

**Consolidated Financial Statements
for the Year Ended 31 March 2010**

**Keswick Hall
Norwich
Norfolk
NR4 6TJ**

www.flagship-housing.co.uk

**Industrial and Provident Societies Act 1965 Registered No. 28460R
Tenant Services Authority: Registered No. L4116
An Exempt Charity**

Contents

	Page
Board Members, Executive Directors and Advisers	1
Chair's Statement	2
Operating and Financial Review	3
Report of the Board	7
Report of the Board on Corporate Governance and Internal Financial Control	10
Report of the Independent Auditors	13
Income and Expenditure Account	14
Statement of Recognised Surpluses and Deficits	15
Statement of Historical Cost Surpluses and Deficits	15
Balance Sheets	16
Cash Flow Statements	17
Notes to the Financial Statements	18

Board Members, Executive Directors and Advisers

Board Members

J Langstaff A Egerton-Smith		Chair Vice Chair and Chair of Flagship Peddars Way	Independent member Group member nominee
A R London	(Resigned 4 August 2009)	Vice Chair and Chair of Flagship Kings' Forest	Group member nominee
G Pollard	(Resigned 1 June 2010)	Vice Chair and Chair of Flagship Suffolk Heritage	Group member nominee
E Vallance	(Appointed 4 August 2009)	Vice Chair and Chair of Flagship Kings' Forest	Group member nominee
R McGeady	(Resigned 24 July 2010)	Chair of Remuneration Committee	Independent member
B Canham		Remuneration Committee member	Tenant nominee
B Soer		Remuneration Committee member	Tenant nominee
P Lakey		Chair of Audit Committee	Independent member
V Johnson			Tenant nominee
R Finon		Audit Committee member	Independent member
S Ball	(Appointed 1 June 2010)	Vice Chair and Chair of Flagship Suffolk Heritage	Group member nominee
M Sargeantson	(Appointed 25 July 2010)		Independent member
D McQuade			Executive Director
A Blewitt			Executive Director

Executive Team

D McQuade		Group Chief Executive
M Aust		Strategy and Development Director
H Walsham		Corporate Services Director
A Blewitt		Finance and IT Director
E King	(From 1 January 2010)	Customer Services Director
R Ayden		Group Company Secretary

Registered Office

Keswick Hall
Keswick
Norwich
Norfolk
NR4 6TJ

Solicitors

Anthony Collins Solicitors
134 Edmund Street
Birmingham, B3 2ES

Internal Auditor

PricewaterhouseCoopers
The Atrium
St Georges St
Norwich, NR3 1AG

External Auditor

KPMG LLP
Chartered Accountants
& Registered Auditors
6 Lower Brook Street
Ipswich, IP4 1AP

Bankers

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

Group Funders

The Royal Bank of Scotland
Santander UK
The Co-operative Bank
Nationwide Building Society

Chair's Statement

I am very pleased once again to introduce the Group's financial statements. In my Statement last year I referred to the financial and economic environment and also to planned and likely changes in the regulatory and political world. With the new coalition government beginning work at the time of writing, the shape of the latter is only slowly emerging. Already, however, we know of significant changes to the planning regime, the diminution of regional bodies, changes to our regulator and also of course the likelihood of very sharp cuts in public expenditure. Among all this change and uncertainty, our financial outturn for 2009-10 is a significant achievement.

Despite this very positive result, we know that we are going to have work very hard and with imagination, creativity and courage in order to continue to improve services for our residents and continue to develop new homes. The drive towards what we call 'Exemplar' performance continues as we seek to remove waste, improve services and focus on what is delivered locally. Our investment in Community Rangers is significant in this respect and we are committed to increasing this provision. The balance between offering excellence to existing residents and continuing to develop new homes for future residents is one of which the Board is very aware: this discussion is and will continue to be a central issue in the revision of our Business Plan.

In order to maximise the resources we can put into service delivery and new development, we are looking afresh at the way we are structured in both operational and governance terms. This discussion (under the title of '1Future') has begun to take place with boards, staff and residents and we look to some decisions being made in the autumn.

The Group Executive Team has continued to develop under David McQuade's leadership; the significant development has been promotion of Emma King from her previous role at Flagship Suffolk Heritage to the post of Customer Services Director. Meanwhile Martin Aust's role has been broadened to that of Strategy and Development Director, taking the lead on developing strategic partnerships and on our contribution to the place-shaping agenda. I know that other Board members join me in expressing our thanks to the Executive for their energy and commitment in challenging times.

There have been a few Board member changes in recent months. Garth Pollard has stepped down from both the Group Board and as Chair of Flagship Suffolk Heritage. We are tremendously grateful to Garth for all that he has done for the Group and we wish him well for the future. Bob McGeady is about to retire from the Group Board where he has given sterling service over 10 years, most recently as Chair of the Remuneration Committee. Mark Sargeantson, a current member of the Flagship Suffolk Heritage Board, has been appointed as a new independent member of the Group Board following a process of open recruitment.

Sadly this will be my last annual Statement, as it has just been announced that I am to move to a new post in Kent. This means that I will step down as Chair of Flagship at the end of the year, some 8 months before my maximum term of office would have expired. Chairing Flagship over these last 4 years has been a huge privilege, if at times quite a challenge. Above all it has been good to work with staff, residents and board members who share the same aspiration to provide the best possible housing, in places where people want to live and at a cost that can be afforded. I believe that I shall leave Flagship in good shape, ready to face the challenges and the opportunities of the future with professional expertise, vision and energy.

James Langstaff, Chair
29 July 2010

Operating and Financial Review for the Year Ended 31 March 2010

Principal activities

Flagship Housing Group's primary activity is to provide general needs homes for affordable rent, sheltered and very sheltered schemes, and bungalows for older and more vulnerable people. We also provide accommodation and training opportunities for 16-25 year olds. We have developed shared ownership and key worker homes, market rented and student accommodation. The Group delivers a range of specialist care and support services for older and more vulnerable people as well as youth support activities. The Group had 21,405 (2009: 21,061) homes in management at 31 March 2010.

Objectives and strategies

The main thrust of our Strategic Plan is to become a Performance Exemplar in the housing sector. This means achieving an outstanding reputation and best in sector results.

Our Vision is "To get service right, first time".

Our Purpose is "To create places where people want to live".

Our Strategic Goals are:

- Excellent service
- Minimal waste
- Sustainable growth

Operating review

Flagship has an extensive development programme which produced 479 (2009: 750) new homes for Group Members during the year. The trend over recent years, as reflected across the sector, has been towards building more low cost home ownership units for sale in order to help support the building of further rented accommodation. During the year Flagship completed the sale of 131 (2009: 221) first tranche shared ownership homes and 33 (2009: 15) sales staircasing to outright ownership.

Improvement of the housing stock remains a priority and during the year Flagship spent £19.9m (2009: £15.5m) on routine and planned maintenance.

Flagship is committed to the continuous improvement of all its services through Systems Thinking. This method enables us to understand what is going on in the system, work on the causes of variation in performance, act on the system to reduce waste, build capacity and keep improving (until we break through to Exemplar). This approach has made Flagship's processes much leaner and has recently resulted in us reducing the number of Contact Centres from three to a single Centre based at Dereham.

Flagship is regulated by the Tenant Services Authority (TSA). As with any regulator this involves an ongoing dialogue in respect of all issues affecting the sector and Flagship at a local level. In the TSA's revised regulatory judgement, published in June 2010, the TSA confirmed that it remained satisfied with the Group's Governance and Viability.

During the year Flagship Housing Group and its subsidiaries rebranded. The aim of the rebrand was to visually raise Flagship's profile through the creation of a fresh and vibrant brand that visually linked all parts of the Group under the Flagship banner. We wanted our new brand to be more than just a logo - it would need to stand the test of time, portray who we are, our ambitions, our values and what we stand for. To complement our visual identity, we also created a new Flagship tone of voice which now influences the way we communicate with each other, our customers and our stakeholders. As a result of the rebrand, the Group and its subsidiaries are now known as:

Flagship Housing Group Ltd – Flagship
Peddars Way Housing Association Ltd – Flagship Peddars Way
Suffolk Heritage Housing Association Ltd – Flagship Suffolk Heritage
Kings' Forest Housing Ltd – Flagship Kings' Forest

Operating and Financial Review for the Year Ended 31 March 2010

Principal strategic and operational risks

The principal risks faced by Flagship are identified by the Board and senior managers at monthly board meetings and factored into the Business Plan. Currently the external risks include:

- Public expenditure cuts reducing key income streams.
- Significant changes in public policy, including uncertainty on future rent levels with the imminent end of the existing rent restructuring regime.
- Inflation, interest and rate margin increases resulting in higher costs at a time of public expenditure cuts.

