Consolidated Financial Statements

for the year ended
31 March 2022

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

The Printworks, Papworth

flagship-group.co.uk

Contents

"We provide homes and create sustainable communities.

Board of Management, Executive Team and Advisers

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

Member		Board	GARC	F&T	H&S	P&C
Hawes, P.	N	Chair				
Burton, P.	N	Vice Chair				✓
Baynham, P.	N	✓		Chair		
Bennett, R.	N	✓	Chair			
Cook, S.	N	✓				
Jamieson, D.	N	✓	✓		Chair	
Peak, M.	N	✓				
Remington, P.	N	✓		✓		Chair
Taylor-Brown, C. (resigned 30 July 2021)	N	✓	✓			
McQuade, D. (Chief Executive Officer)	E	✓				
Walsham, H. (Deputy Chief Executive Officer)	E	✓			✓	
Archibald, J. (Chief Strategic Officer) (resigned 31 May 2022)	E	✓			✓	
Armstrong, D. (Chief Financial Officer)	E	✓		✓		
Cook, P.	A		✓			✓
Lee, R. (appointed 27 January 2022)	A			✓		
Marcus, E.	S					

Key:

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

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

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

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

External Auditor: Mazars LLP, First Floor, Two Chamberlain Square, Birmingham B3 3AX

Bankers: National Westminster Bank, 21 Gentleman's Walk, Norwich, Norfolk NR2 1NA

Group Funders: The Royal Bank of Scotland; Santander UK; The Co-operative Bank; Nationwide Building Society; The Housing Finance Corporation; Clydesdale Bank; Lloyds Bank; M&G Investment Management; Canada Life

Note: H Walsham appointed to Health and Safety committee following resignation of J. Archibald.

Chair's Statement

Peter Hawes, Chair

It has been an exceptionally busy and challenging year. Our people, business operations and operating performance has been impacted by the ongoing repercussions of the global pandemic, and latterly by the geopolitical challenges in Eastern Europe. We have navigated the uncertainties and risks with a determined focus on keeping our staff, customers and tenants safe.

Despite these challenges I have been overwhelmed by the resilience of our operating model and the commitment of our people, our executive team and our Board of Directors, which is undoubtedly reflected in our financial performance at 31 March 2022.

We achieved revenue of £232m for the year ended 31 March 2022 which was marginally below what we had hoped to achieve due to a lower volume of open market property sales, primarily due to construction delays, but it is still an increase of 15.9% on 2020/21. We achieved a surplus before tax of £59.2m, £1.6m above budget, successfully launched our first public bond of £250m giving us access to £200m of debt financing at approx. 2% (with £50m retained), and we maintained our Moody's A2 credit rating. A lot to be proud of.

The year saw us return to a more consistent service level (without the previous year's COVID-19 disruption), our customer satisfaction ended the year at 82% although earlier in 2021 we saw our Net Promoter Score fall to +5, significantly lower than our aim of +24 showing the real impact of COVID-19 disruption to our services. We have implemented a number of changes to address issues raised and saw a reduction of 76% in failed call-backs as a result of these improvements and we created a new tenant voice framework and complaint handling process. We also changed our structure to provide tenants with a better local service, redefining our boundaries between our three affordable rent housing brands, Newtide, Samphire and Victory, which manage approx. 10,000 homes each. We know that for many customers, the most important service is our repairs and maintenance, and as a Board we think there is more that can be done to ensure that this service is effective and efficient whilst continuing to deliver which is important to customers.

Hopestead, our charity focused on eliminating homelessness, has continued to progress the great work in supporting local organisations, with over 50 partnerships created with charities and other organisations, partnering with local authorities on Housing First pilots and also developing strategic partnerships with St. Martins and Norwich City Council to provide homes for people experiencing homelessness. Hopestead has also helped households directly. In the past year Hopestead has provided furniture and white goods packages to 26 households moving into their first tenancy following a period of homelessness and 100 households at risk of experiencing homelessness. Additionally, Hopestead has supported the Afghan resettlement scheme with moving in and training support as well as raising over £20,000 directly to further support individuals experiencing homelessness and we signed up to support local authorities with the Homes for Ukraine scheme.

