Flagship Housing Group Limited

flagship

Consolidated Financial Statements

for the Year Ended 31 March 2013

Keswick Hall
Norwich
Norfolk
NR4 6TJ

www.flagship-housing.co.uk

Industrial and Provident Societies Act 1965 Registered No. 31211R
Homes and Communities Agency: Registered No. 4651
An Exempt Charity

service right - first time

Flagship Housing Group Limited

flagship

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Flagship Housing Group Limited

Board of Management, Executive Team and Advisers

Board of Management:

Member		Board	Audit Committee	Remuneration & Nominations Committee	Growth Committee
P Lakey	N	Chair		√	√
A Egerton-Smith (Resigned 31 March 2013)	N	√			Chair to 31 March 2013
E Vallance (Resigned 31 March 2013)	N	√		√	
B Canham (Resigned 31 March 2013)	N	√			
B Soer (Resigned 31 January 2013)	N	√		√	
R Finon	N	√	Chair		To 31 March 2013
J Makepeace	N	√	√		
J Taylor (Resigned 31 January 2013)	N	√			
K Gordon	N	√	√		
D Ayre	N	√	To 31 March 2013		Chair From 1 April 2013
A London	N	√		Chair	
C Frazer (Appointed 1 April 2013)	N	√			√
P Remington (Appointed 1 April 2013)	N	√		√	
D McQuade	E	√			
D Armstrong (Appointed 25 October 2012)	E	√			
E King (Co-opted 1 April 2013)	E	√			
H Walsham (Co-opted 1 April 2013)	E	√			
T Blewitt (Resigned 30 June 2012)	E	√			
R Ayden	S				

Key:
N – Non-Executive Director; E – Executive Director; S – Company Secretary

Advisers:

Registered Office:	Keswick Hall, Keswick, Norwich, Norfolk NR4 6TJ
Solicitors:	Anthony Collins Solicitors, 134 Edmund Street, Birmingham B3 2ES
Internal Auditors:	Beever & Struthers, St Georges House, 215 - 219 Chester Road Manchester M15 4JE. (From: 1 April 2013) PricewaterhouseCoopers, The Atrium, St Georges Street, Norwich, Norfolk. (To: 31 March 2013)
External Auditors:	Mazars LLP, 45 Church Street, Birmingham B3 2RT
Bankers:	National Westminster Bank, Norfolk & Waveney Corporate Business Centre, Norfolk House, Exchange Street, Norwich, Norfolk NR2 1DD
Group Funders:	The Royal Bank of Scotland; Santander UK; The Co-operative Bank; Nationwide Building Society

Chair's Statement

I am pleased to report on another exciting year for Flagship.

Exciting because after a 'systems thinking' review of our repairs service we have taken the bold step of creating our own maintenance company, RFT Repairs, which 'went live' on 1 June 2013. We decided that setting up our own firm was the only way to deliver a service that really offers value for money, and gives our customers what they want - '*repairs completed at my convenience'*. We are confident that RFT will bring huge benefits to Flagship and its customers.

It is one example of our recognition that we need to think differently – and to refine our strategic direction - to make sure we grow and prosper in a very challenging economic environment. We are considering other commercial activities for the future – activities to generate surplus and subsidise our core business and social purpose.

To support our growth ambitions we have re-focussed the board. We are delighted that Christine Frazer and Paul Remington - both with extensive commercial and governance experience - joined as Non-Executive Directors on 1 April 2013; and at the same time Emma King and Helen Walsham joined the Board as Executive Directors. The new Board will help us face the challenges ahead with confidence.

We have also created a new Customer Operations Group – made up of 6 customers and 4 senior managers. The role of the Group is to ensure customer engagement is at the heart of everything we do. The customers were appointed following open recruitment, to ensure a good skills-base. As well as its own meetings, the Group will meet twice a year with the Flagship Board, to bring customer insight and intelligence to the centre of decision-making.

I am again very grateful to the staff of Flagship and to my fellow Board Directors for their hard work and commitment. In a year of great change many have worked on a variety of task groups, special projects and the like – frequently giving 'over and above' reasonable expectations with generosity and good spirit – and all being prepared to keep learning and making Flagship better.

These are transformational times for Flagship and we can look back over the past year with a proper sense of achievement. We do not under-estimate the challenges of the future. But we face those with a determination that Flagship will continue to evolve, adapt and work successfully for the well-being of those in housing need and our communities.

I would like to offer my sincere gratitude to the Non-Executive Directors who retired during the year: Brenda Canham, Bernard Soer and John Taylor were customers with many years of dedicated service on our boards and at the highest levels of Flagship's customer representation structure. Andrew Egerton-Smith and Ted Vallance served with distinction as chairs of Peddars Way and Kings Forest Housing Associations respectively before group amalgamation. The motivation and enthusiasm of all of them over the years has played a significant part in Flagship's history.

Peter Lakey
Chair
25 July 2013

Operating and Financial Review for the Year Ended 31 March 2013

Principal activities

Flagship's primary activity is to provide general needs rented accommodation for people on low incomes - our purpose is to create places where people want to live. The majority of our housing stock is one, two and three bedroom accommodation. We provide five very sheltered housing schemes with extra care and a number of traditional sheltered schemes. In addition we offer foyer services for young people aged 16-24, shared ownership homes and a small amount of student and market rented accommodation. The Group had 22,064 (*2012: 21,829*) homes in management at 31 March 2013.

The results of Flagship Housing Developments Limited are consolidated in the Group's results. Flagship Housing Developments Limited provides development services to the Group.

Objectives and strategies

Our vision is to be an Exemplary company.

We measure our progress through two primary objectives: we aim to

- achieve 100 % customer satisfaction
- achieve sector-leading operational costs

Our mission is get service right, first time - and we encourage this through a culture of continuous improvement.

Operating review

During the year Flagship's development programme produced 148 *(2012: 384*) new homes. We completed the sale of 16 (*2012: 48*) first tranche shared ownership homes and 47 (*2012: 45*) staircasing sales, 34 (2012: 37) of which were staircasing up to outright ownership. During the year we acquired 229 properties from another Housing Association.

Improvement of the housing stock remains a priority and during the year we spent £32.4m (*2012: £26.8m*) on routine and planned maintenance.

We are committed to the continuous improvement of all our 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.

We are regulated by the Homes & Communities Agency (HCA). As with any regulator this involves an ongoing dialogue in respect of all issues affecting the sector and Flagship at a local level.

Principal strategic and operational risks

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

- Public expenditure cuts reducing key income and funding streams.
- Significant changes in public policy, including changes to grant funding for development, uncertainty over future housing benefit eligibility, caps and direct payments to customers.
- Inflation, interest rate and margin increases resulting in higher costs.

Repairs service

On the 1 June 2013 Flagship launched its own maintenance company, RFT Repairs Limited. RFT was created with the aim of improving the service to our customers and designing and delivering a much more efficient and effective service. Through these efficiencies we will create additional capacity to re-invest in the business. The new service will aim to complete repairs at our customers convenience and ensure that repairs are completed to a high standard at the first visit. Whilst visiting our properties Operatives will identify and diagnose any other repairs, ensuring that we address any issues before they become problems and helping us to maintain our homes to a high standard. Our own repairs service positions us very strongly for the future providing the insight into the needs of our customers and properties to deliver a truly exceptional service.