Performance in the period

The key consolidated business and service performance measures for the year are as follows:-

	2010 £'000	2009 £'000
Turnover	112,978	129,816
Operating surplus	38,610	30,305
Net cash flow	(8,712)	20,217

(The statutory accounts provide more detailed information on financial performance)

Rent	2010	2009
Rent collected	99.7%	99.9%
Current rental arrears	3.2%	3.8%
Average weekly gross rent	£73.26	£71.30

Lettings

Average re-let time	29 days	21 days
---------------------	---------	---------

Operating and Financial Review for the Year Ended 31 March 2010

Investment for the future

Flagship's Strategic Plan, 'Performance Exemplar', focuses on the three key strategic goals of:

- Excellent Service
- Minimal Waste
- Sustainable Growth

Excellent Service – Customer aspirations, competition and technology have changed the operating environment. We continue to encourage customers to contribute to all aspects of the Group. Following a review of tenant participation, we have acted on recommendations from leading-edge thinking on how we involve customers.

We have reinvested in strengthening front line services, including having Flagship Response, a 24-7 contact centre operating 365 days a year.

Minimal Waste – Increasing costs of products and services continues to put pressure on housing services. Flagship's focus on Systems Thinking and value for money assists us in managing this. Cutting waste from our systems enables us to fund projects that would otherwise have to wait.

Sustainable Growth – As a Homes and Communities Agency investment partner, Flagship provides new homes that meet a variety of housing needs in our core areas as well as providing development services to others. In recent years, shared ownership has formed a large part of the development programme, however because of the downturn in the housing market, in the near future shared ownership opportunities are far more limited. Demand remains strong for the majority of shared ownership schemes, although for a handful of schemes there is strong competition from house builders funded by the Homes and Communities Agency through the HomeBuy Direct programme.

Future development opportunities will be funded either following refinancing or out of surpluses generated by Group activities. Opportunities to undertake mixed tenure developments with an element of housing for outright sale to generate cross subsidy will be carefully assessed against prevailing market conditions. Flagship assumes that significant public expenditure restraint will occur, leading to a reduced reliance on social housing grant, and alternative funding mechanisms for schemes will be actively investigated before being brought forward.

Flagship has proactively embraced the concept of 'Place Shaping'. At its core is working in partnership with other agencies to seek the most effective ways of delivering services offering excellent quality and value for money, for whole communities. This focus on 'Place' fits in closely with Flagship's Purpose, "To create places where people want to live".

This revised strategy has led to a review of Flagship's assets to identify Local Authority areas where activity will be increasingly focused. A small number of areas outside our core have also been identified where asset disposals will be sought at the appropriate time and value.

Environmental sustainability

There is continued investment in planned maintenance and energy efficiency. This year Flagship's sustainability strategy has three main aims:-

- Improving the environmental performance of existing stock, currently benchmarked at 31.39, to an EcoHomes XB rating of 70 by 2018. The average SAP rating for Flagship is 71.6%.
- Ensuring all new homes are built to the relevant Code for Sustainable Homes standard.
- Implementing action plans for staff at all levels enthusing corporate and individual commitment to sustainability.

Other priorities in this area include identifying customers living in fuel poverty, arranging new or replacement heating contracts and carrying out further research into renewable heat sources.

Operating and Financial Review for the Year Ended 31 March 2010

Financial review

Capital structure

Flagship Housing Group Limited is registered under the Industrial and Provident Societies Act 1965. It has issued share capital of £30. The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights. Further details of the group structure can be found in Note 10 to the attached financial statements.

Treasury policy

Flagship Housing Group has adopted a group Treasury Policy which sets out the parameters and controls for treasury activities across the group. Flagship currently finances its properties through loans from the debt and capital markets to the group parent company, Flagship Housing Group Limited. The amount owed by Flagship Housing Group as at 31 March 2010 relating to these facilities was £514.1m.

Cash flows

The Board believes that Flagship has adequate resources to continue operating for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Statement of compliance

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

By order of the Board

R Ayden
Group Company Secretary

29 July 2010

Report of the Board for the Year Ended 31 March 2010

The Board of Management (The Board) presents its report and audited financial statements for the year ended 31 March 2010.

Statement of board's responsibilities

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

Industrial and Provident Societies Law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to select appropriate accounting policies and then apply them consistently; make judgements and estimates which are reasonable and prudent; state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures being disclosed and explained in the financial statements, and prepare them on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Providers General Determination 2006. The Board has general responsibility for taking such steps as are reasonably open to it 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 Flagship's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

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

Group structure

The Group comprises:
Flagship Housing Group Limited;
Peddars Way Housing Association Limited;
Suffolk Heritage Housing Association Limited;
Kings' Forest Housing Limited; and
Flagship Housing Developments Limited.

Operational results

Flagship's consolidated turnover was £113.0 million (2009: £129.8 million) and its operating surplus was £38.6 million (2009: £30.3 million). After taking into account property sales, interest paid, interest received and taxation, Flagship recorded a surplus of £14.4 million (2009: £10.1 million), which was in line with expectations.

Flagship's total assets less current liabilities were £790.7 million (2009: £775.1 million).

Charitable donations

During the year the Group made charitable donations amounting to £Nil (2009: £22,680).

Report of the Board for the Year Ended 31 March 2010

The board members and executive directors

The Board and Executive Directors that served Flagship during the year are detailed on page 1 of the financial statements. Each member of the Board holds one fully paid share of £1 in the Company, with the exception of the Chief Executive and the Finance and IT Director.

The remaining members of the Executive Team hold no interest in the Company's share capital, and although they do not have the legal status of Directors, they act as executives within the authority delegated to them by the Board and are termed Directors.

The composition of the Board is as follows:

Independent Board Members	4
Kings' Forest Housing Limited Nominated Board Member	1
Peddars Way Housing Association Limited Nominated Board Member	1
Suffolk Heritage Housing Association Limited Nominated Board Member	1
Tenant Nominated Board Members	3
Executive Directors	2
	<hr/>
	12

Flagship has purchased Directors' and Officers' Liability Insurance for the Board Members, Executive Directors and Staff of the Company.

Recruitment and selection procedures for independent board members

The Board has an open recruitment and selection policy for Independent Board Members. In the event of a vacancy, advertisements are placed in the local and, where appropriate, specialist press seeking candidates with expertise in the areas where the Board has identified it is least well served, ensuring that all relevantly experienced applicants have an equal opportunity to apply. A copy of the recruitment and selection policy is available on request from the Group Company Secretary.

All the Independent Board Members of the subsidiaries are appointed by Flagship Housing Group Limited, the ultimate parent company. The Tenant Board Members of Flagship Kings' Forest are also appointed by Flagship Housing Group Limited.

All new Board Members are required to attend formal induction training and to abide by a formal Code of Conduct setting out their obligations and commitment to the Group.

National Housing Federation (NHF) Code of Governance

It is the Board's policy to comply with the NHF Code of Governance 2009. The Group currently complies with all aspects of the Code except as follows: the Group Chair does not sit on the Remuneration Committee as recommended by the Code of Governance. This decision was taken to ensure the necessary closeness between the Chair and the Group Chief Executive is not perceived to detract from the independence of the committee.

Report of the Board for the Year Ended 31 March 2010

Chair's and board members' remuneration

In accordance with the authorisation granted by the Tenant Services Authority, the Group has introduced payment for the Chair and other Board members (with the exception of the Executive Directors). These payments are in recognition of the commitment required for these crucial and demanding governance roles. The Vice-Chairs of the Board are also the Chairs of the Group member Boards. Board member payments payable in the year ended 31 March 2010 are summarised as follows:

Board Member	Annual Payment
Group Chair	£12,075
Vice Chair	£8,925
Audit Committee Chair	£7,245
Remuneration Committee Chair	£6,037
FHG and Group Member Board	£6,440
FHG Board members	£4,830

Executive directors' remuneration

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

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

Summary information of the remuneration of Chair, Board Members and Executive Team is provided in note 20 to the financial statements.

