:

Component	Years
Structure	100
Roofs	20 - 70
Lifts	40
Heating system (excluding boiler)	30
Windows & doors	20
Kitchens	20
Wetrooms	20
Boilers	15
Bathrooms	30

Freehold land is not depreciated.

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

Notes to the financial statements

for the year ended 31 March 2020

v. Housing property impairment

Housing properties are assessed annually for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the carrying amount to its recoverable amount. Where the carrying amount is deemed to exceed its recoverable amount, the housing property is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a property is currently deemed not to be providing service potential to the Group, its recoverable amount is its fair value less costs to sell.

vi. De-recognition

Housing properties are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating gains / (losses).

q. Other tangible fixed assets

Other tangible fixed assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

i. Depreciation and residual values

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

Component	Years
Computer equipment	3 - 5
Owned vehicles	4
Furniture, fixtures and fittings	5 - 33
Leasehold improvements	10 - 25
Leasehold / freehold office buildings	25

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Leased assets are depreciated over the life of the lease.

ii. Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as separate assets when they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives.

Repairs, maintenance and minor inspection costs are expensed as incurred.

iii. Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

iv. De-recognition

Other tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating gains / (losses).

r. Investment property

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

s. Borrowing costs

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents (a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; and (b) a fair amount of interest on borrowings of the company as a whole after deduction of social housing grant received in advance to the extent that they can be deemed to be financing the development programme.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

t. Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Inventories are recognised as an expense in the period in which the revenue is recognised.

Cost is determined on a first-in, first-out (FIFO) basis. Cost includes the purchase price, including taxes and duties and transport and handling costs directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment less, and is recognised as a credit in the profit and loss account.

u. Leased assets

At inception the Group assesses the agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i. Finance leased assets

Leases that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on the inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

ii. Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

iii. Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

v. Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit's) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

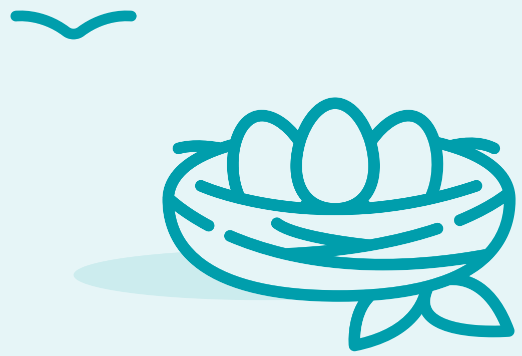
If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If any impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment less been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

w. Investments

Investments in a subsidiary company are held at cost less accumulated impairment losses.



Notes to the financial statements

for the year ended 31 March 2020

x. Provisions and contingencies

i. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

- restructuring provisions are recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and
- provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

ii. Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when inflow of economic benefits is probable.

y. Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii. Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that this is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii. Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

z. Revaluation reserve

The difference on transition between the fair value of social housing properties and the historical cost carrying value is credited to the revaluation reserve. The difference between historical cost depreciation and depreciation charged on the fair value balance is transferred from the revaluation reserve to the income and expenditure reserve.

aa. Prior year comparatives

The Group has made some immaterial adjustments to the restated prior period comparatives relating to late adjustments in subsidiary financial statements which were immaterial to and not reflected in the Group financial statements. Restatement improves the interpretation of prior period comparatives against current period actual performance. The adjustments are immaterial and do not warrant further disclosure in these accounts.

4. Critical accounting judgements and estimation uncertainty

The Group makes estimates and assumptions concerning the future. Estimates and judgements are based on historical experience and future expectations but by definition, will seldom equal the related actual results. The judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a. Critical judgements in applying the entity's accounting policies

i. Impairment

As part of the Group's continuous review of the performance of its assets, management identify properties that have increasing void losses, are impacted by policy changes or are marked for disposal. These factors are considered to be indicators of impairment.

Management determine the cash generating unit level appropriate to assess impairment. Management estimate the recoverable amount of the cash generating unit, based on the higher of existing use value - social housing and value in use which is estimated to be depreciated replacement cost. Management calculate the carrying amount of the cash generating unit before comparing the carrying amount to the recoverable amount to determine in an impair loss has occurred.

Based on this assessment, management identify schemes of properties where the carrying amount exceeds the recoverable amount and an impairment is made to reduce the carrying amount to its recoverable.

Management have determined that no impairment loss has occurred during the financial year (2019: none).

ii. Classification of loans as basic

Management have considered the terms of the Group's loan facilities and conclude that they do meet the definition of a basic financial instrument, therefore such instruments are held at amortised cost.

iii. Going concern

The going concern assumption is one of the core principles of financial reporting. The unprecedented COVID-19 pandemic restrictions, like never seen before, have created significant uncertainty for future trade. The Board of Management has used its judgement to review the expected future performance of the Group, taking into account available forecasts and projections, and continue to form a reasonable expectation that the Group will continue in existence for the foreseeable future.

The Group has prepared an emergency COVID-19 budget with scenario planning to understand the impact of different outcomes on the performance of the Group and its covenant compliance. The conclusion of stress testing is that the Group could comfortably sustain a loss of £50m in revenue without exceeding its current bank facilities. At the date of signing this report the Group is achieving its emergency budget forecast and the Board of Management has a reasonable expectation that the Group has the resources to continue to trade comfortably within the constraints of its financial covenants.

iv. Capitalisation of development and property enhancement spend

The company capitalises expenditure on its housing properties in accordance with its policy in 3(p). Initial capitalisation of development expenditure is based on management's judgement that a development scheme is confirmed, usually upon Board approval and when relevant permissions are in place to complete the development. Management judgement is used to determine when a distinguishable component is replaced, and expenditure is capitalised when it enhances the economic value of a property.

b. Key accounting estimates and assumptions

Fair values on acquisition of Suffolk Housing Society ('SHS')

The fair value of tangible and intangible assets and liabilities acquired on the acquisition of SHS involved the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. The estimation of the fair values requires the combination of assumptions including revenue growth due to inflation of rental values, rental property mix and estimates in respect of voids and bad debt exposure as well as judgement required to use an appropriate discount rate.

Notes to the financial statements

for the year ended 31 March 2020

The outcome of this review can be found at note 33 to these financial statements.

ii. Deferred tax provisions

Provision is made for future tax liabilities. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

iii. Defined benefit ('DB') pension scheme

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

COVID-19 has created significant volatility in financial markets which has had a material impact on liabilities at 31 March 2020. The primary driver for the fall in DB scheme liabilities for the Group was a favourable change in financial assumptions, notably future pension inflation.

The uncertainty caused by COVID-19, and the on-going rebuilding of the UK economy at the date of signing this report, makes it impossible to determine whether the valuation at 31 March 2020 is just a short-term favourable depreciation to liabilities, or a longer-term sustained depression. Management consider the assumptions applied to the valuation at the date of signing this report to be reasonable in light of available information.

iv. Revaluation of investment properties

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Group engages independent experts to determine the fair value of its investment properties at the balance sheet date. The estimation of the fair values requires the combination of assumptions including revenue growth, estimates in respect of voids and bad debt exposure, investment required in maintenance and improvement as well as judgement to use an appropriate discount rate.

The Group's market rented property portfolio is valued on an MV-STT basis. The Group has not seen a significant deterioration in market values as a result of COVID-19 and therefore considers the valuation undertaken at 31 March 2020 to be a reasonable approximation of market valuation at that date.

The Group's student accommodation portfolio is valued on a discounted cash flow basis. Assumptions for lower occupancy levels and rent increases and a 9% discount factor have been built into the valuation to address some of the future uncertainty as a result of COVID-19 in the short term (a cessation of all trading due to lockdown) and the longer term (delay in the education sector returning to some form of normality). Management have reviewed the assumptions used in the valuation and conclude that they are sufficiently prudent to reasonably take account of the uncertainty created by COVID-19.

v. Useful economic lives of tangible assets

The estimated depreciation charge for tangible assets (including components) is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and physical condition of the assets. See note 3(p) and 3(q) for the useful economic lives for each class of assets.

vi. Impairment of debtors

The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of the debtors and historical experience.