Operating and Financial Review for the Year Ended 31 March 2013

Group financial results: Five year summary

Income & Expenditure Account	**2013 (£'000)**	2012 (£'000)	2011 (£'000)	2010 (£'000)	2009 – *Note 1* (£'000)
Social housing lettings turnover	*92,783*	*85,890*	*80,444*	*77,363*	*71,511*
Other turnover	*13,771*	*20,697*	*31,245*	*35,615*	*58,305*
Turnover	106,554	106,587	111,689	112,978	129,816
Social housing lettings operating costs	*(49,771)*	*(43,397)*	*(41,965)*	*(38,524)*	*(41,715)*
Other operating costs	*(9,975)*	*(16,435)*	*(30,441)*	*(34,377)*	*(57,796)*
Operating costs	(59,746)	(59,832)	(72,406)	(72,901)	(99,511)
Operating surplus	**46,808**	**46,755**	**39,283**	**40,077**	**30,305**
Surplus on sale of assets	1,407	582	399	668	7,442
Net interest charge	(25,467)	(25,077)	(25,453)	(24,840)	(27,633)
Surplus for the year	**22,748**	**22,260**	**14,229**	**15,905**	**10,114**
Balance Sheet					
Housing properties at valuation	904,062	863,327	811,261	750,858	727,826
Other tangible fixed assets and investments	4,217	3,868	3,694	3,773	4,033
Net current (liabilities) / assets	(2,913)	1,823	10,803	18,343	43,290
	905,366	**869,018**	**825,758**	**772,974**	**775,149**
Creditors due after 1 year	515,868	521,149	535,144	528,227	545,401
Other long term liabilities	6,764	5,802	4,086	8,669	3,344
Reserves	382,734	342,067	286,528	236,078	226,404
	905,366	**869,018**	**825,758**	**772,974**	**775,149**
Cash flow statement					
Net cash flow from operating activities	63,658	62,301	45,493	61,416	45,146
Returns on investments and servicing of finance	(25,284)	(25,521)	(25,590)	(25,547)	(29,034)
Taxation	-	-	(41)	(7)	6
Capital expenditure	(32,645)	(30,028)	(35,115)	(30,225)	(21,499)
Financing	(2,917)	(6,822)	8,936	(14,349)	25,598
Net cash flow	**2,812**	**(70)**	**(6,317)**	**(8,712)**	**20,217**
Financial ratios					
Operating margin – social housing	46.4%	50.3%	47.8%	50.2%	41.7%
Operating margin	43.9%	43.9%	35.2%	35.5%	23.3%
Operating costs per home - Social Housing	£2,332	£2,027	£2,020	£1,869	£2,059
Operating costs per home	£2,708	£2,741	£3,355	£3,406	£4,725
Operating surplus to interest Covenant	2.36	2.27	1.89	1.79	1.36
Debt per unit	£23,776	£24,430	£24,917	£24,710	£24,185

Note 1: Results not restated to show implementation of component accounting

Operating and Financial Review for the Year Ended 31 March 2013

Five year summary

- The year ended 31 March 2009 does not reflect any adjustments that would be made if component accounting had been adopted in this year.
- Core social housing rental income continues to increase on an annual basis in accordance with our rental policy.
- Other income fluctuations show the volatility inherent in the market place for shared ownership and third party property sales.

Financial performance

The Group surplus before tax for 2012/13 has increased by £0.5m to £22.7m. The financial statements demonstrate continued strong performance. Some key facts are:

Income:

- Social housing lettings income increased from £85.9m to £92.8m, reflecting the new properties in management and the increased rent levels in accordance with the approved rent policy.
- The surplus generated from social housing lettings at £43.0m has decreased by £0.5m.

Expenditure:

- Overall operating costs remained consistent compared to 2012, 2013 - £60.0m; 2012 - £59.8m.
- Routine maintenance, cyclical maintenance, planned maintenance and major works expenditure for the full year increased to £32.4m from £26.8m (including the capital elements).

Balance Sheet:

- Housing properties are valued at £904m.
- The properties were valued by Savills (L&P) Limited and there was an increase in valuation of £19.0m.
- Current assets have dropped by £0.6m, primarily due to reduction in the number of Shared Ownership properties for sale at the year end and the reduction in the estimated value of the outstanding works to be done under the refurbishment commitment.
- Creditors due under one year have increased by £4.1m, mainly due to increased repairs accruals.
- The gearing ratio (showing the level of indebtedness) has reduced to 46% (2012: 51%).
- The pension liability under FRS 17 is £6.8m. This does not reflect the position of the Group's SHPS scheme. The estimated employers' debt in the SHPS scheme is £27.2m *(2012: £26m).*

Cash Flows:

- Operating activities generated cash of £63.7m.
- Interest paid has remained consistent with the prior year at £25.3m (*2012: £25.6m*).
- During the year £32.6m was spent on the construction and purchase of housing properties net of £5m of social housing grant received.
- At 31 March 2013, a further £3m (2012: £7m) had been repaid temporarily back to funders.

Funding:

- Gross loans outstanding at 31 March 2013 were £524.6m (2012: £527.6m).
- Flagship has met the covenants required as a condition of the above funding.
- The Business Plan projects forward that these conditions will continue to be met.

Operating and Financial Review for the Year Ended 31 March 2013

Operational performance and benchmarking

Key performance indicators

The table below details some of our key housing management and maintenance performance indicators. Operating performance is reviewed monthly by the Executive Team and regularly by the Group Board to ensure we are achieving our objectives and strategies.

	2013	2012
Customer satisfaction		
Overall customer satisfaction	**88%**	90%
Rent		
Current tenant rental arrears as a % of income	**2.2%**	2.5%
Current tenant rental arrears	**£2.1m**	£2.2m
Average weekly gross rent (52 weeks)	**£83.45**	£79.48
Housing management		
Average re-let time General Needs	**16.0 days**	17.6 days
Rent loss from voids as a % of income	**0.7%**	0.7%
Homes in management	**22,064**	21,829
Development activities		
New handovers in year	**148**	384
First tranche shared ownership sales	**16**	48
Staircasing shared ownership sales	**47**	45
Repairs		
Number of kitchens replaced	**900**	705
Number of bathrooms replaced	**534**	451
Number of boilers replaced	**1,063**	941
Number of heating systems replaced	**775**	825
Number of homes receiving windows installations	**419**	449
Number of non-communal doors installed	**804**	686
SHIFT Rating	**47.9**	38.4

Operating and Financial Review for the Year Ended 31 March 2013

Investment for the future

Our *Vision* is to be an exemplary company. We will achieve this by focussing on our core business priorities of housing management, supported housing and maintenance services.

It is our aim to:

- Create a culture of continuous improvement through Systems Thinking. Increasing costs of products and services continues to put pressure on housing services. Our focus on Systems Thinking and Value for Money assists us in cutting waste from our systems and enables us to fund additional projects.
- Develop up to 200 new homes a year. We have identified local authority areas of key strategic importance where development will be focussed. A small number of areas outside our core area have also been identified where asset disposals will be sought at the appropriate time and value.
- Develop new services if they contribute towards our strategy. Any new services will be cost effective and designed around demand.

We will reach our *Vision* through:

- Strong leadership at every level
- Focussed performance management
- Clarity of purpose
- Excellent communication
- Using Systems Thinking to learn
- Getting the basics right

Environmental sustainability

Flagship continues to invest in planned maintenance and energy efficiency. During the year our SHIFT Rating rose from 38.37 to 47.95, a silver award, and we are working hard to increase this rating further still. We will aim to do this by reducing our corporate current annual CO2 emissions of 715 (2012: 712) tonnes by an average 1.3% (2012: 1.3%) and specific focuses for 2013/14 include:

- Reductions in office energy use
- Reductions in business travel CO2 emissions
- Reductions in waste sent to landfill

In addition, Flagship continues to invest in planned maintenance and energy efficiency, and specific focus for 2013/14 will include:

- Exploring alternative fuels for customers.
- Over-cladding and improvement works to 200 poorly insulated properties.
- Loft/wall insulation upgrades where identified.

Value for Money (VfM)

At its May 2013 meeting, the Board undertook a VfM Self-Assessment. This took the format of receiving a Value for Money Performance Report detailing the activities undertaken by Flagship under our VfM Strategy. This report covered the past two years and future plans and activities. The Board then considered whether Flagship was achieving value for money.

The Boards self-assessment is divided into five sections:

- Housemark benchmarking results: The Efficiency Summary from the annual Housemark benchmarking report for 2011/12. The results demonstrated excellent performance with regard to cost efficiency and good performance on quality.
- Procurement: The procurement activity for both 2011/12 and 2012/13 were presented. 2011/12 saw eleven tenders with projected annual savings of £0.7m. In 2012/13, the focus was on utility contracts, where projected annual savings are £0.3m.
- Amalgamation: On 1 April 2011 the group undertook a statutory amalgamation of three housing associations to create a single organisation. The aim was to strengthen Flagship by operating a more efficient Group structure. Savings generated would be re-invested in front line services. Cumulative net savings to 31 March 2013 are £0.9m, with projected net savings by March 2014 of £1.3m. To date, this re-investment has seen the creation of new hubs and the recruitment of additional Community Rangers. During 2013/14, savings will be invested in the recruitment of additional Community Managers and the introduction of a community improvement fund.
- 2012/13 key performance measures: Results for the year showed strong performance in arrears and lettings. The target for customer satisfaction was narrowly missed and the operating costs per unit was also missed (a result of the decision to invest additional funds in repairs

during the year).