Through our asset investment programme, we have invested £40m in improvements to our existing homes, including over 1,200 new kitchens and bathrooms and we installed 389 air source heat pumps. We were pleased to be awarded the East Region Landlord of the Year at the Energy Efficiency Awards (and national runner-up) and Most Innovative Retrofit or Refurbishment Scheme at the Housing Digital Awards (in conjunction with Q-bot, for robotised underfloor insulation).

Building safety remains high on the agenda and we invested over £10m on fire and other safety related works and focus on de-carbonisation saw us invest £5.8m in insulation works and communal renewable heating schemes.

Gasway and Blue Flame recorded their highest ever combined turnover at £46.5m relating to both internal and external works. Both organisations have been focused on supporting the Group to deliver our internal improvement plans as well as managing the profitability of external contracts which have been adversely impacted by the increase in material and fuel costs.

> **"It cannot be emphasised enough how important it has been to come together.**

We brought our new build development activity and our shared ownership homes together under our Flagship Homes brand, which enables us to provide a tailored service to those customers. Although housing delivery is not expected to reach pre-pandemic levels until 2026 – we succeeded in building 655 new homes: 281 were in Norfolk, 248 in Suffolk, 116 in Cambridgeshire and 10 in Essex; 447 were for affordable rent, 110 low-cost home ownership homes, 7 shared equity and 91 open market sale.

We also secured a Strategic Partnership with Homes England, securing £92m of grant funding to support the development of 1,500 new affordable homes. We started on site on 15 schemes which included 53 all affordable homes at Kirby Road, Walton-on-the-Naze, 39 all affordable homes at South Green, Dereham, 35 all affordable homes at Longfield Road, Capel St Mary and 30 all affordable homes at Chitts Hill, Stanway.

We completed the sale of 12 beautiful homes at The Printworks, Papworth, 16 affordable homes in Newmarket, 38 affordable homes at Hill Farm in Halesworth and 26 affordable homes in Rackheath. We have also completed 59 of our 300 homes at our Mill Grove scheme in Stowmarket in partnership with Hopkins Homes.

Our partnership with Legal & General Affordable Homes welcomed its first new homes in Bury St. Edmunds whilst Evera Homes LLP sold all 36 properties at its De Havilland Gardens development in Huntingdon.

Forming strong and productive partnerships that allow us to maximise the benefits of our profit-for-purpose approach means we are better equipped to deliver excellent services and help solve the housing crisis in the East of England.

Our student accommodation and market rented properties continue to deliver strong financial returns. Occupancy rates at our student accommodation in Cambridge were hit particularly hard by COVID-19 and we are pleased to report that occupancy is slowly returning to pre-pandemic levels. These portfolios contributed £3.6m to the Group's performance.

We continue to invest in our staff and almost a third of all 400+ roles advertised across the Group last year were filled by internal candidates, demonstrating positive development and movement of staff across the business. We currently have 106 apprentices and this year were awarded a high commendation for larger employer of the year at the National Apprenticeship Awards and won large employer of the year in the East of England Apprenticeship Awards. We remained focused on supporting our staff and provided a number of different wellbeing and support services such as counselling, yoga and mindfulness, walk and talk sessions and a working from home toolkit which offered useful tips and guidance to improve physical and mental wellbeing whilst working at home. During 2021/22 the days lost to 'stress, anxiety and depression' decreased from 665 days to 357 days.

It cannot be emphasised enough how important it has been to come together during what has been an unusual time for all, and I again, want to thank everyone for their hard work and contribution.

It goes without saying that next year will bring more opportunities as we continue talks with bpha and Futures Housing Group. It is an exciting time and if we can achieve a tripartite partnership, it will help make a difference for more people and steer us on the path of building a strong and more sustainable business, reflecting our commitment to the communities we serve and the wider environment, a business that we can continue to be proud of.