In light of COVID-19 the Group has seen a marginal increase in arrears after 31 March 2020. The Group has reviewed its provision for aging arrears and determined it appropriate, based on experience, to increase its provision to provide for any arrears balance that was less than 16 weeks old at the 31 March 2020 but that has increased by more than 1.5 weeks rent since 31 March 2020, being an indicator that the tenant may be financially unable to meet their rent. We remain steadfast in our aim to collect rent due but also acknowledge that in light of COVID-19 we need to support the most vulnerable to get back on their feet when their circumstances have changed through no fault of their own. Therefore, the Group has made an estimate for the impact of doing the right thing in respect of rent arrears as a result of COVID-19 but acknowledges the significant uncertainty around this estimate due to COVID-19 being unprecedented and future events being significantly unpredictable.

vii. Inventory provision

The Group maintains certain stock items on its vans to enable operatives to make the necessary repairs in accordance with the services provided by the Group. Repair parts evolve over time and are replaced with new parts with improved performance and safety certification. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated usability of parts and new parts on the market which might replace current stock items before they are utilised.

The Group designs and constructs new build residential properties for the open market. The nature of housebuilding is capital intensive and as a result it is necessary to consider the recoverability of the cost of inventory, through a review of the existence of impairment indicators. Management consider the value of inventory in line with expected future cash inflows from the sale of residential property. Where the future cash inflow is expected to be lower than the cost to complete the residential property an impairment is required to reduce the value of work in progress to its net realisable value. In light of COVID-19, at the 31 March 2020 management has reviewed the net realisable value of work in progress on a scheme by scheme basis and has concluded that no impairment or provision are required at the 31 March 2020.

5. Particulars of turnover, cost of sales, operating costs and operating surplus

5(a) Group

	Year ended 31 March 2020				
	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	137,737	-	(82,668)	-	55,069
Other social housing activities					
- *Shared ownership property first tranche sales*	9,883	(6,816)	-	-	3,067
- *Gain on disposal of housing properties*	-	-	-	8,442	8,442
- *Other*	323	-	(128)	-	195
	147,943	**(6,816)**	**(82,796)**	**8,442**	**66,773**
Activities other than Social Housing	40,305	(21,685)	(13,630)	-	4,990
Gain on disposal of other fixed assets	-	-	-	138	138
Share of operating losses in joint ventures	-	-	-	(244)	(244)
Total	**188,248**	**(28,501)**	**(96,426)**	**8,336**	**71,657**

	Year ended 31 March 2019				
	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	111,933	-	(66,879)	-	45,054
Other social housing activities					
- *Shared ownership property first tranche sales*	7,102	(4,008)	-	-	3,094
- *Gain on disposal of housing properties*	-	-	-	5,916	5,916
- *Other*	114	-	(174)	-	(60)
	119,149	**(4,008)**	**(67,053)**	**5,916**	**54,004**
Activities other than Social Housing	35,125	(16,088)	(13,431)	-	5,606
Gain on disposal of other fixed assets	-	-	-	33	33
Total	**154,274**	**(20,096)**	**(80,484)**	**5,949**	**59,643**

Notes to the financial statements

for the year ended 31 March 2020

5. Turnover, Operating Costs and Operating Surplus (continued)

5(b) Company

	Year ended 31 March 2020				
	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	113,047	-	(77,491)	-	35,556
Other social housing activities					
- *Shared ownership property first tranche sales*	7,254	(4,864)	-	-	2,390
- *Gain on disposal of housing properties*	-	-	-	2,787	2,787
- *Other*	63	-	(1)	-	62
	120,364	(4,864)	(77,492)	2,787	40,795
Activities other than Social Housing	19,217	-	(5,000)	-	14,217
Loss on disposal of other fixed assets	-	-	-	(18)	(18)
Total	**139,581**	**(4,864)**	**(82,492)**	**2,769**	**54,994**

	Year ended 31 March 2019				
	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	105,826	-	(68,624)	-	37,202
Other social housing activities					
- *Shared ownership property first tranche sales*	6,753	(4,295)	-	-	2,458
- *Gain on disposal of housing properties*	-	-	-	3,511	3,511
- *Other*	63	-	(11)	-	52
	112,642	(4,295)	(68,635)	3,511	43,223
Activities other than Social Housing	14,403	-	(5,409)	-	8,994
Total	**127,045**	**(4,295)**	**(74,044)**	**3,511**	**52,217**

6. Particulars of income and expenditure from social housing lettings

6(a) Group

	General needs housing	Supported Housing and housing for older people	Keyworker housing	Shared ownership	Total 2020	Total 2019
	£'000	£'000	£'000	£'000	**£'000**	
Rents receivable net of identifiable service charges	117,034	9,260	109	4,735	**131,202**	106,542
Service charge income	1,881	1,955	4	246	**4,086**	2,989
Amortised government grants (note 26)	2,057	190	2	128	**2,313**	2,388
Other grants receivable	118	13	-	5	**136**	14
Turnover from social housing lettings	121,090	11,418	115	5,114	**137,737**	111,933
Management	14,187	1,550	10	244	**15,991**	12,423
Service charge costs	3,824	1,984	4	254	**6,066**	4,611
Routine maintenance	21,025	2,246	14	-	**23,285**	18,036
Cyclical maintenance	6,346	705	3	-	**7,054**	7,209
Bad debts	1,417	101	3	37	**1,558**	588
Depreciation of housing properties (including loss on replacement of components (note 9)	21,339	2,265	16	1,111	**24,731**	20,331
Depreciation / amortisation of other tangible and intangible assets	3,422	363	2	196	**3,983**	3,681
Operating expenditure on social housing lettings	71,560	9,214	52	1,842	**82,668**	66,879
Operating surplus on lettings	49,530	2,204	63	3,272	**55,069**	45,054
Rent losses from voids	*(855)*	*(165)*	-	-	**(1,020)**	*(631)*

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for the year ended 31 March 2020

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6. Income and expenditure from social housing lettings (continued)

6(b) Company

	General needs housing	Supported Housing and housing for older people	Keyworker housing	Shared ownership	Total 2020	Total 2019
	£'000	£'000	£'000	£'000	£'000	
Rents receivable net of identifiable service charges	96,386	7,075	109	3,896	**107,531**	100,634
Service charge income	1,111	1,873	4	215	**3,203**	2,852
Amortised government grants (note 26)	2,058	190	2	128	**2,313**	2,340
Turnover from social housing lettings	99,555	9,138	115	4,239	**113,047**	105,826
Management	22,290	2,453	19	304	**25,066**	19,502
Service charge costs	2,863	1,882	4	215	**4,964**	4,348
Routine maintenance	16,705	1,789	14	-	**18,508**	17,412
Cyclical maintenance	3,754	430	3	-	**4,187**	5,253
Bad debts	1,319	91	3	33	**1,446**	517
Depreciation of housing properties (including loss on disposal of components) (note 9)	17,859	1,897	16	1,024	**20,796**	19,458
Depreciation / amortisation of other tangible fixed assets and intangible assets	2,161	230	2	131	**2,524**	2,134
Operating expenditure on social housing lettings	66,951	8,772	61	1,707	**77,491**	68,624
Operating surplus on lettings	32,604	366	54	2,532	**35,556**	37,202
Rent losses from voids	(686)	(147)	-	-	**(833)**	(633)

7. Particulars of turnover from non-social housing lettings

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Lettings				
Market rented property	**2,453**	2,553	**2,453**	2,553
Student accommodation	**3,959**	3,887	**3,959**	3,887
Private garages	**672**	621	**672**	621
Commercial property	**57**	44	**45**	44
Other				
Management charges	**-**	-	**9,914**	3,477
Property sales	**7,962**	5,119	**70**	83
Gas servicing	**22,295**	18,190	**-**	-
Other income	**2,907**	4,711	**2,104**	3,738
	40,305	35,125	**19,217**	14,403

8. Surplus on sale of fixed assets – housing properties

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Disposal proceeds	**13,390**	10,384	**6,179**	7,675
Costs incurred (including carrying value of asset)	**(4,739)**	(4,321)	**(3,183)**	(4,017)
	8,651	6,063	**2,996**	3,658
Capital grant recycled (note 27)	**(209)**	(147)	**(209)**	(147)
Disposal proceeds fund (note 28)	**-**	-	**-**	-
	8,442	5,916	**2,787**	3,511

Right To Buy proceeds are shown net of any share due to councils under the terms of Right To Buy sharing agreements.

Notes to the financial statements

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9. Operating surplus

Operating surplus is stated after charging:

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Depreciation of housing properties	23,389	19,306	19,454	18,433
Loss on replacement of components	1,342	1,025	1,342	1,025
Depreciation of other assets	2,078	2,031	1,620	1,420
Amortisation of intangible assets	2,033	1,771	1,000	799
Operating lease rentals:				
Rent of office buildings	839	508	529	341
Hire of plant and machinery	1,236	997	33	64
Auditors remuneration (excluding VAT):				
- Fees payable to the company's auditors for the audit of the parent and group financial statements	45	44	45	44
- Audit of the accounts of subsidiaries	41	43	-	-
- Other services	8	2	8	2
Bad debt provision	1,610	667	1,494	541

10. Inventories

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Raw materials and consumables	1,270	1,362	-	-
Completed properties for sale	7,221	2,062	6,182	269
Work in progress	24,099	10,438	-	56
	32,590	13,862	6,182	325

There is no significant difference between the replacement cost and their carrying amounts.