Employees

Employee information is set out in note 21 to the financial statements. Flagship ensures that sufficient staff with appropriate skills are employed and that effective employment policies are in place and good practice is followed.

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

Equality and diversity

Flagship has an equality and diversity strategy and is committed to providing homes and services which aim to meet individual needs. Flagship works hard to eliminate all forms of discrimination in the provision of our homes and services and in the employment and personal development of our workforce.

Auditors

A resolution to re-appoint KPMG LLP as external auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board

R Ayden
Group Company Secretary

29 July 2010

Report of the Board on Corporate Governance and Internal Financial Control

The Board continues to follow the latest version of the National Housing Federation's Code of Governance 2009, and details of the Group's compliance as required are contained earlier within this report.

The Board has overall responsibility to the Group and Company for all aspects of the business. This includes ensuring that the Group and Company have in place a system of controls that is appropriate to the various environments in which it operates. Each Board member is responsible as a trustee and has a fiduciary responsibility to the Company's membership. As

appropriate for the effective and efficient running of the business, the Board has delegated to the Committees listed below, responsibility for specific areas of operation. The schemes of delegation are clearly defined and are reviewed regularly to ensure that they continue to be appropriate in the light of operational experience.

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

Committee Structure

The composition of each Committee during the year is summarised below:

Audit Committee	Five members, two nominated from Flagship Housing Group, one each from Flagship Kings' Forest, Flagship Peddars Way and Flagship Suffolk Heritage Boards.
Remuneration Committee	Six members, one Independent Member each nominated from Flagship Housing Group, Flagship Kings' Forest, Flagship Peddars Way and Flagship Suffolk Heritage Boards and two tenant nominees.
Chair's Committee	Four members, comprising the Chairs of Flagship Housing Group, Flagship Kings' Forest, Flagship Peddars Way and Flagship Suffolk Heritage

Executive Team

Members of the Executive Team are all full time employees. They are responsible for the operational management of the Group and the Company and for ensuring that the policies determined by the Board are properly implemented. The composition of the team at 31 March 2010 is:

Group Chief Executive	David McQuade
Finance and IT Director	Antony Blewitt
Strategy and Development Director	Martin Aust
Corporate Services Director	Helen Walsham
Customer Services Director	Emma King
Group Company Secretary	Rod Ayden

Report of the Board on Corporate Governance and Internal Financial Control

Full compliance statement on internal control

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

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

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which Flagship is exposed and is consistent with Turnbull principles as incorporated in the Tenant Services Authority's Circular 07/07: *Internal controls*. Whilst this circular has been withdrawn with effect from 1 April 2010, Flagship will continue to comply with its principles until an alternative approach is adopted.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, includes:

Identification and evaluation of key risks

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

The Executive Team regularly considers reports on significant risks facing Flagship and is responsible for reporting to the Board any significant changes affecting key risks. The strategic risk map is reviewed by the Executive Team and the Board at each of their regular meetings.

Monitoring and corrective action

A process of management control, self-assessment and

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

Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategy, finance and compliance, including treasury management and new investment projects. The Board has adopted, and disseminated to all employees, the National Housing Federation Code of Governance 2009. This sets out the Group's policies with regard to the quality, integrity and ethics of its Board Members and employees. It is supported by a framework of policies and procedures with which Board Members and employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

Information and financial reporting systems

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

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

Report of the Board on Corporate Governance and Internal Financial Control

Fraud

Flagship has a zero tolerance approach to fraud and action is taken to limit the risk of fraud through the system of internal control. A fraud policy and response plan is incorporated in the governance framework.

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

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

By Order of the Board

R Ayden
Group Company Secretary

29 July 2010

Flagship Housing Group Limited

Report of the Independent Auditors

We have audited the financial statements of Flagship Housing Group Limited for the year ended 31 March 2010, which comprise the Group and Company Income and Expenditure Account, the Group and Company Statement of Total Recognised Surpluses and Deficits, the Group and Company Balance Sheet, the Group and Company Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Group's members, as a body, in accordance with schedule 1 paragraph 16 to the Housing Act 1996 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Group'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 Group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Management and auditors

The responsibility of the Group's Board for the preparation of the Board's report, and the preparation of financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK Generally Accepted Accounting Practice), are set out in the Statement of Board's Responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Providers General Determination 2006. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Group has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is

consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view in accordance with UK Generally Accepted Accounting Practice of the state of affairs of the Group and the Company as at 31 March 2010 and of its surplus / deficit for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Providers General Determination 2006.

P D Selvey
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
6 Lower Brook Street
Ipswich, IP4 1AP
9 September 2010

Income and Expenditure Account for the Year Ended 31 March 2010

	Notes	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Turnover	2	112,978	129,816	25,470	36,925
Operating costs	2	(74,368)	(99,511)	(25,288)	(35,896)
Operating surplus	2	38,610	30,305	182	1,029
Surplus on sale of housing		668	7,442	-	-
Interest receivable		191	767	71	8
Interest payable and similar charges	4	(24,747)	(28,336)	(139)	(219)
Other finance (costs) / income	5	(284)	(64)	(126)	(55)
Surplus / (deficit) on ordinary activities for the year	7	14,438	10,114	(12)	763
Tax on surplus on ordinary activities	6	(40)	(24)	(33)	(15)
Surplus for the year after taxation		14,398	10,090	(45)	748

All amounts relate to continuing activities.
Pages 18 to 45 form part of the financial statements

Statement of Total Recognised Surpluses and Deficits for the Year Ended 31 March 2010

	Notes	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Surplus / (deficit) for the year after taxation		14,398	10,090	(45)	748
Unrealised surplus/ (deficit) on revaluation	16	18,209	48,462	-	-
Actuarial (loss) / gain recognised in the pension schemes	16	(5,196)	(2,222)	(2,307)	(647)
Total recognised surplus/ (deficit) relating to the year		27,411	56,330	(2,352)	101

Statement of Historical Cost Surpluses and Deficits for the Year Ended 31 March 2010

	Notes	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Reported surplus / (deficit) for the year before taxation		14,438	10,114	(12)	763
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	16	1,199	860	-	-
Difference between historical cost surplus and reported surplus on sale of revalued assets	16	564	15,952	-	-
Historic cost surplus / (deficit) for the year before taxation		16,201	26,926	(12)	763
Historic cost surplus / (deficit) for the year after taxation		16,161	26,902	(45)	748

Balance Sheet as at 31 March 2010

	Notes	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Fixed assets					
Housing properties at valuation	8	768,596	727,826	-	-
Other tangible fixed assets	8	3,771	4,031	1,335	1,481
Investments - Homebuy	9				
• Payments made under provision for Homebuy loans		38	38	-	-
• Less: Social Housing Grant received		(38)	(38)	-	-
Investments - Other	10	2	2	-	-
		<u>772,369</u>	<u>731,859</u>	<u>1,335</u>	<u>1,481</u>
Current assets					
Stock	11	9,434	15,548	-	-
Debtors due within one year	12	19,368	17,438	12,512	7,513
Debtors due after more than one year	12	13,283	16,154	514,113	528,362
Cash at bank and in hand		10,295	20,544	1	1
		<u>52,380</u>	<u>69,684</u>	<u>526,626</u>	<u>535,876</u>
Less Creditors					
Amounts falling due within one year	13	(34,037)	(26,394)	(12,831)	(7,982)
Net current assets		<u>18,343</u>	<u>43,290</u>	<u>513,795</u>	<u>527,894</u>
Total assets less current liabilities		<u>790,712</u>	<u>775,149</u>	<u>515,130</u>	<u>529,375</u>
Creditors					
Amounts falling due after more than one year	14	528,227	545,401	514,105	528,370
Pension liability	19	8,669	3,344	3,883	1,511
Capital and reserves					
Non equity share capital	15	-	-	-	-
Revaluation reserves	16	231,509	215,062	-	-
Revenue reserves	16	22,307	11,342	(2,858)	(506)
		<u>790,712</u>	<u>775,149</u>	<u>515,130</u>	<u>529,375</u>

These financial statements were approved by the Board of Management on 29 July 2010 and were signed on its behalf by:

J Langstaff

P Lakey

R Ayden

A Blewitt

Chair

Board member

Group Company Secretary

Finance and IT Director

Cash Flow Statement for the Year Ended 31 March 2010

	Notes	Group 2010 £'000	Group 2010 £'000	Group 2009 £'000	Group 2009 £'000	Company 2010 £'000	Company 2010 £'000	Company 2009 £'000	Company 2009 £'000
Net cash flow from operating activities	23		57,133		45,146		762		(2,258)
Returns on investments and servicing of finance									
Interest received		191		767		71		8	
Interest and related costs paid		(25,694)		(29,744)		(62)		(129)	
Interest element of finance lease rental payments		(44)		(57)		(44)		(57)	
			(25,547)		(29,034)		(35)		(178)
Taxation			(7)		6				15
Capital expenditure									
Acquisition and construction of housing properties		(56,905)		(67,832)		-		-	
Social Housing grant received		28,993		19,402		-		-	
Purchase of other fixed assets		(640)		(678)		(581)		(597)	
Proceeds from sales of other fixed assets		364		416		364		199	
Proceeds from sales of housing properties		2,246		27,193		-		-	
			(25,902)		(21,499)		(217)		(398)
Net cash inflow / (outflow) before use of liquid resources and financing			5,637		(5,381)		510		(2,819)
Financing									
Loans received		7,000		25,626		7,000		25,626	
Loans repaid		(21,249)		-		(21,249)		-	
Loans repaid by / (lent to) subsidiaries		-		-		14,249		(25,626)	
Capital element of finance lease rental payments		(100)		(28)		(100)		(28)	
			(14,349)		25,598		(100)		(28)
(Decrease) / Increase in cash	23		(8,712)		20,217		410		(2,847)

Notes to the Financial Statements for the Year Ended 31 March 2010

1. Principal accounting policies

The Registered Provider (RP) is incorporated under the Industrial & Provident Societies Act 1965 and is registered with the Tenant Services Authority as an RP as defined by the Housing Act 1996.

Basis of accounting

The financial statements have been prepared on the Going Concern basis, in accordance with applicable Accounting Standards in the United Kingdom and the Accounting Requirements for Registered Providers General Determination 2006. The financial statements have also been prepared in compliance with the Statement of Recommended Practice published by the National Housing Federation in 1999 and updated in 2008. The financial statements are prepared on the historical cost basis of accounting except as modified by the revaluation of housing properties. The accounting policies have been consistently applied from the prior year and through out the group. The group consolidated financial statements incorporate the financial statements of the group's parent, Flagship Housing Group Limited, and its subsidiaries. The acquisition method of accounting has been used.

Turnover

Turnover represents rental and service charge income receivable, grants from local authorities and the Homes and Communities Agency (except where such grants are reimbursement of specific items of expenditure), income for the provision of Design and Build services in respect of the development of new homes being built for development partners and other income. Property sales are recognised on completion of contracts.

Fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and capital grants. Depreciation is charged on a straight line basis over the expected useful economic life of the assets at the following annual rates:

Housing properties – freehold buildings	1%
Office buildings	4%
Motor vehicles	25%
Computer equipment	33%
Leased assets	Over the life of the lease
Office equipment	10 - 20%

Freehold land is not depreciated.

Housing properties

Completed housing properties have been valued on the Open Market Existing Use Valuation for Registered Social Housing basis and are revalued annually. The aggregate surplus on revaluation is the difference between the cost of the property less Social Housing Grant (SHG) and depreciation, and the amount of the valuation. The cost of properties is their purchase price and construction costs together with capitalised repairs and incidental costs of acquisition and construction directly attributable to property, including interest payable during the period of construction.

Housing properties in the course of construction are stated at cost less SHG and are transferred into housing properties when completed.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the scheme will not be completed.

Notes to the Financial Statements for the Year Ended 31 March 2010

1. *Principal accounting policies (continued)*

Sales of housing property are accounted for on completion of contracts. Due to the nature of the transfer agreement with Breckland and Suffolk Coastal District Councils it is not possible to identify separately the value of each property sold. Instead an average value is eliminated from housing property and charged to the income and expenditure account.

Development costs that arise directly from the construction or acquisition of a property are capitalised to housing properties in the course of construction.

Major maintenance works programme

Expenditure incurred by way of improvement or major repair that increases the rental income, reduces future maintenance or enhances the value of housing property is capitalised into housing properties and depreciated.

Social housing grant

Social Housing Grant (SHG) is paid by local authorities and the Homes and Communities Agency to subsidise the cost of housing properties and is included in fixed assets. SHG received in excess of the cost of housing properties in the course of construction is shown as SHG received in advance and included as a current liability.

Properties for sale

Properties developed for shared ownership sale are divided between fixed assets and current assets, the split being based on the first tranche sale proportion. Sales proceeds, along with the associated costs, from first tranche sales are included in Turnover and Cost of Sales. Subsequent tranche sales are treated as sale of fixed assets and are shown as a separate item after the operating surplus in the Income and Expenditure Account. All other sales of fixed asset properties are dealt with in this way.

Properties developed for outright sale and sales of new social housing stock to non group Registered Providers are included in current assets.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership, they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. The lease payments are treated as consisting of capital and interest elements: the capital is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account.

Rentals paid under operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term.

Pension costs

Contributions to pension schemes are calculated as a percentage of pensionable salaries of employees, determined in accordance with qualified actuaries.

Flagship operates pension schemes providing benefits based on final pensionable pay and a defined contribution scheme. The assets of the schemes are held separately from those of the company.

Notes to the Financial Statements for the Year Ended 31 March 2010

1. *Principal accounting policies (continued)*

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Where the Group is able to identify the pension scheme surplus (to the extent that it is recoverable) or deficit it is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the Statement of Total Recognised Gains and Losses, actuarial gains and losses.

If the Group is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis, as required by FRS 17 'Retirement benefits', it accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period.

Major repairs designations

Provision for a major repair is only made where a contractual liability exists. Due to the establishment of regular programmes of repair and maintenance, the Group does not make provision for cyclical repairs, but charges actual costs incurred to the Income and Expenditure Account.

Recycling of capital grant

Social Housing Grant (SHG) can be recycled by the RP under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met. Where SHG is recycled, the SHG is credited to a fund, which appears as a creditor until spent.

Value Added Tax

The Group is registered for VAT in the name of Flagship Housing Group Limited, but a large proportion of its income, including rents, is exempt for VAT purposes. The majority of its expenditure is subject to VAT, which cannot be reclaimed, and expenditure is therefore shown inclusive of VAT. Any VAT subsequently recovered through taxable activities is credited to the Income and Expenditure Account.

Loan finance issue costs

These are written off evenly over the life of the related loan. Loans are stated in the Balance Sheet at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts written off.

Homebuy

Investments and the associated grant under the Homebuy scheme are held within the Balance Sheet as fixed asset investments.

Notes to the Financial Statements for the Year Ended 31 March 2010

2. Turnover, Operating Costs and Operating Surplus

	Notes	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Group 2010				
Social housing lettings	3(a)	77,363	(39,991)	37,372
Other social housing activities				
- Supporting People Block Gross contracts		1,267	(884)	383
- Supporting People Block Subsidy contracts		964	(691)	273
- Low cost home ownership sales		7,954	(8,981)	(1,027)
- Impairment of housing properties		-	(677)	(677)
- Other		18,565	(18,390)	175
Non-social housing activities	3(b)			
- Lettings		4,353	(3,566)	787
- Other		2,512	(1,188)	1,324
Total		112,978	(74,368)	38,610
Group 2009				
Social housing lettings	3(a)	71,511	(41,715)	29,796
Other social housing activities				
- Supporting People Block Gross contracts		1,198	(798)	400
- Supporting People Block Subsidy contracts		972	(693)	279
- Low cost home ownership sales		11,899	(13,452)	(1,553)
- Impairment of housing properties		-	(2,056)	(2,056)
- Other		37,075	(36,782)	293
Non-social housing activities	3(b)			
- Lettings		4,455	(3,381)	1,074
- Other		2,706	(634)	2,072
Total		129,816	(99,511)	30,305