Peter Hawes, Chair
28 July 2022

Strategic Report

for the year ended 31 March 2022

The Board of Management (the 'Board') presents its Strategic Report, including its assessment of Value For Money, for Flagship Housing Group Limited (the 'company' or 'Flagship') and its subsidiaries (together the 'Group' or 'Flagship Group') for the year ended 31 March 2022.

The structure of our Group has changed during the year ended 31 March 2022.

The changes are explained within the Report of the Board on page 60 and in note 20 on page 120 in the notes to the financial statements.

Changing trading landscape

Two years ago, we were reflecting on the impact of the first COVID-19 lockdown, the level of unprecedented state intervention, and the sudden contraction of our services to an emergency only offering.

Just a year later we were reflecting with cautious optimism that the COVID-19 vaccine roll-out would result in an irreversible return to our societal freedoms enabling a perceived return to normality of our services.

The early part of 2022 was categorised by cautious optimism in the government's 'roadmap out of lockdown' as we all slowly rebuilt our confidence to mix and socialise. As our employees' confidence returned, so could the originality and personal nature of our services. Material price inflation was notable, due to demand outstripping supply, but this was alongside the backdrop of ongoing government economic stimulus.

However, in stark contrast, March 2022 has brought soaring inflation, at its highest level in over 30 years, and, as reported in the media, a 'cost-of-living crisis'. Unusually high levels of geopolitical uncertainty is undoubtedly exacerbating price inflation at a time when productivity is lagging behind due to a contraction in investment during COVID-19.

Our tenants are telling us that they are feeling the impact of energy, food and travel cost increases and that their income is not going as far as it did before. As a social housing provider, we support those on lower incomes for whom a 'cost-of-living crisis' will arguably have the greatest impact on quality of life.

We believe that our responsibility goes beyond just providing bricks and mortar for our tenants. A home that is safe and secure is integral to mental and physical wellbeing and our responsibility therefore extends to helping our tenants stay in their home.

Our purpose

Our primary purpose is to provide homes, creating sustainable communities that our tenants can thrive in.

Our vision is to solve the housing crisis in the East of England. Our vision is aspirational and a powerful tool to stimulate us to continuously strive to provide more new homes, to improve the efficiency of our existing homes, to encourage cohesion in our communities and to work with the marginalised, such as those that are homeless, to provide everyone with a home which they can call their own.

By using new and innovative construction technologies we can increase the volume of new build homes, but the solution cannot just be to provide new homes, it is also about improving our existing ones. We are retrofitting new energy saving technologies into our existing homes and continuously striving for new effective and imaginative solutions to improve the quality of our homes for our existing tenants.

We want to be the best landlord in the UK. By embodying our vision and embedding our values in everything we do we know we can achieve it.

> **"Our vision is to solve the housing crisis in the East of England.**

Our values are:

- Employ great people doing great things
- Deliver outstanding customer service
- Spend money wisely
- Relentlessly improve our performance

We seek to reinvest any profit we make where it is most needed to enable us to stride forward toward achieving our vision. We call this 'profit for purpose.'

We acknowledge that social housing provision alone will not solve every element of the housing crisis in the East of England – homelessness is an example of this. This makes our homelessness charity, Hopestead, such an important part of our Group. It works with partner organisations to address the drivers that underpin the cycle of homelessness, delivering a targeted response beyond just the provision of somewhere to live to enable individuals to thrive in a new home and avoid a return to homelessness at a later date.

Collaboration, partnerships and targeted interventions are central to the delivery of our purpose. Through joint ventures with developers, partnerships with local authorities and other businesses we are able to create innovative approaches for the supply of housing, enabling us to continue solving the housing crisis in the East of England.

> “These principles help us model our organisation as we look to the future and embrace transformational changes.

Our operating principles

We have identified twelve operating principles which are central to the delivery of our purpose.

These principles help us model our organisation as we look to the future and embrace transformational changes such as delivering greater digital self-service for our tenants, delivering on the government's 2030 and 2050 carbon targets, creating sustainable communities through local service delivery and partnering with and investing in new technologies as we seek to make finite resources go further to solve the housing crisis in the East of England.