11. Employees

Average monthly number of employees expressed as full-time equivalents (calculated based on a standard working week of 37 hours):

	Group 2020	Group 2019	Company 2020	Company 2019
	Number	Number	Number	Number
Employees	1,127	931	394	315

Employee costs:	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Wages and salaries	37,207	29,282	14,022	9,976
Social security costs	3,700	2,953	1,508	1,062
Pension costs	3,217	2,620	2,060	1,862
Total staff costs (excluding temporary staff)	44,124	34,855	17,590	12,900
Temporary staff costs	604	112	140	63
Total staff costs	44,728	34,967	17,730	12,963

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):

	31 March 2020	31 March 2019
£60,000 to £70,000	21	6
£70,001 to £80,000	2	2
£80,001 to £90,000	7	5
£90,001 to £100,000	4	3
£100,001 to £110,000	5	3
£110,001 to £120,000	3	-
£120,001 to £130,000	1	-

	31 March 2020	31 March 2019
£130,001 to £140,000	-	2
£140,001 to £150,000	1	1
£150,001 to £160,000	-	1
£160,001 to £170,000	2	-
£190,001 to £200,000	1	-
£230,001 to £240,000	-	1
£280,001 to £290,000	1	-

Notes to the financial statements

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12. Board members and Executive Directors

Directors are defined as the 9 (2019: 6) non-executive members of the Flagship Housing Group Limited Board together with the 4 executive members of the Board (2019: 4) in office at the end of the period. The senior management team is defined as the Flagship Operations Board (which comprises senior management from the company and its subsidiary undertakings) and comprised 14 members (2019: 12). Board member remuneration during the year was:

	2020	2019
	£'000	£'000
Peter Hawes	29	26
Philip Burton	18	4
Peter Baynham	14	3
Robert Bennett	17	14
Paula Cook (resigned 1 Jan 19)*	-	11
Stephen Cook (appointed 31 Jan 20)	3	-
Doris Jamieson	14	3
Matthew Peak (appointed 31 Jan 20)	2	-
Paul Remington	17	14
Carole Taylor-Brown (appointed 31 Jan 20)	2	-
Total emoluments – non-executive	**116**	75
Emoluments (including social security costs of £107,000 (2019: £75,000) – executive	916	655
Pension scheme contributions - executive	73	71
Emoluments (including social security costs of £156,000 (2019: £110,000) – Flagship Operations Board	1,409	987
Pension scheme contributions – Flagship Operations Board	215	150
Total Key Management compensation – 27 directors (2019: 22)	**2,729**	1,938
Emoluments of the highest paid director	289	238
Pension contributions of the highest paid director	-	-
	289	238

Retirement benefits are accruing to all the executive directors under a defined contribution scheme with no enhanced or special terms. Flagship has purchased Directors' and Officers' Liability Insurance for the Non-Executive Directors, Executive Directors and staff of the Company.

*Paula Cook held the role of interim non-executive director between 26 January 2018 and 1 January 2019. On 2 January 2019 Paula Cook was appointed as an advisor to the Board with no voting rights and therefore no remuneration has been included after 1 January 2019.

13. Income tax

a. Tax expense included in profit or loss

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Current tax:				
Corporation tax charge on profit in the year	2	3	2	-
Adjustments in respect of prior periods	(11)	(192)	7	-
Total current tax charge / (credit)	**(9)**	(189)	**9**	-
Deferred tax:				
Origination of temporary differences	17	(5)	-	-
Impact of change in tax rate	13	(3)	-	-
Total deferred tax charge / (credit)	**30**	(8)	**-**	-
Tax charge / (credit) on profit on ordinary activities	**21**	(197)	**9**	-

b. Reconciliation of tax charge

Tax assessed for the year is lower (year ended 31 March 2019: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2020 of 19% (year ended 31 March 2019: 19%). The differences are explained below:

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Surplus for the year before taxation	62,292	130,894	49,520	31,498
Profit multiplied by the standard rate of corporation tax in the UK of 19% (year ended 31 March 2019: 19%)	11,835	24,870	9,409	5,985
Effects of:				
- Charitable non-taxable income	(11,747)	(24,781)	(9,407)	(5,985)
- Expenses not deductible for tax purposes	2	41	-	-
- Income not subject to tax	-	(109)	-	-
- Deferred tax not recognised	(71)	(23)	-	-
- Adjustments to tax charge in respect of prior years	2	(195)	7	-
Tax charge for the year	**21**	(197)	**9**	-

Notes to the financial statements

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13. Income tax (continued)

c. Tax rate changes

The Finance Bill 2016 (enacted 6 September 2016) included a reduction in the main rate of corporation tax to 17% from 1 April 2020. The Finance Bill 2019-21 (which will become the Finance Act 2020 on Royal Assent) was introduced to parliament on 17 March 2020. The bill provides for the corporation tax rate to remain at 19% from 1 April 2020 and is expected to receive royal ascent in the summer of 2020.

d. Provision for deferred tax

The deferred tax provision on the balance sheet relates to accelerated capital allowances. At 31 March 2020 the Group has a future liability of £136,000 (2019: £106,000).

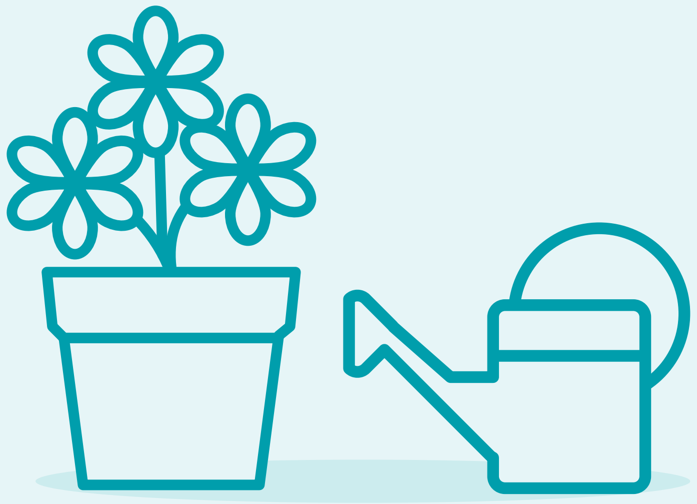
14. Fixed assets – Housing properties

14(a) Housing property net book value - Group

	Housing properties £'000	Shared ownership properties £'000	Property under construction £'000	Total £'000
At 1 April 2019				
Cost	1,604,181	87,827	20,611	1,712,619
Accumulated depreciation	(184,830)	(7,999)	-	(192,829)
Net book amount	**1,419,351**	**79,828**	**20,611**	**1,519,790**
Year ended 31 March 2020				
Opening net book amount	1,419,351	79,828	20,611	1,519,790
Development additions	-	-	69,796	69,796
Interest capitalised	-	-	1,497	1,497
Completed property additions	48,549	10,432	(58,981)	-
SHS acquisition additions	102,265	6,319	-	108,584
Works to existing properties	28,223	-		28,223
Depreciation	(22,278)	(1,111)	-	(23,389)
Disposals	(3,232)	(1,759)	-	(4,991)
Closing net book amount	**1,572,878**	**93,709**	**32,923**	**1,699,510**
At 31 March 2020				
Cost	1,775,543	102,569	32,923	1,911,035
Accumulated depreciation	(202,665)	(8,860)	-	(211,525)
Net book amount	**1,572,878**	**93,709**	**32,923**	**1,699,510**

14(b) Housing property net book value - Company

	Housing properties £'000	Shared ownership properties £'000	Property under construction £'000	Total £'000
At 1 April 2019				
Cost	1,440,736	77,724	17,279	1,535,739
Accumulated depreciation	(183,531)	(7,928)	-	(191,459)
Net book amount	**1,257,205**	**69,796**	**17,279**	**1,344,280**
Year ended 31 March 2020				
Opening net book amount	1,257,205	69,796	17,279	1,344,280
Development additions	-	-	58,195	58,195
Interest capitalised	-	-	1,417	1,417
Completed property additions	42,311	9,348	(51,659)	-
SHS acquisition additions	102,265	6,319	-	108,584
Works to existing properties	25,139	-	-	25,139
Depreciation	(18,430)	(1,024)	-	(19,454)
Disposals	(2,471)	(1,759)	-	(4,230)
Closing net book amount	**1,406,019**	**82,680**	**25,232**	**1,513,931**
At 31 March 2020				
Cost	1,603,683	91,382	25,232	1,720,297
Accumulated depreciation	(197,664)	(8,702)	-	(206,366)
Net book amount	**1,406,019**	**82,680**	**25,232**	**1,513,931**



Notes to the financial statements

for the year ended 31 March 2020

14. Fixed assets – Housing properties

14(c) Expenditure on works to existing properties

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Improvement works capitalised	28,223	19,807	25,139	18,938
Amounts charged to income and expenditure	30,339	25,245	22,695	22,665
	58,562	45,052	47,834	41,603

14(d) Social housing assistance

The below table presents the accumulated social housing assistance received by the company and recognised through the statement of comprehensive income following the transition to FRS 102 on 1 April 2016.