Notes to the Financial Statements for the Year Ended 31 March 2010

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

	<u>Notes</u>	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Company 2010				
Social housing lettings		-	-	-
Other social housing activities				
- Supporting People Block Gross contracts		524	(537)	(13)
- Supporting People Block Subsidy contracts		346	(354)	(8)
- Other		14,808	(14,715)	93
Non-social housing activities	3(b)			
- Lettings		-	-	-
- Other		9,792	(9,682)	110
Total		25,470	(25,288)	182
Company 2009				
Social housing lettings		-	-	-
Other social housing activities				
- Supporting People Block Gross contracts		440	(420)	20
- Supporting People Block Subsidy contracts		347	(331)	16
- Other		26,357	(26,155)	202
Non-social housing activities	3(b)			
- Lettings		-	-	-
- Other		9,781	(8,990)	791
Total		36,925	(35,896)	1,029

Notes to the Financial Statements for the Year Ended 31 March 2010

3(a) Income and Expenditure from social housing lettings – Group

	General Needs Housing £'000	Supported Housing £'000	Temporary Social Housing £'000	Keyworker Housing £'000	Shared Ownership £'000	Total 2010 £'000	Total 2009 £'000
Income							
Gross rents receivable	74,108	687	74	160	4,229	79,258	73,649
Less: rent losses from voids	(1,562)	(14)	(2)	(4)	(313)	(1,895)	(2,138)
Net rents receivable	<u>72,546</u>	<u>673</u>	<u>72</u>	<u>156</u>	<u>3,916</u>	<u>77,363</u>	<u>71,511</u>
Other revenue grants	-	-	-	-	-	-	-
Total income	<u>72,546</u>	<u>673</u>	<u>72</u>	<u>156</u>	<u>3,916</u>	<u>77,363</u>	<u>71,511</u>
Expenditure							
Services	2,962	30	3	7	192	3,194	2,985
Management	11,677	126	13	29	790	12,635	13,922
Routine maintenance	9,113	86	10	20	-	9,229	9,336
Planned maintenance	5,201	41	5	11	-	5,258	5,800
Major repairs expenditure	4,348	27	5	7	-	4,387	5,106
Bad debts	214	1	-	-	6	221	256
Depreciation of housing properties	4,377	45	4	9	266	4,701	4,132
Property lease charges	243	4	-	1	118	366	178
Total expenditure	<u>38,135</u>	<u>360</u>	<u>40</u>	<u>84</u>	<u>1,372</u>	<u>39,991</u>	<u>41,715</u>
Operating surplus on lettings	<u>34,411</u>	<u>313</u>	<u>32</u>	<u>72</u>	<u>2,544</u>	<u>37,372</u>	<u>29,796</u>

Notes to the Financial Statements for the Year Ended 31 March 2010

3(b). Turnover from non-social housing activities

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Lettings				
General management charges	-	-	8,896	8,685
Market rented and commercial property rents	1,267	1,246	-	-
Student accommodation	2,439	2,559	-	-
Private garages	647	650	-	-
Other	2,512	2,706	896	1,096
	<u>6,865</u>	<u>7,161</u>	<u>9,792</u>	<u>9,781</u>

4. Interest payable and similar charges

On loans repayable in more than 5 years	25,694	29,744	62	129
Amortisation of debt issue costs	33	33	33	33
On finance leases	44	57	44	57
Less: Interest capitalised	(1,024)	(1,498)	-	-
	<u>24,747</u>	<u>28,336</u>	<u>139</u>	<u>219</u>

The weighted average interest on borrowings of 4.9% (2009: 5.5%) was used for calculating capitalised interest.

5. Other finance costs / income

Expected return on pension scheme assets	602	855	214	288
Interest on pension scheme liabilities	(886)	(919)	(340)	(343)
	<u>(284)</u>	<u>(64)</u>	<u>(126)</u>	<u>(55)</u>

Notes to the Financial Statements for the Year Ended 31 March 2010

6. Taxation

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
UK corporation tax at 28% (2009: 30%)	-	-	-	-
Adjustments in respect of prior years: UK corporation tax	40	24	33	15
	<u>40</u>	<u>24</u>	<u>33</u>	<u>15</u>
Reconciliation of tax charge				
Tax on surplus on ordinary activities at standard UK corporation tax rate of 28% (2009: 28%)	4,043	2,832	(3)	214
Charitable non-taxable income	(4,043)	(2,832)	3	(214)
Adjustments in respect of previous periods	40	24	33	15
	<u>40</u>	<u>24</u>	<u>33</u>	<u>15</u>

There are no material timing differences affecting the Group. Due to the existence of tax losses and the exempt charity status of the other principal group companies no provision for deferred tax has been made in these accounts.

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
7. Surplus for the year				
Is stated after charging:				
Auditors' remuneration:				
• In their capacity as auditors	64	64	11	11
Bad debts	(21)	354	(54)	(3)
Hire of plant and machinery	72	70	32	33
Rent of office buildings	269	312	269	312
Rent of housing properties	1,873	1,831	-	-
Impairment losses	677	2,056	-	-
Depreciation on owned assets:				
• Housing stock	4,796	4,216	-	-
• Other assets	632	619	451	463
Depreciation on assets held under finance leases:				
• Other assets	151	163	151	163
(Surplus) on sale of fixed assets	(668)	(7,442)	-	-
	<u></u>	<u></u>	<u></u>	<u></u>

Notes to the Financial Statements for the Year Ended 31 March 2010

8(a) Tangible fixed assets - Group

	Housing Properties	Housing Properties Under Construction	Shared Ownership Properties	Shared Ownership Properties Under Construction	Offices	Plant and Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net book value on revalued assets at 1 April 2009	634,048	-	61,698	-	-	-	695,746
Cost at 1 April 2009	-	23,073	-	8,194	3,898	5,917	41,082
Additions	4,315	21,200	-	3,367	44	619	29,545
Disposals	(1,944)	-	(2,017)	-	-	(365)	(4,326)
Transfers	23,663	(23,663)	4,028	(4,028)	-	-	-
Transfer (to) / from current assets	720	(774)	5,289	(1,986)	-	-	3,249
Movement on revaluation	24,608	-	(11,195)	-	-	-	13,413
At 31 March 2010	685,410	19,836	57,803	5,547	3,942	6,171	778,709
Depreciation							
At start of the year	-	-	-	-	1,400	4,385	5,785
Charge for year	4,526	-	270	-	147	625	5,568
Disposals	-	-	-	-	-	(215)	(215)
Movement on revaluation	(4,526)	-	(270)	-	-	-	(4,796)
At 31 March 2010	-	-	-	-	1,547	4,795	6,342
Net book value 31 March 2010	685,410	19,836	57,803	5,547	2,395	1,376	772,367
Net book value at 1 April 2009	634,050	23,882	61,698	8,196	2,497	1,534	731,857

Notes to the Financial Statements for the Year Ended 31 March 2010

8(b) Tangible fixed assets – Group

	Housing Properties	Housing Properties Under Construction	Shared Ownership Properties	Shared Ownership Properties Under Construction	Offices	Plant and Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Analysis of cost or valuation at 31 March 2010							
Gross cost	683,348	33,345	52,880	8,123	3,944	6,172	787,812
Social housing grant	(189,524)	(13,509)	(10,487)	(2,576)	-	-	(216,096)
	<u>493,824</u>	<u>19,836</u>	<u>42,393</u>	<u>5,547</u>	<u>3,944</u>	<u>6,172</u>	<u>571,716</u>
Historical cost depreciation b/fwd	(20,381)	-	(537)	-	(1,400)	(4,385)	(26,703)
Depreciation charge on historic cost	(3,393)	-	(202)	-	(149)	(411)	(4,155)
	<u>470,050</u>	<u>19,836</u>	<u>41,654</u>	<u>5,547</u>	<u>2,395</u>	<u>1,376</u>	<u>540,858</u>
Revaluation Reserve	215,360	-	16,149	-	-	-	231,509
	<u>685,410</u>	<u>19,836</u>	<u>57,803</u>	<u>5,547</u>	<u>2,395</u>	<u>1,376</u>	<u>772,367</u>
Revalued net book Value	685,410	19,836	57,803	5,547	2,395	1,376	772,367

Housing properties were professionally valued by Savills (L&P) Limited a firm providing surveying and valuation services around the country. The valuer is external.