- HCA Regulatory Review: The most recent review saw an uprating in Flagship's Governance while Financial Viability remained at the highest possible rating.

The Value for Money Performance Report detailed VfM plans for 2013/14. These will be spearheaded by our work on Systems Thinking which will drive greater efficiency and effectiveness. This focus on designing services to meet customers' purpose will drive out waste and inefficiency, leading to improved quality, customer experience and reductions in cost that will enable the Board to make choices about re-investment.

- Repairs: 2013/14 will see the roll-in of our redesigned repairs service called RFT with anticipated annual savings of £2.7 million.
- Allocations, Voids & Lettings: This area is currently the subject of a Systems Thinking review.
- Over the course of the year further Systems Thinking activity will include central service functions and planned maintenance.

The Board considers that Flagship, with our current and planned activities, is achieving value for money in delivering our purpose and objectives

Capital structure

Flagship Housing Group Limited is registered under the Industrial and Provident Societies Act 1965. It has issued share capital of £142. The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights. Further details of the group structure can be found in Note 11 to the financial statements.

Treasury policy

Flagship Housing Group has adopted a group Treasury Policy that sets out the parameters and controls for treasury activities across the group. Properties are financed through loans from the debt and capital markets. The gross amount owed by Flagship Housing Group as at 31 March 2013 relating to these facilities was £524.6m. Further details relating to these facilities can be found in note 15 to 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
Company Secretary

25 July 2013

Report of the Board for the Year Ended 31 March 2013

The Board of Management (the Board) presents its report and audited financial statements for the year ended 31 March 2013.

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 are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2003, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Disclosure of information to 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 trading companies of the Group for the year comprise:

Flagship Housing Group Limited;
Flagship Housing Developments Limited.

Operational results

Flagship's consolidated turnover was £106.6m (*2012: £106.6m*) and its operating surplus was £46.8m (*2012: £46.8m*). After taking into account property sales, interest paid, interest received and taxation, Flagship recorded a surplus of £22.7m (*2012: £22.3m*), which was in line with expectations.

Flagship's total assets less current liabilities were £905.4m (*2012: £869m*).

Charitable donations

During the year the Group made charitable donations amounting to £4,388 *(2012: £10,153).*

Report of the Board for the Year Ended 31 March 2013

The board of management and executive team

The Board and Executive Team who served Flagship during the year are detailed on page 1 of the financial statements. Each Director of the Board holds one fully paid share of £1 in the Company, with the exception of the Chief Executive, the Executive Director (Finance), the Executive Director (Operations) and the Executive Director (People & Places).

The Executive Director (Governance & Commercial) holds no interest in the Company's share capital, and although he does not have the legal status of Director, he acts as executive within the authority delegated by the Board.

The composition of the Board from is:

	To 31 March 2013	From 1 April 2013
Non-Executive Directors	11	8
Executive Directors	2	4
	13	12

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

Recruitment and selection procedures for Non-Executive Directors

The Board has an open recruitment and selection policy for Non-Executive Directors (NEDs). In the event of a vacancy, advertisements are placed in 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 Executive Director (Governance & Commercial).

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

National Housing Federation (NHF) Code of Governance

It is the Board's policy to comply with the NHF Code of Governance 2010. Up to 26 June 2012, we complied with all aspects of the Code except that there was no maximum term of office for NEDs.

The Board had previously decided not to adopt this provision of the code as there is a robust performance management process in place for NEDs. This process incorporates annual appraisals, the setting of personal objectives and monitoring of performance against the objectives. Any NED whose performance falls below the required standard will be offered assistance to address any areas of weakness. Consistent poor performance/failure to improve will lead to the NED being removed from the Board.

In order to complement this process, on 29 June 2012 the Board agreed to adopt a maximum term of 6 years (plus a further year in exceptional circumstances to allow flexibility) for all NEDs, with transitional arrangements in place for the existing Board.

The introduction of the maximum term alongside the performance management process will further ensure the renewal/refreshment of the Board in a managed and effective way.

Report of the Board for the Year Ended 31 March 2013

Chair's and Non-Executive Directors' remuneration

Flagship remunerates its Chair and other Non-Executive Directors (the Executive Directors do not receive any additional remuneration for serving on the Board). The remuneration is in recognition of the commitment required for these crucial and demanding governance roles. Payments in the year ended 31 March 2013 are summarised as follows:

Board member	Board role	Emoluments - 2013
		£
P Lakey	Chair	18,450
A Egerton-Smith	Development Committee Chair	8,200
R Finon	Audit Committee Chair	8,200
A London	Remuneration Committee Chair	8,200
D Ayre	Non-Executive Director	6,150
E Vallance	Non-Executive Director	6,150
K Gordon	Non-Executive Director	6,150
J Makepeace	Non-Executive Director	6,150
J Taylor	Non-Executive Director	5,125
B Canham	Non-Executive Director	6,150
B Soer	Non-Executive Director	5,125

Executive directors' remuneration

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

Flagship's policy with regard to the remuneration of the Executive Team reflects that applicable to the remuneration of our entire staff. Flagship seeks to provide remuneration packages that will attract, retain and motivate officers and staff of the quality required, but seek 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 is employed on contracts with a maximum notice period of six months.

Summary information of the remuneration of Chair, Non-Executive Directors and Executive Team is provided in note 21 to the financial statements.

Employees

Employee information is set out in note 22 to the financial statements. Flagship ensures that sufficient staff with appropriate skills are employed and that effective employment policies are in place and good practice is followed.

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

Equality and diversity

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

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

Report of the Board for the Year Ended 31 March 2013

Auditors

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

By order of the Board

R Ayden
Company Secretary

25 July 2013

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 2010 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 Flagship has in place a system of controls that is appropriate to the various environments in which it operates. Each member of the Board is responsible as a trustee and has a fiduciary responsibility to the Company's membership. As appropriate for the effective and efficient running of the business, the Board has delegated to the Committees listed below responsibility for specific areas of operation. The schemes of delegation are clearly defined and are reviewed regularly to ensure that they continue to be appropriate in the light of operational experience.

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

Committee Structure

The composition of each Committee from 1 April 2012 to 31 March 2013 is summarised below:

Audit Committee	Four Non-Executive Directors.
Remuneration Committee	Board Chair, three Non-Executive Directors.
Development Committee	Four Non-Executive Directors, two Executive Directors.

The composition of each Committee from 1 April 2013 is summarised below:

Audit Committee	Three Non-Executive Directors.
Remuneration Committee	Two Non-Executive Directors and one co-optee.
Growth Committee	Three Non-Executive Directors

Executive Team

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

Chief Executive	David McQuade
Finance and IT Director	Antony Blewitt (Resigned 30 June 2012)
Interim Finance and IT Director	David Armstrong (1 July 2012 to 24 October 2012))
Executive Director (Finance)	David Armstrong (Appointed 25 October 2012)
Executive Director (People & Places)	Helen Walsham
Executive Director (Operations)	Emma King
Executive Director (Governance & Commercial)	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 Flagship Group.

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

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

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, 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 the 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 Board at each of the regular meetings.

Monitoring and corrective action

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

As reported last year, an action plan to address the concerns previously identified by the Executive Team in the operation of internal control in relation to the Development function was completed, as independently verified by our internal auditors and Altair Consultancy. As a consequence of this, the HCA has upgraded the Group's governance rating in its regulatory judgement.

Full provision has been made in the financial statements for a repayment to the Homes and Communities Agency for grant claimed in advance of the correct date and was paid after the year end.

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 2010. This sets out Flagship's policies with regard to the quality, integrity and ethics of our Board Directors and employees. It is supported by a framework of policies and procedures with which Board Directors and employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. 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

The Group 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 risk management framework.

Bribery

The Group has a zero tolerance approach to bribery and action is taken to limit the risk of bribery through the system of internal control. Flagship undertakes regular reviews of the anti-bribery measures in place, ensuring that they remain adequate.