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Total accumulated social housing grant received or receivable at 31 March:				
Recognised in the Statement of comprehensive income as amortisation of social housing grant	11,718	9,406	11,671	9,358
Held as deferred income	193,904	192,174	192,041	190,644
	205,622	201,580	203,712	200,002

14(e) Impairment

The Group considers individual schemes (collection of properties) to be separate cash generating units when assessing for impairment, in accordance with the requirements of FRS 102 and SORP 2014. No impairment charge has been made for the year ended 31 March 2020 (2019: £nil).

15. Investment properties

Investment properties were valued at 31 March 2020 by Carter Jonas and Savills, independent qualified external valuers. The valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

	Market rented property		Student accommodation property	
	2020	2019	2020	2019
Assumptions				
Discount rate	5.00%	5.25%	9.00%	9.00%
Annual rate of inflation:				
- Year 1	1.50%	2.50%	3.00%	2.50%
- Year 2	1.75%	2.50%	3.00%	2.50%
- Year 3	1.75%	2.00%	3.00%	2.50%
- Year 4 onwards	2.00%	2.00%	3.00%	2.50%
Level of long-term rent increase:				
- Years 1 and 2	CPI + 1%	CPI	0%	CPI
- Years 3 to 5	CPI + 1%	CPI	CPI – 1%	CPI
- Year 6 onwards	CPI + 1%	CPI	CPI – 1%	CPI – 1.5%

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Valuation				
At 1 April	64,006	64,336	64,338	64,668
FRS 102 triennial valuation adjustment	-	-	(332)	-
Additions	9,692	23	9,692	23
Revaluation	(974)	(353)	(974)	(353)
At 31 March	72,724	64,006	72,724	64,338

The Group's market rented property portfolio is valued on an MV-STT basis. At the date of signing these financial statements the Group has not seen a significant deterioration in market values as a result of COVID-19 and therefore considers the valuation undertaken at 31 March 2020 to be a reasonable approximation of market valuation at that date.

The Group student accommodation portfolio is valued on a discounted cash flow basis. Management have reviewed the assumptions used in the valuation and conclude that they are sufficiently prudent to reasonably take account of the uncertainty created by COVID-19.

Notes to the financial statements

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16. Housing Stock

Group

No. of properties	2019	Additions	Converted/ Reclassified	Disposals	2020
Social housing					
General housing:					
- Social rent	21,798	1,492	10	(72)	23,228
- Affordable rent	1,195	821	(1)	-	2,015
Sheltered housing:					
- Social rent	1,520	431	-	-	1,951
Supported housing and housing for older people:					
- Social rent	761	74	1	(7)	829
- Affordable rent	5	-	3	-	8
Intermediate rented properties	756	296	(11)	-	1,041
Shared ownership	1,290	238	-	(23)	1,505
Total owned	**27,325**	**3,352**	**2**	**(102)**	**30,577**
Accommodation managed for others	-	9	-	-	9
Total managed	**-**	**9**	**-**	**-**	**9**
Non-social housing					
Market rented accommodation	282	66	-	-	348
Student accommodation	600	-	-	-	600
Other	19	4	-	-	23
Total non-social housing	**901**	**70**	**-**	**-**	**971**
Total owned and managed	**28,226**	**3,431**	**2**	**(102)**	**31,557**

Company

No. of properties	2019	Additions	Converted/ Reclassified	Disposals	2020
Social housing					
General housing:					
- Social rent	18,046	1,492	12	(20)	19,530
- Affordable rent	452	748	-	-	1,200
Sheltered housing:					
- Social rent	1,520	431	-	-	1,951
Supported housing and housing for older people:					
- Social rent	288	74	-	(7)	355
Intermediate rented properties	734	277	(11)	-	1,000
Shared ownership	1,127	216	-	(23)	1,320
Total owned	**22,167**	**3,238**	**1**	**(50)**	**25,356**
Accommodation managed for others	-	9	-	-	9
Total managed	**-**	**9**	**-**	**-**	**9**
Non-social housing					
Market rented accommodation	282	66	-	-	348
Student accommodation	600	-	-	-	600
Other	16	4	-	-	20
Total non-social housing	**898**	**70**	**-**	**-**	**968**
Total owned and managed	**23,065**	**3,317**	**1**	**(50)**	**26,333**

The company manages accommodation for Peal Community Housing Limited, a registered social landlord operating in Suffolk.

Included within social housing additions are 1,492 social rent general needs properties, 648 affordable rent general needs properties. 429 social rent sheltered properties, 74 social rent supported housing and housing for older people properties, 22 intermediate rented properties and 108 shared ownership properties acquired from Suffolk Housing Society upon transfer of engagement. Flagship Housing Group Limited also received 66 market rented properties and 4 other non-residential properties from Suffolk Housing Society upon transfer of engagement.

Notes to the financial statements

for the year ended 31 March 2020

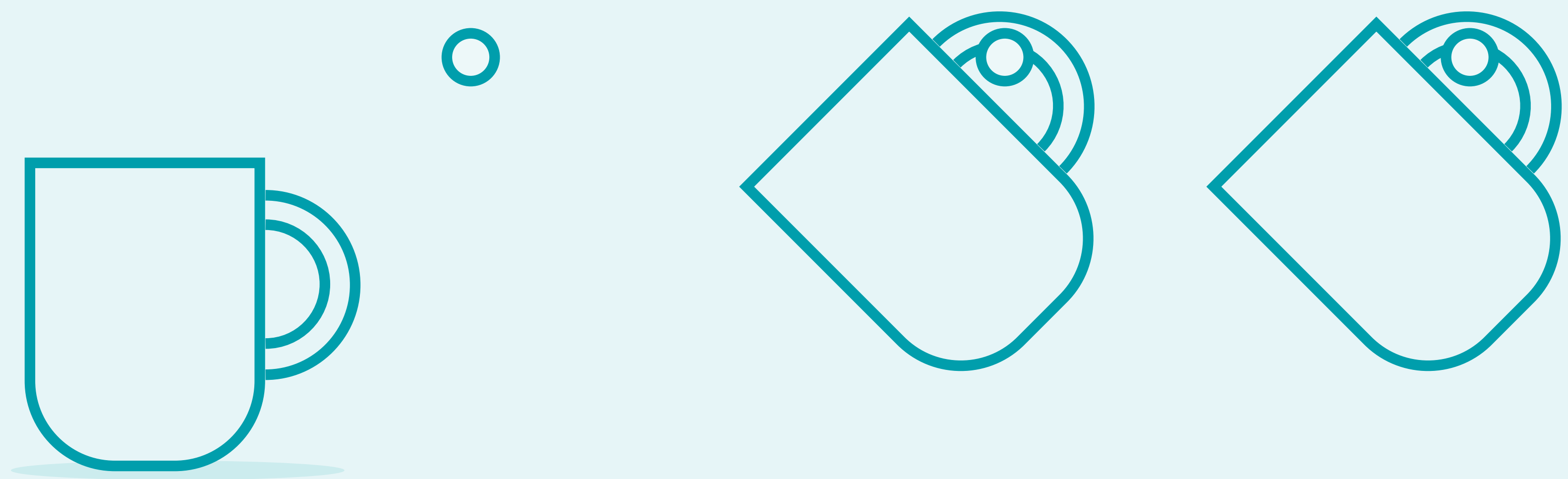
17. Intangible assets

Group

	Goodwill	IT Software	Group Total
	£'000	£'000	£'000
At 1 April 2019			
Cost	8,346	5,499	13,845
Accumulated amortisation	(1,634)	(3,601)	(5,235)
Net book amount	**6,712**	**1,898**	**8,610**
Year ended 31 March 2020			
Opening net book amount	6,712	1,898	8,610
Additions	-	1,658	1,658
Disposals	-	(36)	(36)
Amortisation	(840)	(1,193)	(2,033)
Closing net book amount	**5,872**	**2,327**	**8,199**
At 31 March 2020			
Cost	8,346	7,096	15,442
Accumulated amortisation	(2,474)	(4,769)	(7,243)
Net book amount	**5,872**	**2,327**	**8,199**