The valuation is as at 31 March 2010 on the Existing Use Valuation - Social Housing (EUV-SH) basis.

This valuation has been made in accordance with the RICS Appraisal and Valuation Manual and takes into account the "Performance Standards for Registered Providers" published by The Tenant Services Authority in December 1998. The valuation used in the 2010 financial statements has been pro-rated to allow for the movement in stock between that submitted for valuation on 31 December 2009 and the 31 March 2010 year end.

Development administration expenditure, interest costs and major works expenditure capitalised during the year amounted to £3,615,801 (2009: £4,805,028).

The net book value of tangible fixed assets includes an amount of £555,599 (2009: £577,496) in respect of assets held under finance leases.

Notes to the Financial Statements for the Year Ended 31 March 2010

	Plant, Equipment and Vehicles £'000	
8(c). Tangible fixed assets – Company		
Cost		
At 1 April 2009		4,636
Additions		606
Disposals		(365)
At 31 March 2010		<u>4,877</u>
Depreciation		
At 1 April 2009		3,155
Charge for year		602
Disposals		(215)
At 31 March 2010		<u>3,542</u>
Net book value 31 March 2010		<u>1,335</u>
Net book value at 1 April 2009		<u>1,481</u>
9. Homebuy		
	Group 2010 £'000	Group 2009 £'000
Loans to home purchasers	38	38
Less: Social Housing Grant	(38)	(38)
Net Cost	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the Year Ended 31 March 2010

10. Fixed asset investments

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Other Investments	2	2	-	-
	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>

Subsidiary companies

Flagship Housing Group Limited has investments in the Group's principal subsidiary companies, all of which are registered as Industrial and Provident Societies incorporated in Great Britain, as below:

	Share Capital Held £
Kings' Forest Housing Limited	1
Peddars Way Housing Association Limited	1
Suffolk Heritage Housing Association Limited	1

Procedure agreements exist between Flagship Housing Group Limited and the subsidiaries covering respective obligations of all parties. Flagship Housing Group Limited owns one share in each. Subsidiary control is effected by the power of Flagship Housing Group Limited to appoint and remove the majority of the Board members of each subsidiary company.

Flagship Housing Group Limited also has a £1 ordinary share holding in Flagship Housing Developments Limited, a company registered in England and Wales.

11. Stock

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Housing properties held for low cost home ownership sales	4,432	8,197	-	-
Shared ownership properties – In construction	4,965	6,789	-	-
Third party properties – In construction	37	562	-	-
	<u>9,434</u>	<u>15,548</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the Year Ended 31 March 2010

12. Debtors

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Amounts falling due within one year				
Amounts owed by Group companies	-	-	5,868	1,692
Rental Debtors:				
• Amounts due from tenants	4,000	3,663	-	-
• Bad and doubtful debt provision	(1,256)	(1,484)	-	-
Other trade debtors:				
• Amounts due from other trade debtors	3,175	4,970	1,692	2,132
• Bad and doubtful debt provision	(533)	(105)	(533)	(90)
Other debtors	3,185	3,019	2	-
Prepayments and accrued income	10,797	7,375	5,483	3,779
	<u>19,368</u>	<u>17,438</u>	<u>12,512</u>	<u>7,513</u>
Amounts falling due after more than one year				
Funding loan to subsidiaries	-	-	514,113	528,362
Other debtors – Refurbishment commitment	13,283	16,154	-	-
	<u>13,283</u>	<u>16,154</u>	<u>514,113</u>	<u>528,362</u>

On 11 October 2004, immediately prior to stock being transferred by Forest Heath District Council to the Group, the council entered into a contract for the Group to carry out required refurbishment works to bring the stock up to the required state of repair. The Group invoiced the Council for a fixed sum equal to the expected cost of the required work over 10 years. The Group therefore has:

- a refurbishment commitment asset, for which it has paid on the transfer of the stock – the Council's obligation for the refurbishment of the stock; and
- a refurbishment commitment liability – an obligation to carry the refurbishment on behalf of the Council under the refurbishment contract.

These provisions are reduced by the actual expenditure incurred on refurbishment under the contract in each financial year.

Notes to the Financial Statements for the Year Ended 31 March 2010

13. Creditors - Amounts falling due within one year

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Bank overdrafts	-	1,537	1,127	1,537
Obligations under finance leases (note 14)	213	265	213	265
Trade creditors	6,413	4,678	1,976	1,292
Other creditors including taxation and social security	7,639	2,704	5,910	903
Accruals and deferred income	16,920	14,358	3,605	3,985
Other creditors – refurbishment provision	2,852	2,852	-	-
Recycled Capital Grant Fund	-	-	-	-
Disposals Proceeds Fund	-	-	-	-
	34,037	26,394	12,831	7,982

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

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Housing loans:				
• Repayable in five years or more (Gross)	525,600	539,600	525,600	539,600
• Less: liquidity deposit reserve	(11,487)	(11,238)	(11,487)	(11,238)
	514,113	528,362	514,113	528,362
• Repayable in five years or more (Net)	514,113	528,362	514,113	528,362
• Deferred debt issue costs	(252)	(285)	(252)	(285)
Obligation under finance leases	244	293	244	293
Accruals and deferred income	840	877	-	-
Other creditors – refurbishment provision	13,283	16,154	-	-
	528,227	545,401	514,105	528,370

Under Section 9 of the Housing Act 1996, the Group is required to obtain the consent of the Tenant Services Authority to charge its properties as security to a lender. The Tenant Services Authority has been advised that the Housing Corporation, its predecessor, did not have the power to delegate this function to its committees or officers. This advice has led to questions concerning the validity of previous consents given by the Authority under Section 9 Housing Act 1996 and its predecessor legislation. The Group's Board is aware that the Tenant Services Authority has obtained counsel's opinion that, regardless of the validity of Section 9 consents, lending against RP assets is secure and that registration of such legal charges with the Land Registry under the Land Registration Act is sufficient to establish title. The charges that The Royal Bank of Scotland and other financial institutions have on the Group's properties are registered at the Land Registry. Consequently, the Board considers that its properties are validly charged and that its loans are therefore properly classified as long term within the Group's balance sheet. The Board notes that, on 30 March 2006, the former regulator, the Housing Corporation Board, passed a General Consent under section 9 which had the effect of rendering such earlier delegated consents valid retrospectively.

Notes to the Financial Statements for the Year Ended 31 March 2010

14. Creditors – Amounts falling due after more than one year (Continued)

Housing loans are secured by way of a fixed charge on specific assets of the Group. They bear interest at variable (linked to LIBOR) and fixed rates. The current average interest rate is 4.9 %: the average during the year was 4.9%. The above maturities are calculated by reference to the existence of committed facilities at 31 March 2010 in accordance with Financial Reporting Standard No. 4. The earliest dates on which repayment could be demanded under committed revolving facilities are:

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Housing loans:				
Repayable in five years or more	525,600	539,600	525,600	539,600
Less: Liquidity deposit reserve	(11,487)	(11,238)	(11,487)	(11,238)
	514,113	528,362	514,113	528,362

The interest rate profile of the Group was:

	Variable Rate £'000	Fixed Rate £'000	Total £'000
Instalment Loans	89,300	300,000	389,300
Non-instalment Loans	-	136,300	136,300
	89,300	436,300	525,600

	Weighted Average Rate %	Weighted Average Term of fixing Years	Undrawn Facilities £'000
Instalment Loans	2.6%	11	70,700
Non-Instalment Loans	6.6%	29	-

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Net finance lease obligations:				
In one year or less	213	265	213	265
Between two and five years	244	293	244	293
	457	558	457	558

Notes to the Financial Statements for the Year Ended 31 March 2010

15. Non-equity share capital	2010	2009
	£	£
Allotted, issued and fully paid		
At start of the year	27	27
Issued during the year	3	-
At end of the year	<u>30</u>	<u>27</u>

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

16. Reserves	Group	Company
	2010	2010
	£'000	£'000
Revaluation reserve		
At 1 April 2009	215,063	-
Revaluation surplus realised on sales	(564)	-
Transfer of amount equivalent to additional depreciation on revalued assets	(1,199)	-
Surplus on revaluation	18,209	-
At 31 March 2010	231,509	-
Revenue reserve		
At 1 April 2009	11,342	(506)
Revaluation surplus realised on sales	564	-
Transfer of amount equivalent to additional depreciation on revalued assets	1,199	-
Surplus for the year	14,398	(45)
Actuarial (loss) recognised in the pension scheme	(5,196)	(2,307)
At 31 March 2010	22,307	(2,858)

	Group	Group	Company	Company
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Revenue reserve excluding pension liability	30,976	14,686	1,025	1,005
Pension liability	(8,669)	(3,344)	(3,883)	(1,511)
Revenue reserve including pension liability	22,307	11,342	(2,858)	(506)

Notes to the Financial Statements for the Year Ended 31 March 2010

17. Capital commitments

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements				
New dwellings	39,430	30,337	-	-
	<u>39,430</u>	<u>30,337</u>	<u>-</u>	<u>-</u>

The total amount contracted for at 31 March 2010 in respect of new dwellings relates to approved schemes for which grant approval has been received and private finance arranged.