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

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

By Order of the Board

R Ayden
Company Secretary

25 July 2013

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 2013, which comprise the Group and Company Income and Expenditure Accounts, the Group and Company Statements of Total Recognised Surpluses and Deficits, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Board of Management and auditors

As explained more fully in the Statement of Board's Responsibilities set out on page 9, the Company's board is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968 and 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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements;

- give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2013 and of their income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2003 require us to report to you if, in our opinion:

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

Mazars LLP, Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham, B3 2RT
12 August 2013

Income and Expenditure Account for the Year Ended 31 March 2013

	Notes	**Group** **2013** **£'000**	Group 2012 £'000	**Company** **2013** **£'000**	Company 2012 £'000
Turnover	2	**106,554**	106,587	**106,816**	107,224
Operating costs	2	**(59,746)**	(59,832)	**(60,008)**	(60,469)
Operating surplus	2	**46,808**	46,755	**46,808**	46,755
Surplus on sale of housing	4	**1,407**	582	**1,407**	582
Interest receivable		**108**	151	**108**	151
Interest payable and similar charges	5	**(25,391)**	(25,145)	**(25,391)**	(25,145)
Other finance costs	6	**(184)**	(83)	**(184)**	(83)
Surplus on ordinary activities for the year	8	**22,748**	22,260	**22,748**	22,260
Tax on surplus on ordinary activities	7	**1**	-	**-**	-
Surplus for the year after taxation		**22,749**	22,260	**22,748**	22,260

All amounts relate to continuing activities.

Notes on pages 17 to 49 form part of the financial statements.

Statement of Total Recognised Surpluses and Deficits for the Year Ended 31 March 2013

	Notes	**Group 2013 £'000**	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Surplus for the year after taxation		**22,749**	22,260	**22,748**	22,260
Unrealised surplus on revaluation	17	**19,036**	34,987	**19,036**	34,674
Actuarial (loss) recognised in the pension schemes	17	**(1,118)**	(1,708)	**(1,118)**	(1,708)
Total recognised surplus relating to the year		**40,667**	55,539	**40,666**	55,226

Statement of Historical Cost Surpluses and Deficits for the Year Ended 31 March 2013

	Notes	**Group 2013 £'000**	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Reported surplus for the year before taxation		**22,749**	22,260	**22,748**	22,260
Difference between historical cost surplus and reported surplus on sale of revalued assets	17	**1,544**	182	**1,544**	182
Historic cost surplus for the year before taxation		**24,293**	22,442	**24,292**	22,442
Historic cost surplus for the year after taxation		**24,294**	22,442	**24,292**	22,442

Flagship Housing Group Limited

Balance Sheet as at 31 March 2013

	Notes	**Group 2013 £'000**	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Fixed assets					
Housing properties at valuation	9	**904,062**	863,327	**904,062**	863,327
Other tangible fixed assets	9	**4,065**	3,866	**4,065**	3,866
Investments - Homebuy	10	**-**	-	**-**	-
Investments - Other	11	**152**	2	**152**	2
		908,279	867,195	**908,279**	867,195
Current assets					
Stock	12	**94**	2,025	**94**	2,025
Debtors due within one year	13	**11,318**	10,591	**10,365**	10,876
Debtors due after more than one year	13	**2,056**	4,278	**2,056**	4,278
Cash at bank and in hand		**6,720**	3,908	**5,868**	3,515
		20,188	20,802	**18,383**	20,694
Less Creditors					
Amounts falling due within one year	14	**(23,101)**	(18,979)	**(21,447)**	(19,021)
Net current (liabilities) / assets		**(2,913)**	1,823	**(3,064)**	1,673
Total assets less current liabilities		**905,366**	869,018	**905,215**	868,868
Creditors					
Amounts falling due after more than one year	15	**515,868**	521,149	**515,868**	521,149
Pension liability	20	**6,764**	5,802	**6,764**	5,802
Capital and reserves					
Non-equity share capital	16	**-**	-	**-**	-
Revaluation reserves	17	**311,421**	293,929	**309,235**	291,743
Revenue reserves	17	**71,313**	48,138	**73,348**	50,174
		905,366	869,018	**905,215**	868,868

These financial statements were approved by the Board of Management on 25 July 2013 and were signed on its behalf by:

P Lakey **Chair**

R Finon **Board Member**

D Armstrong **Executive Director (Finance)**

Flagship Housing Group Limited

Cash Flow Statement for the Year Ended 31 March 2013

	Notes	**Group 2013 £'000**	**Group 2013 £'000**	Group 2012 £'000	Group 2012 £'000	**Company 2013 £'000**	**Company 2013 £'000**	Company 2012 £'000	Company 2012 £'000
Net cash flow from operating activities	24		**63,658**		62,301		**63,199**		62,231
Returns on investments and servicing of finance									
Interest received		**108**		151		**108**		151	
Interest and related costs paid		**(25,328)**		(25,641)		**(25,328)**		(25,641)	
Interest element of finance lease rental payments		**(64)**		(31)		**(64)**		(31)	
			(25,284)		(25,521)		**(25,284)**		(25,521)
Taxation			**-**		-		**-**		-
Capital expenditure									
Acquisition and construction of housing properties		**(46,905)**		(39,876)		**(46,905)**		(39,876)	
Social Housing grant received		**6,796**		4,191		**6,796**		4,191	
Purchase of other fixed assets		**(1,257)**		(1,312)		**(1,257)**		(1,312)	
Proceeds from sales of other fixed assets		**124**		-		**124**		-	
Proceeds from sales of housing properties		**8,597**		6,969		**8,597**		6,969	
			(32,645)		(30,028)		**(32,645)**		(30,028)
Net cash inflow before use of liquid resources and financing			**5,729**		6,752		**5,270**		6,682
Financing									
Loans received		**-**		-		**-**		-	
Loans repaid		**(3,249)**		(7,249)		**(3,249)**		(7,249)	
Capital element of finance lease rental payments		**332**		427		**332**		427	
			(2,917)		(6,822)		**(2,917)**		(6,822)
Increase / (decrease) in cash	24		**2,812**		(70)		**2,353**		(140)

Notes to the Financial Statements for the Year Ended 31 March 2013

1. Principal accounting policies

Flagship is a Registered Provider (RP) incorporated under the Industrial & Provident Societies Act 1965 and registered with the Homes and Communities Agency as an RP as defined by the Homes and Communities Act 2008.

Basis of accounting

The financial statements have been prepared on the going concern basis, in accordance with applicable Accounting Standards in the United Kingdom and the Accounting Direction for Private Registered Providers of Social Housing 2012. 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 2010 (SORP 2010). The financial statements are prepared on the historical cost basis of accounting except as modified by the revaluation of housing properties. Other accounting policies have been consistently applied from the prior year and throughout the group. In accordance with Financial Reporting Standard 2 'Accounting for subsidiary undertakings', the group consolidated financial statements incorporate the financial statements of the group's parent, Flagship Housing Group Limited, and its subsidiary. The acquisition method of accounting has been used.

Turnover

Turnover represents rental and service charge income receivable, grants from local authorities (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.

Housing properties

Completed housing properties have been valued on the Open Market Existing Use Valuation for Registered Social Housing (EUV) 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 that are subsequently aborted is written off in the year in which it is recognised that the scheme will not be completed.

Completed housing properties have been split between their land and structure costs and a specific set of major components that require periodic replacement.

Notes to the Financial Statements for the Year Ended 31 March 2013

1. Principal accounting policies (continued)

Refurbishment or replacement of such a component is capitalised and then depreciated over the estimated useful life of the component at the following rates:

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

Freehold land is not depreciated.

Housing properties are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, a review is conducted to ascertain whether its effect is to reduce the value of the property beyond the EUV. Deficits that fall within these criteria are regarded as planned internal subsidies, and are not treated as impairments. If an impairment above the acceptable level exists, a charge is made to the income and expenditure account to the extent that the impairment exceeds the acceptable deficit.

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

Development costs which 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.

Other tangible fixed assets

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

Office buildings	4%
Computer equipment	33%
Leased assets	Over the life of the lease
Office equipment	10 - 20%

Notes to the Financial Statements for the Year Ended 31 March 2013

1. Principal accounting policies (continued)

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 sales 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.

Current assets are shown at the lower of cost and net realisable value. If the net realisable value is lower than the cost, then the asset is impaired and a charge is made to the income and expenditure account to the extent that the impairment exceeds the acceptable net book value.

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' recommendations.

The company 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.

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 company 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 surpluses and deficits, actuarial gains and losses.

If the company 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.

Notes to the Financial Statements for the Year Ended 31 March 2013

1. *Principal accounting policies (continued)*

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 company 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 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.

Investments - HomeBuy

Investments and the associated grant under the HomeBuy scheme are held within the balance sheet as fixed asset investments.