Company

	IT Software	Company Total
	£'000	£'000
At 1 April 2019		
Cost	4,915	4,915
Accumulated depreciation	(3,337)	(3,337)
Net book amount	**1,578**	**1,578**
Year ended 31 March 2020		
Opening net book amount	1,578	1,578
Additions	1,658	1,658
Amortisation	(1,000)	(1,000)
Closing net book amount	**2,236**	**2,236**
At 31 March 2020		
Cost	6,573	6,573
Accumulated depreciation	(4,337)	(4,337)
Net book amount	**2,236**	**2,236**



Consolidated Financial Statements
for the year ended 31 March 2020

Notes to the financial statements

for the year ended 31 March 2020

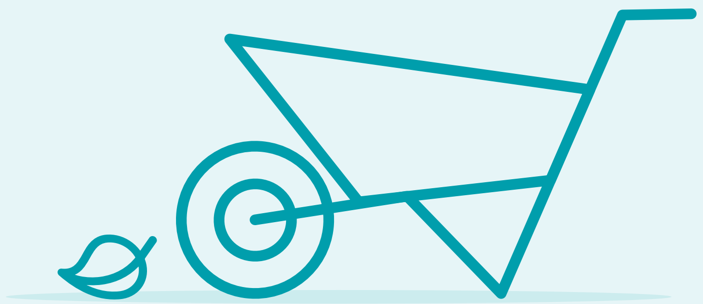
18. Other property, plant and equipment

Group

	Offices	Plant and equipment	Total
	£'000	£'000	£'000
At 1 April 2019			
Cost	3,686	15,715	19,401
Accumulated depreciation	(2,235)	(9,445)	(11,680)
Net book amount	**1,451**	**6,270**	**7,721**
Year ended 31 March 2020			
Opening net book amount	1,451	6,270	7,721
Additions	2,252	3,524	5,776
Depreciation	(203)	(1,875)	(2,078)
Disposals	(30)	(226)	(256)
Closing net book amount	**3,470**	**7,693**	**11,163**
At 31 March 2020			
Cost	5,734	18,312	24,046
Accumulated depreciation	(2,264)	(10,619)	(12,883)
Net book amount	**3,470**	**7,693**	**11,163**

All assets have been reviewed for impairment and no impairment has been identified.

The net carrying amount of assets held under finance leases included in other property, plant and equipment is £4,165,000 (2019: £3,320,000).



Company

	Offices	Plant and equipment	Total
	£'000	£'000	£'000
At 1 April 2019			
Cost	2,674	9,365	12,039
Accumulated depreciation	(1,754)	(4,514)	(6,268)
Net book amount	**920**	**4,851**	**5,771**
Year ended 31 March 2020			
Opening net book amount	920	4,851	5,771
FRS 102 triennial valuation adjustment	140	-	140
Additions	2,104	2,698	4,802
Depreciation	(125)	(1,495)	(1,620)
Disposals	(30)	(170)	(200)
Closing net book amount	**3,009**	**5,884**	**8,893**
At 31 March 2020			
Cost	4,964	11,544	16,508
Accumulated depreciation	(1,955)	(5,660)	(7,615)
Net book amount	**3,009**	**5,884**	**8,893**

All assets have been reviewed for impairment and no impairment has been identified.

The net carrying amount of assets held under finance leases included in other property, plant and equipment is £4,121,000 (2019: £3,264,000).

The FRS 102 triennial valuation adjustment has arisen due to the introduction of a new accounting policy choice, permitted by the Triennial Review 2017, in respect of investment property rented to another Group entity, The company has chosen to hold this property rented to a subsidiary undertaking using the cost (less depreciation and impairment) model. The company has adopted the historic depreciated cost, presented in the Flagship Group financial statements, as its net book value.

Notes to the financial statements

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19. Subsidiaries, related undertakings and other investments

The Group includes the following companies registered in the United Kingdom:

Name	Company registration number	Ownership	Nature of business
Flagship Housing Group Limited	IP031211	N/A	Housing Association
Victory Housing Trust	05275586	100%	Housing Association
Flagship Housing Developments Limited	05131085	100%	Development
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 servicing
Seagway Limited	09929104	100%	Dissolved - 3 Sep 19.
Blue Flame (Colchester) Limited*	05086439	100%	Gas servicing
North Norfolk Housing Company Limited**	05999428	100%	Dormant
Linnet Homes Limited	04067002	100%	Dormant
Old Mission House Limited	09702913	100%	Dormant

* Subsidiary of Gasway Services Limited
** Subsidiary of Victory Housing Trust

The registered address of all of the above companies, except Linnet Homes Limited and Old Mission House Limited, is 31 King Street, Norwich, Norfolk. NR1 1PD. Linnet Homes Limited and Old Mission House Limited registered address is Coppice House, 5 Greenwood Court, Bury St. Edmunds, Suffolk. IP32 7GY.

All of the above subsidiaries are included in the consolidation. The company's investment is direct ownership unless otherwise stated and the cost of investment is presented below:

	Group 2020	Group 2019	Company 2020	Company 2019
Cost of investment:	£'000	£'000	£'000	£'000
At 1 April	13,372	13,116	59,187	42,630
Additions	16	256	16	16,557
At 31 March	13,388	13,372	59,203	59,187
Group companies	-	-	45,815	45,815
Liquidity deposit reserve	13,386	13,370	13,386	13,370
Other investments	2	2	2	2
	13,388	13,372	59,203	59,187

The Group has a direct interest in two joint venture undertakings, structured as limited liability partnerships, to partner with local developers and other housing associations to deliver larger scale residential developments for which individually the risk profile would be unattractive.

During the year ended 31 March 2020, the Group entered into a joint venture arrangement with Lovell Partnerships Limited, Lovell Flagship LLP, to support the delivery of its primary business objective, the delivery of more affordable homes in the East Anglian market. The LLP is currently developing a scheme based in Wymondham.

The Group continues to be an active member of Evera Homes LLP. Evera Homes LLP's primary focus is the development of residential property in Cambridgeshire and Peterborough.

The Group applies the equity method to value its joint venture activities with any gain or loss recognised through the statement of comprehensive income.

The joint venture undertakings are funded by way of non-current loan receivable instruments, structured similar to a revolving credit facility, governed by the member's loan agreement, and not through member's capital injection. This provides the joint venture with flexible funding to invest in working capital in line with build plan requirements but also facilitates the return of cash to members through loan repayment as cash is released through the sale of new build property. As such, until the net assets of the partnership are sufficient to create an asset for the company, no investment in joint venture has been recognised on the balance sheet.

The Group monitors the forecast performance of its joint venture undertakings to support the recoverability of its loan receivable. If an impairment indicator is identified the Group undertakes a thorough impairment review and any impairment loss would be expensed through the statement of comprehensive income.

Due to economic uncertainty in light of COVID-19 Evera Homes LLP impaired work in progress on one of its developments. At the balance sheet date sufficient progress has not been achieved on the development for it to be categorised as a construction contract and therefore the work in progress and land has been valued at its open market value. The Group has recognised its share of the loss of £244,000 at 31 March 2020. Evera Homes LLP has a development plan for the land with forecast future profitability. The Group expects a future return from its investment in Evera Homes LLP and the loss in the current year is a consequence of delays caused by COVID-19 rather than indicative of performance issues in the joint venture.

The Group actively participates in the following joint venture activities:

Name	Company registration number	Ownership	Nature of business
Evera Homes LLP	OC423288	25%	Development
Evera Developments Limited*	11974181	25%	Development
Lovell Flagship LLP	OC427790	50%	Development

*Subsidiary of Evera Homes LLP

The registered address of Evera Homes LLP and Evera Developments Limited is 31 King Street, Norwich, Norfolk. NR1 1PD. The registered address of Lovell Flagship LLP is Kent House, 14-17 Market Place, London. W1W 8AJ.

Consolidated Financial Statements
for the year ended 31 March 2020

Notes to the financial statements

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19. Subsidiaries, related undertakings and other investments (continued)

The Group held non-current loan receivables with the following joint ventures:

	31 March 2020	31 March 2019
	£'000	£'000
Loan receivable from Evera Homes LLP	3,206	1,250
Loan receivable from Lovell Flagship LLP	4,004	-
	7,210	1,250

The Group has appraised the recoverability of these loan arrangements through review of the future business plan of the joint ventures and the current performance against that business plan. At the balance sheet date, the Group considers these receivables to be fully performing.