18. Operating leases

The Group holds lettable housing stock and office accommodation under non-cancellable operating leases. At 31 March 2010 the Group had annual commitments under these leases as follows:

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Leases expiring:				
Within one year	18	24	-	-
Between one to five years	38	40	38	38
Between five to ten years	34	34	-	-
Between ten to twenty years	179	179	179	179
Between twenty to thirty years	1,534	1,534	-	-
	<u>1,803</u>	<u>1,811</u>	<u>217</u>	<u>217</u>

Notes to the Financial Statements for the Year Ended 31 March 2010

19. Pension obligations

The Group participates in four principal pension schemes: The Norfolk County Council Pension Scheme, Suffolk County Council Pension Scheme, The Social Housing Pension Scheme, (which is managed by the Pensions Trust) and The Aegon Pension Scheme. Details of the schemes operated are outlined below.

19a. Norfolk County Council Pension Fund and Suffolk County Council Pension Fund

The Norfolk County Council Pension Fund and Suffolk County Council Pension Funds are defined benefit pension schemes. Valuations for the purposes of FRS 17 were carried out at 31 March 2010. The results of the valuations are as follows:

Balance Sheet:

Scheme assets	Group Value at 2010 £'000	Group Value at 2009 £'000	Company Value at 2010 £'000	Company Value at 2009 £'000
Equities	8,544	6,148	3,068	2,098
Bonds	2,263	2,040	778	711
Property	1,235	945	458	338
Cash	659	578	275	237
Total fair value of scheme assets	<u>12,701</u>	<u>9,711</u>	<u>4,579</u>	<u>3,384</u>
Present value of scheme liabilities	(21,233)	(12,941)	(8,403)	(4,848)
Net underfunding in funded plans	<u>(8,532)</u>	<u>(3,230)</u>	<u>(3,824)</u>	<u>(1,464)</u>
Present value of unfunded liabilities	(137)	(114)	(59)	(47)
Net pension liability	<u>(8,669)</u>	<u>(3,344)</u>	<u>(3,883)</u>	<u>(1,511)</u>

Notes to the Financial Statements for the Year Ended 31 March 2010

19a. Norfolk County Council Pension Fund and Suffolk County Council Pension Fund (continued)

Recognition in the Income and Expenditure Account	Group	Group	Company	Company
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Current service cost	190	257	71	99
Interest cost	886	919	340	343
Expected return on employer assets	(602)	(855)	(214)	(288)
Past service costs	-	248	-	157
Losses on curtailments and settlements	85	-	112	-
Total	559	569	309	311
Actual Return on plan assets	3,031	(2,650)	1,066	(878)
	% of Pay	% of Pay	% of Pay	% of Pay
Current service cost	14.7%	17.0%	13.2%	15.5%
Interest cost	65.2%	58.1%	63.4%	53.8%
Expected return on employer assets	(45.3%)	(55.8%)	(39.9%)	(45.2%)
Past service costs	-	13.8%	-	24.6%
Losses on curtailments and settlements	4.2%	-	20.9%	-
Total	38.7%	33.1%	57.6%	48.7%
Reconciliation of defined benefit obligation				
Opening defined benefit obligation	13,055	13,179	4,895	4,872
Current service cost	190	257	71	99
Interest cost	886	919	340	343
Contribution by members	89	103	37	45
Actuarial losses / (gains)	7,626	(1,302)	3,159	(523)
Past service costs	-	248	-	157
Losses on curtailments	132	-	112	-
Liabilities extinguished on settlements	(235)	-	-	-
Estimated unfunded benefits paid	(8)	(8)	(3)	(3)
Estimated benefits paid	(365)	(341)	(149)	(95)
Closing defined benefit obligation	21,370	13,055	8,462	4,895

Notes to the Financial Statements for the Year Ended 31 March 2010

19a. Norfolk County Council Pension Fund and Suffolk County Council Pension Fund (continued)

Reconciliation of fair value of employer assets

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Opening fair value of employer assets	9,711	12,195	3,384	4,072
Expected return on assets	602	855	214	288
Contributions by members	89	103	37	45
Contributions by the employer	423	423	241	244
Contributions in respect of unfunded benefits	8	8	3	3
Actuarial gains / (losses)	2,430	(3,524)	852	(1,170)
Assets distributed on settlements	(189)	-	-	-
Unfunded benefits paid	(8)	(8)	(3)	(3)
Benefits paid	(365)	(341)	(149)	(95)
Fair value of employer assets	<u>12,701</u>	<u>9,711</u>	<u>4,579</u>	<u>3,384</u>

Amounts for the current and previous accounting periods

Fair value of employer assets	12,701	9,711	4,579	3,384
Present value of defined benefit obligation	(21,370)	(13,055)	(8,462)	(4,895)
Deficit	<u>(8,669)</u>	<u>(3,344)</u>	<u>(3,883)</u>	<u>(1,511)</u>

Experience gains / (losses) on assets	2,430	(3,524)	852	(1,170)
Experience (losses) / gains on liabilities	(3)	(2)	(1)	-

Amounts recognised in Statement of Total Recognised Gains and Losses

Actuarial (losses) / gains	(5,196)	(2,222)	(2,307)	(647)
Increase / (Decrease) in irrecoverable surplus from membership	-	-	-	-

Actuarial (losses) / gains recognised in STRGL	<u>(5,196)</u>	<u>(2,222)</u>	<u>(2,307)</u>	<u>(647)</u>
--	-----------------------	-----------------------	-----------------------	---------------------

Cumulative actuarial gains and losses	<u>(4,988)</u>	<u>208</u>	<u>(2,093)</u>	<u>214</u>
---------------------------------------	-----------------------	-------------------	-----------------------	-------------------

Notes to the Financial Statements for the Year Ended 31 March 2010

19b. Social Housing Pension Scheme

The Group participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme. The Group closed the scheme to new entrants from 1 April 2008.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. It is not possible to analyse the on-going funding deficit by individual employer due to the nature of the SHPS Scheme. SHPS is a multi-employer scheme where:

- The assets of the entire SHPS are pooled for investment purposes;
- Benefits are paid from the total scheme assets; and
- The contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience.

As a result of this it is not possible to breakdown scheme assets by participating employer and accordingly it is not possible to analyse the on-going funding deficit by individual employer.

Accordingly due to the nature of the Plan, the accounting charge for the period under FRS 17 represents the employer contribution payable. The employer contributions over the period were Group £571,770 (2009: £672,534), Company £407,811 (2009: £434,240).

The last formal valuation of the scheme was performed as at 30 September 2008 by a professionally qualified actuary using the projected unit method. The market value of the scheme's assets at the latest valuation date was £1,527 million. The valuation revealed a shortfall of assets compared to liabilities of £663 million, equivalent to a past service funding level of 70%. The next full actuarial valuation will be carried out as at 30 September 2011.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% per annum
Valuation discount rate – Pre retirement	7.8
Valuation discount rate – Non pensioner post retirement	6.2
Valuation discount rate – Pensioner post retirement	5.6
Pensionable earnings growth	4.7
Price inflation	3.2
Rate of pension increases Pre 88 Guaranteed Minimum Pension (GMP)	0.0
Rate of pension increases Post 88 GMP	2.8
Rate of pension increases Excess over GMP	3.0
Mortality pre retirement - PA92 Year of Birth, long cohort projection, minimum improvement	1.0
Mortality post retirement - 90% S1PA Year of Birth, long cohort projection, minimum improvement	1.0

With effect from 1 April 2010 the employer and employee contribution rates for will be 11.15% (2009: 17.1%) and 8.05% to 10.05% (2009: 2.9% - 8.4%) of pensionable salaries respectively. In addition the Group will make an additional fixed payment of £27,031 per month (Company: £17,359) towards the past service deficit.