Provisions for liabilities and charges

A provision for a liability or charge will be recognised when Flagship has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Corporation Tax

A significant proportion of the Group's activities occurs in Group entities recognised by Her Majesty's Revenue and Customs as exempt charities for tax purposes and is therefore not liable to Corporation Tax on surpluses. Where a taxable activity is undertaken, the charge for taxation is based on the result of the taxable activity for the period.

Notes to the Financial Statements for the Year Ended 31 March 2013

2. Turnover, Operating Costs and Operating Surplus

	Notes	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Group 2013				
Social housing lettings	3(a)	92,783	(49,771)	43,012
Other social housing activities				
- Supporting People Block Gross contracts		1,318	(1,240)	78
- Supporting People Block Subsidy contracts		800	(753)	47
- Low cost home ownership sales		1,017	(1,064)	(47)
- Other		4,468	(4,324)	144
Non–social housing activities	3(b)			
- Lettings		4,606	(2,594)	2,012
- Other		1,562	-	1,562
Total		**106,554**	**(59,746)**	**46,808**

		Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Group 2012				
Social housing lettings	3(a)	85,890	(43,397)	42,493
Other social housing activities				
- Supporting People Block Gross contracts		1,430	(1,178)	252
- Supporting People Block Subsidy contracts		919	(681)	238
- Low cost home ownership sales		3,353	(3,308)	45
- Other		7,969	(7,677)	292
Non–social housing activities	3(b)			
- Lettings		4,948	(3,101)	1,847
- Other		2,078	(490)	1,588
Total		**106,587**	**(59,832)**	**46,755**

Notes to the Financial Statements for the Year Ended 31 March 2013

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

	Notes	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Company 2013				
Social housing lettings	3(a)			
Other social housing activities		92,783	(49,771)	43,012
- Supporting People Block Gross contracts		1,318	(1,240)	78
- Supporting People Block Subsidy contracts		800	(753)	47
- Low cost home ownership sales		1,017	(1,064)	(47)
- Other		4,468	(4,324)	144
Non–social housing activities	3(b)			
- Lettings		4,606	(2,856)	1,750
- Other		1,824	-	1,824
Total		**106,816**	**(60,008)**	**46,808**

		Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Company 2012				
Social housing lettings				
Other social housing activities	3(a)	85,890	(43,397)	42,493
- Supporting People Block Gross contracts		1,430	(1,178)	252
- Supporting People Block Subsidy contracts		919	(681)	238
- Low cost home ownership sales		3,353	(3,308)	45
- Other		7,969	(8,314)	(345)
Non–social housing activities	3(b)			
- Lettings		4,948	(3,101)	1,847
- Other		2,715	(490)	2,225
Total		**107,224**	**(60,469)**	**46,755**

Notes to the Financial Statements for the Year Ended 31 March 2013

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

	General Needs Housing £'000	Supported Housing £'000	Temporary Social Housing £'000	Keyworker Housing £'000	Shared Ownership £'000	**Total 2013 £'000**	Total 2012 £'000
Income							
Rents receivable net of identifiable service charges	84,688	2,175	74	239	2,914	**90,090**	83,666
Service income	2,362	33	31	15	252	**2,693**	2,224
Total income	87,050	2,208	105	254	3,166	**92,783**	85,890
Expenditure							
Services	3,690	156	9	5	157	**4,017**	3,476
Management	13,016	1,157	14	24	701	**14,912**	13,176
Routine maintenance	15,217	390	26	30	-	**15,663**	9,905
Cyclical maintenance	2,831	72	3	5	-	**2,911**	5,228
Bad debts	369	6	-	(1)	(3)	**371**	441
Depreciation of housing properties	11,005	271	12	21	632	**11,941**	9,701
Impairment	(60)	(1)	-	-	(3)	**(64)**	1,342
Property lease charges	19	-	-	-	1	**20**	128
Total expenditure	46,087	2,051	64	84	1,485	**49,771**	43,397
Operating surplus on lettings	**40,963**	**157**	**41**	**170**	**1,681**	**43,012**	42,493
Rent losses from voids	*(973)*	*(10)*	*(8)*	*(2)*	*(25)*	*(1,018)*	*(913)*

No revenue grants were received in the year.

Notes to the Financial Statements for the Year Ended 31 March 2013

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

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Lettings				
General management charges	**-**	-	**262**	637
Market rented and commercial property rents	**771**	1,416	**771**	1,416
Student accommodation	**3,147**	2,822	**3,147**	2,822
Private garages	**688**	710	**688**	710
Other	**1,562**	2,078	**1,562**	2,078
	6,168	7,026	**6,430**	7,663

4. Surplus on sale of housing

Proceeds of sales	**9,380**	6,970	**9,380**	6,970
Cost of disposals	**(7,973)**	(6,388)	**(7,973)**	(6,388)
	1,407	582	**1,407**	582

5. Interest payable and similar charges

On loans wholly or partly repayable in more than 5 years	**25,532**	25,602	**25,532**	25,602
Amortisation of debt issue costs	**31**	33	**31**	33
On finance leases	**64**	31	**64**	31
Less: Interest capitalised	**(236)**	(521)	**(236)**	(521)
	25,391	25,145	**25,391**	25,145

The weighted average interest on borrowings of 4.8% *(2012:* 4.8%*)* was used for calculating capitalised interest.

6. Other finance costs

Expected return on pension scheme assets	**653**	798	**653**	798
Interest on pension scheme liabilities	**(837)**	(881)	**(837)**	(881)
	(184)	(83)	**(184)**	(83)

Notes to the Financial Statements for the Year Ended 31 March 2013

7. Taxation

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
UK corporation tax at 24% (2012: 26%)	-	-	-	-
Adjustments in respect of prior years:				
UK corporation tax	1	-	-	-
	1	-	**-**	-
Reconciliation of tax charge				
Tax on surplus on ordinary activities at standard UK corporation tax rate of 24% (2012: 26%)	**5,424**	6,229	5,424	6,229
Charitable non-taxable income	**(5,424)**	(6,229)	(5,424)	(6,229)
Adjustments in respect of previous periods	**1**	**-**	**-**	-
	1	**-**	-	**-**

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.

8. Surplus for the year

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Is stated after charging:				
Auditors' remuneration (excluding VAT):				
• In their capacity as auditors	38	37	34	33
• Other services	11	2	11	2
Bad debts	385	446	385	446
Operating Leases:				
• Hire of plant and machinery	81	58	81	58
• Rent of office buildings	219	237	219	237
• Rent of housing properties	1,741	1,761	1,741	1,761
Impairment losses	(74)	1,131	(74)	1,131
Depreciation on owned assets:				
• Housing stock	11,975	9,699	11,975	9,699
• Other assets	569	563	569	563
Depreciation on assets held under finance leases:				
• Other assets	371	256	371	256
(Surplus) on sale of fixed assets	(1,407)	(582)	(1,407)	(582)

Notes to the Financial Statements for the Year Ended 31 March 2013

9. (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 2012	792,699	-	61,839	-	-	-	**854,538**
Cost at 1 April 2012	-	7,297	-	1,494	3,943	6,856	**19,590**
Additions	14,087	25,083	-	-	19	1,239	**40,428**
Disposals	(5,157)	-	(1,612)	-	-	(548)	**(7,317)**
Transfers	23,530	(25,284)	1,754	-	-	-	**-**
Transfer (to) / from current assets	-	2,246	93	(1,400)	-	-	**939**
Movement on revaluation	6,443	-	950	-	-	-	**7,393**
At 31 March 2013	831,602	9,342	63,024	94	3,962	7,547	**915,571**
Depreciation							
At start of the year	-	-	-	-	1,845	5,084	**6,929**
Charge for year	11,414	-	561	-	154	786	**12,915**
Disposals	(370)	-	(168)	-	-	(425)	**(963)**
Movement on revaluation	(11,044)	-	(393)	-	-		**(11,437)**
At 31 March 2013	-	-	-	-	1,999	5,445	**7,444**
Net book value 31 March 2013	**831,602**	**9,342**	**63,024**	**94**	**1,963**	**2,102**	**908,127**
Net book value at 31 March 2012	792,699	7,297	61,839	1,494	2,098	1,772	867,193

Notes to the Financial Statements for the Year Ended 31 March 2013

9. (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 2013							
Gross cost	845,503	9,452	74,042	94	3,962	7,546	**940,599**
Social housing grant	(219,516)	(110)	(19,663)	-	-	-	**(239,289)**
	625,987	9,342	54,379	94	3,962	7,546	**701,310**
Historical cost depreciation b/fwd	(82,752)	-	(2,972)	-	(1,845)	(5,084)	**(92,653)**
Depreciation charge on historic cost (Net of amounts released on disposals)	(11,044)	-	(393)	-	(154)	(360)	**(11,951)**
Net book value of historic cost	532,191	9,342	51,014	94	1,963	2,102	**596,706**
Revaluation Reserve	299,411	-	12,010	-	-	-	**311,421**
Revalued net book value	**831,602**	**9,342**	**63,024**	**94**	**1,963**	**2,102**	**908,127**

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 2013 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 in December 1998.