These receivables have been classified as non-current because the Group expects the joint ventures to continue to drawdown on the facility arrangement for the foreseeable future and does not expect repayment of the receivables in the next twelve months.

20. Debtors

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Rent arrears				
- Amounts due from tenants	9,521	8,451	7,923	7,310
- Bad and doubtful debt provision	(5,597)	(4,998)	(4,989)	(4,505)
Other trade debtors				
- Amounts due from other trade debtors	3,100	3,758	298	1,374
Other debtors	434	923	286	249
Amounts owed by Group undertakings	-	-	2,168	741
VAT	228	320	40	127
Prepayments and accrued income	12,692	9,354	2,592	2,587
	20,378	17,808	8,318	7,883

Amounts owed by Group undertakings are unsecured, interest free, and have no fixed date of repayment and are repayable on demand.

Included in 'other debtors' is a non-current receivable of £90,000 (31 March 2019: £90,000) relating to a security for a trade body membership, which would become repayable upon cessation of trade body membership.

21. Creditors: amounts falling due within one year

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Trade creditors	7,894	8,032	3,258	3,589
Amounts due to Group undertakings	-	-	746	401
Other creditors	3,672	3,848	3,187	3,243
Other taxes and social security costs	1,358	1,563	484	408
Accruals and deferred income	23,471	17,130	14,867	10,452
Bank loans and overdrafts (note 23)	56,695	12,732	44,827	7,827
Obligations under finance leases and hire purchase contracts (note 23)	1,836	1,513	1,808	1,457
Deferred capital grant (note 26)	2,322	2,285	2,320	2,287
Recycled Capital Grant Fund (note 27)	1,761	2,003	1,761	2,003
Disposals Proceeds Fund (note 28)	-	62	-	62
Corporation tax	2	-	2	-
	99,011	49,168	73,260	31,729

Amounts owed to Group undertakings are unsecured, interest free, and have no fixed date of repayment and are repayable on demand.

22. Creditors: amounts falling due after more than one year

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 23)	749,496	687,097	681,477	607,208
Obligation under finance leases and hire purchase contracts (note 23)	16,116	16,129	16,116	16,095
Accruals and deferred income	487	922	486	524
Deferred Capital Grant (note 26)	191,582	189,889	189,721	188,357
	957,681	894,037	887,800	812,184

Notes to the financial statements

for the year ended 31 March 2020

23. Loans and other borrowings

The Group's bank debt portfolio is secured by a floating charge over the assets of the Group and by fixed charges on individual properties. Local authority and other loans are secured by fixed charges on individual properties.

The Group's debt portfolio at 31 March 2020 consisted of £205m (2019: £80m) of revolving credit facilities, £135m (2019: £119m) of term debt held at variable interest rates and £619m (2019: £561m) of term loans held at fixed interest rates. Undrawn facilities at 31 March 2020 consist of £167m (2019: £77m) revolving credit facilities.

The Group's borrowing facilities have variable interest rates ranging between 0.6% and 2.7% and fixed interest rates ranging from 1.8% to 6.7%.

During the year ended 31 March 2020, Suffolk Housing Society became part of Flagship Housing Group Limited through transfer of engagement. The Group reviewed its lending facilities as part of the transfer of engagement and repaid two Suffolk Housing Society loan facilities and refinanced some other existing facilities to consolidate pre-existing financing arrangements.

The final instalments fall to be repaid in 2046.

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Due within one year				
Loans repayable by instalments	53,915	7,827	43,915	7,827
Loans repayable other than by instalments	-	3,000	-	-
Fair value adjustment on bank loans	3,087	1,927	1,197	-
Less: debt issue costs	(307)	(22)	(285)	-
	56,695	12,732	44,827	7,827
Due after more than one year				
Loans repayment by instalments	629,225	644,227	574,225	579,227
Loans repayment other than by instalments	108,365	27,981	108,365	27,981
Fair value adjustment on bank loans	13,212	15,104	-	-
Less: debt issues costs	(1,306)	(215)	(1,113)	-
	749,496	687,097	681,477	607,208

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

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Within one year or on demand	53,915	10,827	43,915	7,827
One year or more but less than two years	8,273	18,041	8,273	8,041
Two years or more but less than five years	63,509	44,753	53,509	34,753
Five years or more	665,808	609,414	620,808	564,414
	791,505	683,035	726,505	615,035

The Group uses a finance leasing model for some classes. The obligations under finance leases is presented below:

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Net finance lease obligations:				
In one year or less	1,836	1,513	1,808	1,457
Between two and five years	16,116	16,129	16,116	16,095
	17,952	17,642	17,924	17,552

24. Interest and financing costs

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
On loans wholly or partly repayable in more than 5 years	27,536	24,355	23,985	23,375
Amortisation of debt issue costs	139	22	117	-
Interest accrued on RCGF balance	12	-	12	-
Finance leases	82	125	78	115
Interest on defined benefit liabilities	1,586	1,635	1,586	1,635
Unwinding of discount on fair value of loans	(2,944)	(474)	(1,016)	-
Unwinding of discounts on provisions	648	186	648	186
	27,059	25,849	25,410	25,311
Less: Interest capitalised	(1,497)	(1,568)	(1,417)	(1,454)
	25,562	24,281	23,993	23,857

The weighted average interest on borrowings of 2.1% (2019: 3.8%) was used for calculating capitalised interest.

Notes to the financial statements

for the year ended 31 March 2020

25. Interest receivable and similar income

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Bank interest receivable	453	600	406	466
Interest from non-current loan receivables	194	16	-	-
Interest on defined benefit assets	1,185	902	1,185	902
Gift aid receipts	-	-	2,634	2,123
	1,832	1,518	4,225	3,491

26. Deferred capital grant

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
As at 1 April	192,174	192,172	190,644	192,172
Grant received in the year	2,250	2,390	1,917	812
Grant Recycled in the year	1,975	-	1,975	-
Released to income in the year	(2,313)	(2,388)	(2,313)	(2,340)
Grant released on disposals	(182)	-	(182)	-
As at 31 March	193,904	192,174	192,041	190,644
Amount due to be in less than one year	2,322	2,285	2,320	2,287
Amount due to be released after more than one year	191,582	189,889	189,721	188,357
	193,904	192,174	192,041	190,644

27. Recycled capital grant

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
As at 1 April	2,003	1,856	2,003	1,856
Acquired from Suffolk Housing Society	1,461	-	1,461	-
Grant to be recycled on disposals	209	147	209	147
Grant recycled in the year on new properties	(1,912)	-	(1,912)	-
As at 31 March	1,761	2,003	1,761	2,003

28. Disposal proceeds fund

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
As at 1 April	62	62	62	62
Grant recycled in the year on new properties	(62)	-	(62)	-
As at 31 March	-	62	-	62

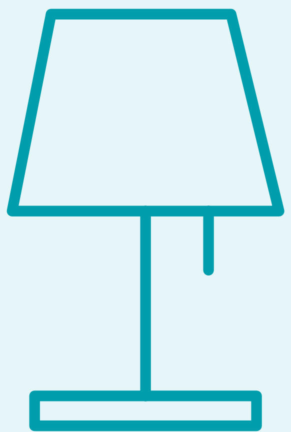
29. Capital and other commitments

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Capital expenditure contracted for but not provided in the financial statements	201,011	115,926	115,633	98,300
	201,011	115,926	115,633	98,300

The Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Not later than one year	947	1,029	253	329
Later than one year and not later than five years	2,054	2,408	780	915
Later than five years	1,554	1,894	1,554	1,751
	4,555	5,331	2,587	2,995

The Group had no other off balance sheet arrangements.



Notes to the financial statements

for the year ended 31 March 2020

30. Post-employment benefits

During the financial year the Group has participated in four defined benefit schemes: the Norfolk County Council Pension Fund ('LGPSN'), Suffolk County Council Pension Fund ('LGPSS), the Social Housing Pension Scheme (which is managed by The Pensions Trust) ('SHPS'), and the Plumbing & Mechanical Services (UK) Industry Pension Scheme ('PMSPS'). The Group also participates in various defined contribution schemes and the amount recognised in the profit and loss account is as follows:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Defined benefit schemes				
- Current service costs	424	391	424	391
- Past service costs	129	-	129	-
Defined contribution schemes	2,664	2,229	1,507	1,471
Total charge in operating profit	3,217	2,620	2,060	1,862
Defined benefit schemes				
- Net interest expense	401	391	401	391
Total charge to profit and loss	3,618	3,011	2,461	2,253

i. Local government defined benefit pension schemes – LGPSN and LGPSS

A small number of employees of the company are members of the LGPSN and LGPSS schemes. The assets of the schemes are held in separately administered funds. The schemes provide retirement benefits on the basis of members' final salary. The plan is administered by an independent trustee, who is responsible for ensuring that the plan is sufficiently funded to meet current and future obligations. The Group considers the funding position of both schemes to be robust and does not expected a significant increase in contributions at the next funding valuation. Additional contributions are agreed with the trustee to reduce any funding deficit where necessary.