Notes to the Financial Statements for the Year Ended 31 March 2010

19b. *Social Housing Pension Scheme (continued)*

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

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the scheme. The debt is due in the event of the employer ceasing to participate in the scheme or the scheme winding up.

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

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

Flagship Housing Group has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for Flagship Housing Group was: Group - £23,066,000 (2009: £20,889,000); Company – £9,450,000 (2009: £8,558,000).

Social Housing Pension Scheme – Growth Plan

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

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. It is not possible to analyse the on-going funding deficit by individual employer due to the nature of the SHPS Scheme. SHPS is a multi-employer scheme where:

- The assets of the entire SHPS are pooled for investment purposes;
- Benefits are paid from the total scheme assets; and
- The contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience.

As a result of this it is not possible to breakdown scheme assets by participating employer and accordingly it is not possible to analyse the on-going funding deficit by individual employer.

Notes to the Financial Statements for the Year Ended 31 March 2010

19b. Social Housing Pension Scheme (Continued)

The last formal valuation of the scheme was performed as at 30 September 2008 by a professionally qualified actuary using the projected unit credit method. The market value of the scheme's assets at the latest valuation date was £742 million. The valuation revealed a shortfall of assets compared to liabilities of £29 million, equivalent to a funding level of 96%. The next full actuarial valuation will be carried out as at 30 September 2011.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% per annum
Investment Return pre-retirement	7.6
Investment return post-retirement – Actives / Deferreds	5.1
Investment return post-retirement – Pensioners	5.6
Bonuses on accrued benefits	0.0
Rate of price inflation	3.2

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

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

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

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

Flagship Housing Group has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2009. As of this date the estimated employer debt for Flagship Housing Group was: Group - £65,386 (2009: £63,277); Company - £15,943 (2009: £15,473).

Notes to the Financial Statements for the Year Ended 31 March 2010

19c. Aegon Pension Scheme

From 1 April 2008 employees were entitled to join the Aegon Pension Scheme, which is a defined contribution scheme offered by Flagship Housing Group. Contributions paid by the Group to the scheme were:

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Contributions	61,283	7,421	40,378	6,304

Notes to the Financial Statements for the Year Ended 31 March 2010

20. Directors' emoluments

The Directors are defined as the members of the Board and the executive directors. All the executive directors' remuneration was borne by Flagship on behalf of the Group. Those Board members that are also tenants of the Group have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefits as other tenants. The aggregate amount of emoluments (including pension contributions) with respect to service as directors and paid to or receivable by the Directors of the Group during the year was £1,083,620 (2009: £930,013). Retirement benefits are accruing to the Directors under defined benefit schemes. The Group Chief Executive, who is also the highest paid Director, is an ordinary member of the Social Housing Pension Scheme (see Note 19).

Year ended 31 March 2010	Salary £	Benefits £	Total £	Employers Pension Contributions £	Aggregate Total £
Executive directors	558,809	6,944	565,753	93,871	659,624
Non executive directors	392,204	2,617	394,821	29,175	423,996
Aggregate Emoluments	951,013	9,561	960,574	123,046	1,083,620
Emoluments paid to the highest paid director:					
• Chief Executive	150,000	915	150,915	25,650	176,565

Year ended 31 March 2009	Salary £	Benefits £	Total £	Employers Pension Contributions £	Aggregate Total £
Executive directors	608,523	2,843	611,366	104,783	716,149
Non executive directors	206,894	571	207,465	6,399	213,864
Aggregate Emoluments	815,417	3,414	818,831	111,182	930,013
Emoluments paid to the highest paid director:					
• Chief Executive	172,000	665	172,665	29,412	202,077

Notes to the Financial Statements for the Year Ended 31 March 2010

21. Employee information

	Group 2010 Number	Group 2009 Number	Company 2010 Number	Company 2009 Number
The average full time equivalent number of persons (including Executive Directors) employed during the year was:				
Office, wardens, estates and care staff	419	419	205	205
	£'000	£'000	£'000	£'000
Staff costs (for the above persons):				
Wages and salaries	11,048	10,981	7,096	6,182
Social Security costs	885	849	576	503
Pension costs	965	1,196	696	720
Total – excluding temporary staff costs	12,898	13,026	8,368	7,405
Temporary staff costs	20	57	18	31
Total	12,918	13,083	8,386	7,436

22. Housing stock

	Group 2010 Units	Group 2009 Units
Housing accommodation	19,195	18,861
Supported housing accommodation	176	167
Shared ownership accommodation	1,163	1,164
Keyworker properties	73	68
Housing accommodation let at market rent	199	202
Student accommodation	599	599
	21,405	21,061

Notes to the Financial Statements for the Year Ended 31 March 2010

23. Notes to the cash flow statement

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Reconciliation of operating surpluses to net cash inflow from operating activities				
Operating surplus	38,610	30,305	182	1,029
Depreciation charges	5,329	4,998	361	494
Impairment losses	676	2,056	-	-
Decrease in stock	5,438	12,502	-	-
(Increase) / decrease in debtors	(2,267)	14,364	(5,041)	3,549
Increase / (decrease) in creditors	9,502	(19,153)	5,321	(7,339)
Other non-cash movements	(155)	74	(61)	9
Net cash inflow from operating activities	<u>57,133</u>	<u>45,146</u>	<u>762</u>	<u>(2,258)</u>
Reconciliation of net cash flow to movement in net debt				
(Decrease) / increase / in cash in the period	(8,712)	20,217	410	(2,847)
Cash (outflow) / inflow from movement in debt	14,450	(25,574)	14,450	(25,574)
Capital element of finance lease payments	(100)	(26)	(100)	(26)
Change in net debt resulting from cash flows	<u>5,638</u>	<u>(5,383)</u>	<u>14,760</u>	<u>(28,447)</u>
Non cash transactions - amortisation of debt issue	(33)	(32)	(33)	(32)
Net debt at start of the year	(509,628)	(504,213)	(530,171)	(501,692)
Net debt at end of the year	<u>(504,023)</u>	<u>(509,628)</u>	<u>(515,444)</u>	<u>(530,171)</u>
	At 31 March 2009 £'000	Cash flows £'000	Non cash transaction £'000	At 31 March 2010 £'000
Analysis of net debt - Group				
Cash in hand and at bank	19,007	(8,712)	-	10,295
	<u>19,007</u>	<u>(8,712)</u>	<u>-</u>	<u>10,295</u>
Debt due within 1 year	(265)	52	-	(213)
Debt due after 1 year	(528,370)	14,298	(33)	(514,105)
Total	<u>(509,628)</u>	<u>5,638</u>	<u>(33)</u>	<u>(504,023)</u>

Notes to the Financial Statements for the Year Ended 31 March 2010

23. Notes to the cash flow statement – (continued)

	At 31 March 2009 £'000	Cash flows £'000	Non cash transaction £'000	At 31 March 2010 £'000
Analysis of net debt - Company				
Cash in hand and at bank	1	-	-	1
Overdrafts	(1,537)	410	-	(1,127)
	<u>(1,536)</u>	<u>410</u>	<u>-</u>	<u>(1,126)</u>
Debt due within 1 year	(265)	52	-	(213)
Debt due after 1 year	(528,370)	14,298	(33)	(514,105)
	<u>(530,171)</u>	<u>14,760</u>	<u>(33)</u>	<u>(515,444)</u>

24. Related parties

The Board has tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage.

The Group has taken advantage of the disclosure exemptions under FRS 8, which applies to transactions and balances between group entities that have been eliminated on consolidation.

Performance exemplar

Purpose To create places where people want to live

Vision To get service right, first time

Goals

- Excellent service
- Minimal waste
- Sustainable growth

Values

- Excellence
- Integrity
- Partnership
- Innovation

What does exemplar look like?

- Service right, first time
- Top customer satisfaction results
- Top performance results
- An outstanding reputation
- An adaptive and agile culture
- Excellent regulatory results
- Excellent partnership working