Development administration expenditure and interest costs capitalised during the year amounted to £235,863 *(2012: £*731,252*).* Maintenance expenditure capitalised during the year was £13,730,253 *(2012: £*10,816,922*),* maintenance expenditure to existing properties charged to the income and expenditure account in the year was £ 18,729,815 *(2012: £15,986,019).*

The net book value of tangible fixed assets includes an amount of £1,401,828 *(2012: £*1,043,164) in respect of assets held under finance leases.

Notes to the Financial Statements for the Year Ended 31 March 2013

9. (c) Tangible fixed assets – Company	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 2012	792,699	-	61,839	-	-	-	**854,538**
Cost at 1 April 2012	-	7,297	-	1,494	3,943	6,856	**19,590**
Additions	14,087	25,083	-	-	19	1,239	**40,428**
Disposals	(5,157)	-	(1,612)	-	-	(548)	**(7,317)**
Transfers	23,530	(25,284)	1,754	-	-	-	**-**
Transfer (to) / from current assets	-	2,246	93	(1,400)	-	-	**939**
Movement on revaluation	6,443	-	950	-	-	-	**7,393**
At 31 March 2013	831,602	9,342	63,024	94	3,962	7,547	**915,571**
Depreciation							
At start of the year	-	-	-	-	1,845	5,084	**6,929**
Charge for year	11,414	-	561	-	154	786	**12,915**
Disposals	(370)	-	(168)	-	-	(425)	**(963)**
Movement on revaluation	(11,044)	-	(393)	-	-		**(11,437)**
At 31 March 2013	-	-	-	-	1,999	5,445	**7,444**
Net book value 31 March 2013	**831,602**	**9,342**	**63,024**	**94**	**1,963**	**2,102**	**908,127**
Net book value at 31 March 2012	792,699	7,297	61,839	1,494	2,098	1,772	867,199

Notes to the Financial Statements for the Year Ended 31 March 2013

9. (d) Tangible fixed assets – Company

	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 2013							
Gross cost	847,689	9,452	74,042	94	3,962	7,546	**942,785**
Social housing grant	(219,516)	(110)	(19,663)	-	-	-	**(239,289)**
	628,173	9,342	54,379	94	3,962	7,546	**703,496**
Historical cost depreciation b/fwd	(82,752)	-	(2,972)	-	(1,845)	(5,084)	**(92,653)**
Depreciation charge on historic cost (Net of amounts released on disposals)	(11,044)	-	(393)	-	(154)	(360)	**(11,951)**
Net book value of historic cost	534,377	9,342	51,014	94	1,963	2,102	**598,892**
Revaluation Reserve	297,225	-	12,010	-	-	-	**309,235**
Revalued net book value	**831,602**	**9,342**	**63,024**	**94**	**1,963**	**2,102**	**908,127**

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 2013 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 in December 1998.

Development administration expenditure and interest costs capitalised during the year amounted to £235,863 *(2012: £*731,252*).* Maintenance expenditure capitalised during the year was £13,750,253 *(2012: £*10,816,922*),* maintenance expenditure to existing properties charged to the income and expenditure account in the year was £18,729,815 *(2012: £*15,986,019*).*

The net book value of tangible fixed assets includes an amount of £1,401,828 *(2012: £*1,043,164) in respect of assets held under finance leases.

Notes to the Financial Statements for the Year Ended 31 March 2013

10. HomeBuy

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Loans to home purchasers	**38**	38	**38**	38
Less: Social Housing Grant	**(38)**	(38)	**(38)**	(38)
Net Cost	**-**	-	**-**	-

11. Fixed asset investments

Other Investments (at historical cost)	**152**	2	**152**	2

Subsidiary companies	**Class of shares**	**Number of shares owned**	**Percentage Owned %**	**Registered in England and Wales**
Flagship Housing Developments Limited	£1 Ordinary	1	100%	Yes
RFT Repairs Limited (Dormant) (Commenced trading on 1 June 2013)	£1 Ordinary	1	100%	Yes
RFT Repairs & Maintenance Limited (Dormant)	£1 Ordinary	1	100%	Yes
East Anglian Homes Limited (Dormant)	£1 Ordinary	1	100%	Yes

12. Stock

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Housing properties held for low cost home ownership sales	-	1,085	-	1,085
Shared ownership properties – in construction	94	940	94	940
	94	2,025	**94**	2,025

Notes to the Financial Statements for the Year Ended 31 March 2013

13. Debtors

	Group 2013	Group 2012	**Company 2013**	Company 2012
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year				
Amounts owed by Group companies	**-**	-	**432**	300
Rental debtors:				
• Amounts due from tenants	**3,600**	3,534	**3,600**	3,534
• Bad and doubtful debt provision	**(1,260)**	(823)	**(1,260)**	(823)
Other trade debtors:				
• Amounts due from other trade debtors	**617**	713	**575**	713
• Bad and doubtful debt provision	**(152)**	(65)	**(152)**	(65)
Other debtors	**4,884**	3,033	**4,859**	3,010
Prepayments and accrued income	**3,629**	4,199	**2,311**	4,207
	11,318	10,591	**10,365**	10,876
Amounts falling due after more than one year				
Other debtors – refurbishment commitment	**2,056**	4,278	**2,056**	4,278
	2,056	4,278	**2,056**	4,278

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 2013

14. Creditors - Amounts falling due within one year

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Obligations under finance leases (note 15)	**565**	389	**565**	389
Trade creditors	**3,588**	4,947	**3,469**	5,062
Other creditors including taxation and social security	**3,745**	1,280	**3,740**	1,279
Accruals and deferred income	**11,849**	9,174	**10,319**	9,102
Other creditors – refurbishment provision	**2,852**	2,852	**2,852**	2,852
Recycled Capital Grant Fund (see below)	**502**	337	**502**	337
Disposals Proceeds Fund	**-**	-	**-**	-
	23,101	18,979	**21,447**	19,021

Recycled Capital Grant Fund				
Balance brought forward	**337**	114	**337**	114
Grants recycled	**182**	211	**182**	211
Interest accrued	**23**	12	**23**	12
New build	**(40)**	-	**(40)**	-
At end of year	**502**	337	**502**	337

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

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Housing loans:				
• Repayable in five years or more (Gross)	**524,600**	527,600	**524,600**	527,600
• Less: liquidity deposit reserve	**(12,234)**	(11,985)	**(12,234)**	(11,985)
• Repayable in five years or more (Net)	**512,366**	515,615	**512,366**	515,615
• Deferred debt issue costs	**(155)**	(187)	**(155)**	(187)
Obligation under finance leases	**836**	679	**836**	679
Accruals and deferred income	**764**	764	**764**	764
Other creditors – refurbishment provision	**2,057**	4,278	**2,057**	4,278
	515,868	521,149	**515,868**	521,149

Notes to the Financial Statements for the Year Ended 31 March 2013

15. *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 4.8%; the average during the year was 4.8%. The above maturities are calculated by reference to the existence of committed facilities at 31 March 2013 in accordance with Financial Reporting Standard No. 4. The earliest dates on which repayment could be demanded under committed revolving facilities are as follows:

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Housing loans:				
Repayable between one and two years	**2,021**	2,216	**2,021**	2,216
Repayable between two and three years	**2,173**	2,270	**2,173**	2,270
Repayable between three and five years	**14,048**	9,608	**14,048**	9,608
Repayable in five years or more	**506,358**	513,506	**506,358**	513,506
Less: Liquidity deposit reserve	**(12,234)**	(11,985)	**(12,234)**	(11,985)
	512,366	515,615	**512,366**	515,615