A comprehensive actuarial valuation of the LGPSN and LGPSS schemes, using the projected unit credit method, was carried out at 31 March 2019 by Hymans Robertson LLP, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	2020	2019
Expected rate of increase of pensions in payment	2.0%	2.5%
Expected rate of salary increases	2.7%	2.8%
Discount rate	2.3%	2.4%

i. Local government defined benefit pension schemes – LGPSN and LGPSS (continued)

	LGPSN 2020	LGPSN 2019	LGPSS 2020	LGPSS 2019
The mortality assumptions used were as follows:				
Longevity at age 65 for current pensioners				
- Men (years)	21.7	22.1	21.9	21.9
- Women (years)	23.9	24.4	24.1	24.4
Longevity at age 65 for future pensioners				
- Men (years)	22.8	24.1	22.7	23.9
- Women (years)	25.5	26.4	25.6	26.4

	Assets £'000	Liabilities £'000	Total £'000
Reconciliation of scheme assets and liabilities:			
At 1 April 2019	19,128	(25,720)	(6,592)
Benefits paid	(723)	723	-
Participant contributions	20	(20)	-
Employer contributions	754	-	754
Current service cost	-	(128)	(128)
Past service cost	-	(129)	(129)
Interest income / (expense)	458	(615)	(157)
Re-measurement gains/(losses)			
- Actuarial (losses) / gains	-	2,760	2,760
- Return on plan assets excluding interest income	(1,387)	-	(1,387)
At 31 March 2020	18,250	(23,129)	(4,879)

	2020 £'000	2019 £'000
Total cost recognised as an expense:		
Current service cost	128	126
Past service cost	129	-
Interest cost	615	630
	872	756

Notes to the financial statements

for the year ended 31 March 2020

30. Post-employment benefits (continued)

i. Local government defined benefit pension schemes – LGPSN and LGPSS (continued)

No amounts (2019: £nil) were included in the cost of assets.

The fair value of the plan assets was:

	2020	2019
	£'000	£'000
Equity instruments	9,237	10,023
Bonds	6,284	6,258
Property	2,364	2,183
Cash	365	571
	18,250	17,955

The plan assets do not include any of the Group financial instruments nor is any property occupied by any Group entity.

The return on the plan assets was:

	2020	2019
	£'000	£'000
Interest income	458	467
Return on plan assets less interest income	(1,294)	556
Total return on plan assets	(836)	1,023

The sensitives regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Approximate % increase to Defined Benefit Obligation		Approximate monetary amount (£'000)	
	LGPSN	LGPSS	LGPSN	LGPSS
Changes in assumptions at 31 March 2020				
0.5% decrease in Real Discount Rate	8%	7%	1,384	377
0.5% increase in the Salary Increase Rate	0%	0%	35	20
0.5% increase in the Pension Increase Rate	7%	7%	1,343	355

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

ii. Social Housing Pension Scheme - SHPS

The company also has a number of employees who are members of the SHPS scheme. The assets of the schemes are held in separately administered funds. The schemes provide retirement benefits on the basis of members' final salary. The plan is administered by an independent trustee, The Pensions Trust, who is responsible for ensuring that the plan is sufficiently funded to meet current and future obligations.

The scheme is classified as a 'last-man standing arrangement' and 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.

The Group considers the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly. Additional contributions are agreed with the trustee to reduce the funding deficit where necessary.

A comprehensive actuarial valuation of the SHPS scheme, using the projected unit credit method, was carried out at 30 September 2017, by independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	2020	2019
Expected rate of increase of pensions in payment (CPI)	1.60%	2.28%
Expected rate of salary increases	2.70%	3.28%
Discount rate	2.30%	2.33%
Rate of inflation (RPI)	2.60%	3.28%

The mortality assumptions used were as follows:

	2020 Years	2019 Years
Longevity at age 65 for current pensioners		
- Men	22.8	21.8
- Women	24.7	23.5
Longevity at age 65 for future pensioners		
- Men	24.3	23.2
- Women	26.0	24.7

Notes to the financial statements

for the year ended 31 March 2020

30. Post-employment benefits (continued)

ii. Social Housing Pension Scheme - SHPS (continued)

Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Total
	£'000	£'000	£'000
At 1 April 2019	31,612	(42,768)	(11,156)
SHS acquisition	5,602	(7,250)	(1,648)
Benefits paid	(1,266)	1,266	-
Member contributions	52	(52)	-
Employer contributions	1,260	-	1,260
Current service cost	-	(296)	(296)
Interest income / (expense)	727	(971)	(244)
Re-measurement gains/(losses)			
- Actuarial gains/(losses)	-	4,486	4,486
- Return on plan assets excluding interest income	(141)	-	(141)
At 31 March 2020	**37,846**	**(45,585)**	**(7,739)**

Total cost recognised as an expense:

	2020	2019
	£'000	£'000
Current service cost	296	265
Interest cost	971	1,005
	1,267	1,270

No amounts (2019: £nil) were included in the cost of assets.

ii. Social Housing Pension Scheme - SHPS (continued)

The fair value of the plan assets was:

	2020	2019
	£'000	£'000
Global equity	5,535	5,319
Absolute return	1,973	2,735
Distressed opportunities	729	575
Credit relative value	1,038	579
Alternative risk premia	2,646	1,823
Fund of hedge funds	22	142
Emerging markets debt	1,146	1,091
Risk sharing	1,278	955
Insurance-linked securities	1,162	907
Property	834	711
Infrastructure	2,817	1,658
Private debt	763	424
Opportunistic illiquid credit	916	-
Corporate bond fund	2,158	1,475
Liquid credit	15	-
Long lease property	655	465
Secured income	1,436	1,132
Liability driven investment	12,561	11,560
Net current assets	162	61
	37,846	31,612

The plan assets do not include any of the Group financial instruments nor is any property occupied by any Group entity.

The return on the plan assets was:

	2020	2019
	£'000	£'000
Interest income	727	777
Return on plan assets less interest income	(141)	519
Total return on plan assets	**586**	**1,296**

Notes to the financial statements

for the year ended 31 March 2020

30. Post-employment benefits (continued)

iii. The Plumbing & Mechanical Services (UK) Industry Pension Scheme

During the year the Group participated in the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the 'scheme'), a multi-employer defined benefit scheme. The employers share the actuarial risks associated with all employees and former employees. The Group is not legally responsible for the plan and, has not had, historically, sufficient information to use defined benefit accounting. Accordingly, the scheme has been accounted for as if it were a defined contribution scheme.

The Group actively reviews its pension scheme risk exposure, and during the financial year decided to withdraw itself from the scheme crystallising a £180,000 section 75 debt payable to the scheme. The Group has recognised the crystallisation of this debt in its accounts for the year ended 31 March 2020.

31. Notes to the cash flow statement

	Note	Group 2020 £'000	Group 2019 £'000
Surplus for the financial year		62,271	131,091
Adjustments for:			
Tax on profit	13	21	(197)
Gift of acquisition of subsidiary	33	(15,339)	(94,367)
Deficit on investment property revaluation	15	974	353
Net interest expense	24 / 25	23,730	22,763
Operating surplus		71,657	59,643
Depreciation of tangible fixed assets and amortisation of intangible assets	14 / 17 / 18	27,500	22,423
Loss on investment in joint ventures	19	244	-
(Gain) / loss on disposal of housing properties	8	(8,442)	(5,916)
(Gain) / loss on disposal of other fixed assets		(139)	(34)
Defined benefit pension schemes - service cost	30	553	391
Defined benefit pension schemes - contributions paid	30	(2,014)	(1,831)
Working capital movements:			
- Decrease / (increase) in inventories		(18,728)	634
- (Increase) / decrease in debtors		(1,857)	(2,511)
- (Decrease) / increase in creditors		(581)	4,316
Cash flow from operating activities		68,193	77,115

Non-cash transactions

The Group has acquired tangible assets under finance leases. £1,785,000 (2019: £2,241,000) has been capitalised as the cost of the asset, being the present value of the minimum lease payments.

31. Notes to the cash flow statement (continued)

Analysis of changes in net debt

	At 1 April 2019 £'000	Cash flows £'000	Acquired £'000	Non-cash changes £'000	At 31 March 2020 £'000
Cash at bank and in hand	74,122	(46,884)	4,517	-	31,755
Bank loans and borrowings	(699,829)	(4,553)	(104,602)	2,793	(806,191)
Finance leases	(17,642)	1,474	-	(1,804)	(17,972)
Total	(643,349)	(49,963)	(100,085)	989	(792,408)

32. Financial instruments

Group

The Group has the following financial instruments:

	Note	31 March 2020 £'000	31 March 2019 £'000
Financial assets at fair value through profit or loss		-	-
Financial assets that are debt instruments measured at amortised cost			
- Trade receivables and rental arrears	20	7,024	7,211
- Other receivables	20	434	923
- Loan receivable from joint venture undertakings	19	7,210	1,250
- Cash and cash equivalents		31,755	74,122
		46,423	83,506
Financial liabilities measured at fair value through profit or loss		-	-
Financial liabilities measured at amortised cost			
- Bank loans and borrowings	21 / 22	806,191	699,829
- Finance leases	21 / 22	17,952	17,642
- Trade creditors	21	8,378	8,440
- Accruals and deferred income	21 / 22	23,958	18,052
- Other creditors	21	3,672	3,848
		860,151	747,811

Notes to the financial statements

for the year ended 31 March 2020

33. Gift on transfer of engagement

On 2 February 2020 Suffolk Housing Society joined the Group by way of a transfer of engagement to Flagship Housing Group Limited. This was in effect a gift from Suffolk Housing Society to Flagship Housing Group Limited, with no consideration payable.

Suffolk Housing Society had a trading subsidiary, Linnet Homes Limited, for whom control transferred to Flagship Housing Group Limited at 31 March 2020.

At the date of acquisition, the company valued the assets and liabilities acquired at their fair value. 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. The value of assets acquired from Suffolk Housing Society were:

	Book value	Adjustments	Fair value
	£'000	£'000	£'000
Housing property (a)	183,811	(75,227)	108,584
Investment property (b)	9,750	(57)	9,693
Other tangible assets	2,302	-	2,302
Intangible assets (c)	353	(193)	160
Trade and other receivables	767	(54)	713
Cash and cash equivalents	4,133	-	4,133
Trade and other payables	(2,613)	-	(2,613)
Borrowings (d)	(101,396)	(3,206)	(104,602)
Pension liability (e)	(1,586)	(62)	(1,648)
Deferred capital grant (f)	(39,917)	39,917	-
Recycled capital grant	(1,453)	-	(1,453)
Total identifiable net assets	54,151	(38,882)	15,269

(a) Housing properties were revalued to their EUV-SH value at 2 February 2020 and the adjustment reflects this valuation. The valuation assumes that social housing grant is included in cost.

(b) Investment property was revalued at 2 February 2020 to its MV-STT valuation at 2 February 2020 and the adjustment reflects this valuation.

(c) The recognition of the software used in the acquired business at fair value.

(d) The adjustment to borrowings reflects the mark to market revaluation at 2 February 2020.

(e) The adjustment to the SHPS DB pension liability reflects the scheme revaluation at 2 February 2020 using assumptions consistent with Flagship Housing Group Limited.

(f) Deferred capital grant is derecognised on acquisition because the EUV-SH value of properties makes adjustment for social housing funding in the property valuation.

The value of assets acquired from Linnet Homes Limited were:

	Book value	Adjustments	Fair value
	£'000	£'000	£'000
Cash and cash equivalents	384	-	384
Trade and other payables (g)	(314)	-	(314)
Total identifiable net assets	**70**	**-**	**70**

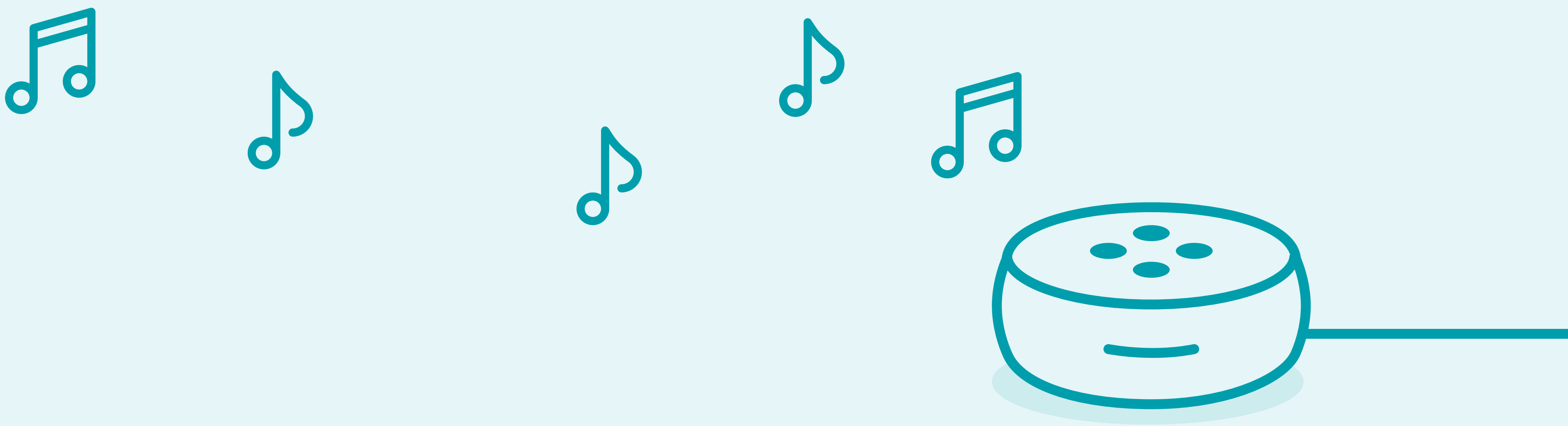
(g) Trade and other payables constitute a balance payable to Suffolk Housing Society at 2 February 2020 novated to Flagship Housing Group Limited at that date.

34. Contingent assets and liabilities

The company had no contingent assets at 31 March 2020 (2019: £nil).

The company receives capital grant from Homes England, which is used to fund the acquisition and development of housing properties and their components. In certain circumstances upon disposal of grant funded properties the company is required to recycle this grant by crediting it to the Recycled Capital Grant Fund.

As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements. The company had no other contingent liabilities at 31 March 2020 (£2019: £nil).



Notes to the financial statements

for the year ended 31 March 2020

35. Related party disclosures

The Accounting Direction 2019 Part 2 35 requires the company to disclose the nature of its trading relationships with related parties in the same trading Group.

- The company provides central services to all its subsidiary undertakings, and its subsidiary undertakings contribute toward the cost of this provision by way of a management charge.
- Repairs and maintenance and improvement works to the company's properties were undertaken by RFT Repairs Limited, Gasway Services Limited and Blue Flame (Colchester) Limited, 100% owned subsidiaries of the company.
- New social housing property was developed for the company by Flagship Housing Developments Limited, a 100% owned subsidiary.

	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000
Purchases from Flagship Housing Developments Limited	13,743	8,868
Purchases from RFT Repairs Limited	66,548	49,852
Services provided to Victory Housing Trust	5,489	-
Services provided to Flagship Housing Developments Limited	1,162	1,279
Services provided to RFT Repairs Limited	1,521	1,992
Services provided to Gasway Services Limited	109	206

As at 31 March 2020 Flagship Housing Group Limited had the following intercompany balances with its subsidiary undertakings:

	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000
Amounts due to Flagship Housing Developments Limited	(483)	(193)
Amounts due to RFT Repairs Limited	(287)	621
Amounts due from / (to) Gasway Services Limited	1,563	(2)
Amounts due from / (to) Victory Housing Trust	280	(44)
Amounts due from Linnet Homes Limited	315	-
	1,388	382

Amounts owed to Group undertakings are unsecured, interest free, and have no fixed date of repayment and are repayable on demand.

There are no other related party transactions that require disclosure in these financial statements.

The balance due from Linnet Homes Limited was previously due to Suffolk Housing Society and novated to Flagship Housing Group Limited upon transfer of engagement.

36. Ultimate parent undertaking and controlling party

The company is the ultimate parent undertaking of the Group and the smallest and largest group to consolidate these financial statements is Flagship Housing Group Limited. The company is a charitable company and accordingly there is no ultimate controlling party. Copies of the Flagship Housing Group Limited consolidated financial statements can be obtained from 31 King Street, Norwich, Norfolk, NR1 1PD.

flagship-group.co.uk

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Co-operative and Community Benefit Societies Act 2014 Registered No. 31211R