The interest rate profile of the Group was:	**Variable Rate** £'000	**Fixed Rate** £'000	**Total** £'000
Instalment Loans	103,300	285,000	388,300
Non-instalment Loans	-	136,300	136,300
	103,300	**421,300**	**524,600**

	Weighted Average Rate %	**Weighted Average Term of fixing** Years	**Undrawn Facilities** £'000
Instalment Loans	4.1%	12	71,700
Non-Instalment Loans	6.6%	26	-

Net finance lease obligations:	**Group 2013 £'000**	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
In one year or less	**565**	389	**565**	389
Between two and five years	**836**	679	**836**	679
	1,401	1,068	**1,401**	1,068

Notes to the Financial Statements for the Year Ended 31 March 2013

16. Non-equity share capital	2013 £	2012 £
Allotted, issued and fully paid		
At start of the year	142	142
Issued during the year	-	-
At end of the year	**142**	142

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

17. Reserves	Group 2013 £'000	Company 2013 £'000
Revaluation reserve		
At 1 April 2012	293,929	291,743
Revaluation surplus realised on sale of housing	(1,544)	(1,544)
Surplus on revaluation	19,036	19,036
At 31 March 2013	**311,421**	**309,235**
Revenue reserve		
At 1 April 2012	48,138	50,174
Revaluation surplus realised on sales	1,544	1,544
Surplus for the year	22,749	22,748
Actuarial loss recognised in the pension scheme	(1,118)	(1,118)
At 31 March 2013	**71,313**	**73,348**

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Revenue reserve excluding pension liability	**78,077**	53,940	**80,112**	55,976
Pension liability	**(6,764)**	(5,802)	**(6,764)**	(5,802)
Revenue reserve including pension liability	**71,313**	48,138	**73,348**	50,174

18. Capital commitments

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements				
New dwellings	**8,829**	9,484	**8,829**	9,484
Vehicles	**921**	-	**921**	-
	9,750	9,484	**9,750**	9,484

The total amount contracted for at 31 March 2013 in respect of new dwellings relates to approved schemes for which grant approval has been received and / or private finance arranged.

19. Operating leases

The Group holds lettable housing stock and office accommodation under non-cancellable operating leases. At 31 March 2013 the Group had annual commitments under these leases as follows:

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Leases expiring:				
Within one year	**24**	16	**24**	16
Between one to five years	**34**	34	**34**	34
Between five to ten years	**179**	-	**179**	-
Between ten to twenty years	**-**	179	**-**	179
Between twenty to thirty years	**1,364**	1,364	**1,364**	1,364
	1,601	1,593	**1,601**	1,593

Notes to the Financial Statements for the Year Ended 31 March 2013

20. Pension obligations

The Group and Company 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.

20. (a) Norfolk County Council Pension Fund and Suffolk County Council Pension Fund

The Norfolk County Council Pension Fund and Suffolk County Council Pension Fund are defined benefit pension schemes. Valuations for the purposes of FRS 17 were carried out at 31 March 2013. The results of the valuations are as follows:

Assumptions:	**Group 2013**	Group 2012	**Company 2013**	Company 2012
Financial assumptions:	% per annum	% per annum	% per annum	% per annum
Pension increase rate	**2.8%**	2.5%	**2.8%**	2.5%
Salary increase rate	**5.1%**	4.8%	**5.1%**	4.8%
Expected return on assets	**5.1%**	5.5%	**5.1%**	5.5%
Discount rate	**5.1%**	4.8%	**5.1%**	4.8%
Breakdown of the expected return on assets by category:				
Equities	**5.7%**	6.3%	**5.7%**	6.3%
Bonds	**3.6%**	3.8%	**3.6%**	3.8%
Property	**3.9%**	4.4%	**3.9%**	4.4%
Cash	**3.0%**	3.5%	**3.0%**	3.5%

Mortality rates (based on the PFA92 and PMA92 tables)

	Males 2013	**Females 2013**	Males 2012	Females 2012
	Years	Years	Years	Years
Current pensioners: post-retirement life expectancy	21.3	23.4	21.3	23.4
Future pensioners: post-retirement life expectancy	23.7	25.8	23.7	25.8

Balance Sheet:

Scheme assets value	**Group 2013 £'000**	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Equities	**8,952**	8,048	**8,952**	8,048
Bonds	**2,695**	2,120	**2,695**	2,120
Property	**1,387**	1,357	**1,387**	1,357
Cash	**307**	357	**307**	357
Total fair value of scheme assets	**13,341**	11,882	**13,341**	11,882
Present value of scheme liabilities	**(19,981)**	(17,564)	**(19,981)**	(17,564)
Net underfunding in funded plans	**(6,640)**	(5,682)	**(6,640)**	(5,682)
Present value of unfunded liabilities	**(124)**	(120)	**(124)**	(120)
Net pension liability	**(6,764)**	(5,802)	**(6,764)**	(5,802)

Notes to the Financial Statements for the Year Ended 31 March 2013

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

Recognition in the Income and Expenditure Account	**Group**	Group	**Company**	Company
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Current service cost	**124**	131	**124**	131
Interest cost	**837**	881	**837**	881
Expected return on employer assets	**(653)**	(798)	**(653)**	(798)
Losses on curtailments and settlements	**5**	67	**5**	67
Total	**313**	281	**313**	281
Actual return on plan assets	**1,606**	115	**1,606**	115
	% of Pay	% of Pay	**% of Pay**	% of Pay
Current service cost	**23.0%**	22.2%	**23.0%**	22.2%
Interest cost	**170.6%**	158.7%	**170.6%**	158.7%
Expected return on employer assets	**(146.8%)**	(154.6%)	**(146.8%)**	(154.6%)
Losses on curtailments and settlements	**0.6%**	12.2%	**0.6%**	12.2%
Total	**47.4%**	38.5%	**47.4%**	38.5%
Reconciliation of defined benefit obligation				
Opening defined benefit obligation	**17,684**	16,022	**17,684**	16,022
Current service cost	**124**	131	**124**	131
Interest cost	**837**	881	**837**	881
Contribution by members	**35**	39	**35**	39
Actuarial (surpluses) / deficits	**2,067**	1,155	**2,067**	1,155
Losses on curtailments	**5**	67	**5**	67
Estimated unfunded benefits paid	**(9)**	(9)	**(9)**	(9)
Estimated benefits paid	**(638)**	(602)	**(638)**	(602)
Closing defined benefit obligation	**20,105**	17,684	**20,105**	17,684

Notes to the Financial Statements for the Year Ended 31 March 2013

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

Reconciliation of fair value of employer assets

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Opening fair value of employer assets	**11,882**	11,936	**11,882**	11,936
Expected return on assets	**653**	798	**653**	798
Contributions by members	**35**	39	**35**	39
Contributions by the employer	**455**	264	**455**	264
Contributions in respect of unfunded benefits	**9**	9	**9**	9
Actuarial (losses) / gains	**954**	(553)	**954**	(553)
Assets distributed on settlements	**-**	-	**-**	-
Unfunded benefits paid	**(9)**	(9)	**(9)**	(9)
Benefits paid	**(638)**	(602)	**(638)**	(602)
Fair value of employer assets	**13,341**	11,882	**13,341**	11,882

Amounts for the current and previous accounting periods				
Fair value of employer assets	**13,341**	11,882	**13,341**	11,882
Present value of defined benefit obligation	**(20,105)**	(17,684)	**(20,105)**	(17,684)
Deficit	**(6,764)**	(5,802)	**(6,764)**	(5,802)
Experience gains / (losses) on assets	**954**	(553)	**954**	(553)
Percentage of scheme assets	**7.2%**	(4.6%)	**7.2%**	(4.6%)
Experience gains / (losses) on liabilities	**32**	(437)	**32**	(437)
Percentage of present value of scheme liabilities	**0.2%**	(3.7%)	**0.2%**	(3.7%)
Amounts recognised in Statement of Total Recognised Surpluses and Deficits				
Actuarial (losses) / gains	**(1,118)**	(1,708)	**(1,118)**	(1,708)
Actuarial (losses) / gains recognised in STRSD	**(1,118)**	(1,708)	**(1,118)**	(1,708)
Cumulative actuarial losses	**(5,140)**	(4,027)	**(5,140)**	(4,027)

Notes to the Financial Statements for the Year Ended 31 March 2013

20. (b) 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 ongoing 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 ongoing 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 and Company £831,614 *(2012: £*629,772*).*

The last formal valuation of the scheme was performed as at 30 September 2011 by a professionally qualified actuary using the projected unit method. The market value of the scheme's assets at the latest valuation date was £2,062m. The valuation revealed a shortfall of assets compared to liabilities of £1,035m, equivalent to a past service funding level of 67%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% per annum
Valuation discount rate – Pre retirement	7.0
Valuation discount rate – Non pensioner post retirement	4.2
Valuation discount rate – Pensioner post retirement	4.2
Pensionable earnings growth	2.5 for 3 years then 4.4
Price inflation	2.9
Rate of pension increases Pre 88 Guaranteed Minimum Pension (GMP)	0.0
Rate of pension increases Post 88 GMP	2.0
Rate of pension increases Excess over GMP	2.4
Mortality pre retirement - PA92 Year of Birth, long cohort projection, minimum improvement	1.5
Mortality post retirement - 90% S1PA Year of Birth, long cohort projection, minimum improvement	1.5

With effect from 1 April 2013 the employer and employee contribution rates will be 11.45% (*2012:* 11.15*%*) and 8.85% to 10.85% (*2012: 8.05% - 10.05%*) of pensionable salaries respectively. In addition the Group will make an additional fixed payment of £47,372 per month *(2012: £*29,632*)* towards the past service deficit.

20. (b) 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 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 2012. As of this date the estimated employer debt for Flagship Housing Group was: Group and Company - £27,218,316 *(2012: £*26,674,867*).*

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 ongoing 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 ongoing funding deficit by individual employer.

20. (b) 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 £1,527m. The valuation revealed a shortfall of assets compared to liabilities of £663m, equivalent to a funding level of 70%. The next full actuarial valuation will be carried out as at 30 September 2012.

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

	% per annum
Investment Return pre-retirement	7.0
Investment return post-retirement – Actives/Deferreds	4.2
Investment return post-retirement – Pensioners	4.2
Bonuses on accrued benefits	0.0
Rate of price inflation	2.9

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 2012. As of this date the estimated employer debt for Flagship Housing Group was: Group and Company - £56,770 *(2012: £33,150*).

Notes to the Financial Statements for the Year Ended 31 March 2013

20. (c) 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 2013 £	Group 2012 £	**Company 2013 £**	Company 2012 £
Contributions	**187,858**	142,451	**187,858**	142,451

Notes to the Financial Statements for the Year Ended 31 March 2013

21. 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.

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 in the Group during the year was Group: £937,434 *(2012: £*757,021). Retirement benefits are accruing to the Executive Directors under defined benefit schemes (3 members; *2012 – 4 members*) and defined contribution schemes (2 members, *2012 – 1 member)*. The Chief Executive, who is also the highest paid Director, is an ordinary member of the Social Housing Pension Scheme (see Note 20).

	2013			2012		
	Executive Directors	**Non-Executive Directors**	**Total**	Executive Directors	Non-Executive Directors	Total
	£	£	£	£	£	£
Salary	**731,199**	**84,050**	**815,249**	578,000	86,667	664,667
Benefits	**22,141**	**-**	**22,141**	18,173	-	18,173
Compensation for loss of office	**31,500**	**-**	**31,500**	-	-	-
Total excluding pension contributions	**784,840**	**84,050**	**868,890**	596,173	86,667	682,840
Pension contributions	**69,069**	**-**	**69,069**	74,181	-	74,181
Aggregate total	**853,909**	**84,050**	**937,959**	670,534	86,667	757,021

Emoluments paid to the highest paid Director	**Chief Executive**	**Chief Executive**
Salary	**175,000**	150,000
Benefits	**3,765**	2,411
Total excluding pension contributions	**178,765**	152,411
Pension contributions	**14,262**	16,725
Aggregate total	**193,027**	169,136

Notes to the Financial Statements for the Year Ended 31 March 2013

22. Employee information

	Group 2013 Number	Group 2012 Number	**Company 2013 Number**	Company 2012 Number
The average full time equivalent number of persons (including Executive Directors) employed during the year was:	**412**	437	**412**	437

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

Staff costs (for the above persons):	**Group 2013 £'000**	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Wages and salaries (including redundancy costs)	**10,921**	10,464	**10,921**	10,464
Social Security costs	**892**	855	**892**	855
Pension costs	**832**	1,012	**832**	1,012
Total – excluding temporary staff costs	**12,645**	12,331	**12,645**	12,331
Temporary staff costs	**157**	329	**157**	329
Total	**12,802**	12,660	**12,802**	12,660

Salary Bands

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

	Group 2013 Number	Group 2012 Number	**Company 2013 Number**	Company 2012 Number
£60,000 to £70,000	**1**	4	**1**	4
£70,001 to £80,000	**1**	1	**1**	1
£80,001 to £90,000	**1**	3	**1**	3
£90,001 to £100,000	**1**	-	**1**	-
£100,001 to £110,000	**2**	1	**2**	1
£120,001 to £130,000	**3**	2	**3**	2
£140,001 to £150,000	**1**	1	**1**	1
£150,001 to £160,000	**-**	1	**-**	1
£170,001 to £180,000	**1**	-	**1**	-
	11	13	**11**	13

Notes to the Financial Statements for the Year Ended 31 March 2013

23. Housing stock

	Group 2013 Units	Group 2012 Units	**Company 2013 Units**	Company 2012 Units
Housing accommodation	**19,768**	19,428	**19,768**	19,428
Housing accommodation at intermediate rent	**57**	-	**57**	-
Supported housing accommodation	**376**	416	**376**	416
Shared ownership accommodation	**1,104**	1,139	**1,104**	1,139
Keyworker properties	**38**	71	**38**	71
Housing accommodation let at market rent	**121**	175	**121**	175
Student accommodation	**600**	600	**600**	600
Total	**22,064**	21,829	**22,064**	21,829

24. Notes to the cash flow statement

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Reconciliation of operating surpluses to net cash inflow from operating activities				
Operating surplus	**46,808**	46,755	**46,808**	46,755
Depreciation charges	**11,941**	10,678	**11,941**	10,678
Impairment and abortive provision movements	**(65)**	1,342	**(65)**	1,342
Decrease in stock	**1,056**	778	**1,056**	778
Decrease in debtors	**3,420**	6,405	**2,998**	5,793
Increase / (decrease) in creditors	**833**	(3,582)	**796**	(3,040)
Other non-cash movements	**(335)**	(75)	**(335)**	(75)
Net cash inflow from operating activities	**63,658**	62,301	**63,199**	62,231
Reconciliation of net cash flow to movement in net debt				
Increase / (decrease) in cash in the period	2,812	(70)	2,353	**(140)**
Cash outflow from movement in debt	3,249	7,249	3,249	**7,249**
Capital element of finance lease payments	(332)	(427)	(332)	**(427)**
Change in net debt resulting from cash flows	5,729	6,752	5,270	**6,682**
Non cash transactions - amortisation of debt issue	(33)	(33)	(33)	**(33)**
Net debt at start of the year	(512,588)	(519,307)	(512,981)	**(519,630)**
Net debt at end of the year	**(506,892)**	**(512,588)**	**(507,744)**	**(512,981)**

Notes to the Financial Statements for the Year Ended 31 March 2013

24. *Notes to the cash flow statement – (continued)*

	At 31 March 2012 £'000	Cash flows £'000	Non cash transaction £'000	At 31 March 2013 £'000
Analysis of net debt - Group				
Cash in hand and at bank	3,908	2,812	-	**6,720**
	3,908	2,812	-	**6,720**
Debt due within 1 year	(389)	(176)	-	**(565)**
Debt due after 1 year	(516,107)	3,093	(33)	**(513,047)**
Total	**(512,588)**	**5,729**	**(33)**	**(506,892)**
Analysis of net debt – Company				
Cash in hand and at bank	3,515	2,353	**-**	**5,868**
	3,515	2,353	-	**5,868**
Debt due within 1 year	(389)	(176)	-	**(565)**
Debt due after 1 year	(516,107)	3,093	(33)	**(513,047)**
Total	**(512,981)**	**5,270**	**(33)**	**(507,744)**

25. Provision for liabilities and charges

	Group 2013 £'000	Company 2013 £'000
At 1 April 2012	250	250
Released during the year	(250)	(250)
At 31 March 2013	-	-

A provision had been made in the financial statements for any interest that may become payable to the Homes and Communities Agency for grant claimed in advance of the correct date. The final amount due has been agreed and provided for in full, so the provision has been released.

26. 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.