Our operating principles are:

- A Flagship with one direction
- A tenant and community focused Flagship
- A Flagship that trusts and invests in its people
- An optimistic and brave Flagship
- A Flagship that thinks differently and has fun
- A Flagship that invests wisely
- A Flagship that holds its teams accountable for local service delivery
- A Flagship that uses data to relentlessly improve
- A Flagship that works with others to achieve its goals
- A Flagship that is resilient and adapts quickly
- A Flagship that is sustainable and responsible for its planet
- An inclusive, kind and respectful Flagship

We appraise our trading activities against our operating principles which ensures that our direction of travel is aligned with our strategic goals and objectives.

Strategic
Report

Our principal activities

As a Registered Provider of Social Housing our core business is our social housing activities. We deliver our social housing rented properties through our Newtide Homes, Victory Homes and Samphire Homes brands and we deliver our shared ownership homes through our Flagship Homes brand. Our brands are geographically spread across the East of England enabling us to focus on the needs of all our tenants to deliver a truly local service.

Operating principles

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

Our social housing rents are on average 63% lower than weekly private market rents in our two-bedroom properties and 56% lower than weekly private market rents in our three-bedroom properties. Similarly, our rents are between 26% and 46% lower than the Local Housing Allowance rates (depending on property size and location), which are used to calculate housing benefit payments for tenants renting from private landlords within the local authority area that our properties are located. Ultimately this demonstrates our purpose, to provide affordable housing to those in need who may otherwise be homeless as they are unable to access the private rental market.

At 31 March 2022 the Group owned 31,166 social housing properties (2021: 30,825) which over 72,000 people call home, 348 market rented properties (2021: 348) and 600 student accommodation rooms (2021: 600) in the East of England. The Group also managed 78 affordable homes (2021: 9) for third parties at 31 March 2022.

Our Group is diverse, and we deliver a spectrum of services which enable us to continue to proactively invest for the future.

Our development business develops attractive, high quality open market sale properties shaped by real thought, care and attention to detail. Our open market sale homes generate re-investable capital for the group, enabling us to build more social housing properties. We plan to build 4,000 homes over the next five years, including 3,000 for affordable rent and 1,000 shared ownership.

Operating principles

The Group continues to deliver its gas servicing, maintenance and capital improvements services through its Gasway Services and Blue Flame (Colchester) subsidiaries. They maintain the heating systems in the Group's housing properties but also sell their services to domestic residential customers, other social housing landlords and commercial and local government organisations.

Operating principles

Our charitable incorporated organisation, Hopestead, is focussed on ending homelessness in the East of England. Homelessness still exists everywhere so being another provider of homes to the homeless is not where Hopestead fits in. Hopestead partners with regional and national organisations to deliver a collective service package to reduce the risk of an individual relapsing to a position of homelessness. Hopestead does not just seek to provide accommodation to those that are homeless. It seeks to provide the skills needed to thrive in a home and be an active participant of a community.

Operating principles

During the year ended 31 March 2022 we committed to provide funding to Hopestead of £0.6m to be spent specifically for the alleviation of homelessness. We are pleased to report that we achieved our target and will provide Hopestead with £1m of funding for the year ended 31 March 2023 to continue to deliver its vital work in the East of England.

Flagship Finance Plc was incorporated on 10 June 2021 as a funding vehicle for the Group and is 100% owned by the company. Its purpose is to procure listed debt on capital markets, secured by property owned by its parent undertaking, for on-lending to its parent undertaking. On 14 July 2021 Flagship Finance PLC issued a 40-year listed sustainability bond for £250m (initially with £100m retained) on the International Securities Market ('ISM') at the London Stock Exchange ('LSE'), at an all-in rate of 1.97%. On 2 February 2022 the company issued a further £50m of its retained bonds at an all-in rate of 2.39%. The proceeds of both bond issues were on-lent to Flagship Housing Group Limited.

Operating principles

Affordable for all

We are seeing the 'cost of living' increase faster than wage inflation, driven in part by higher energy costs and food costs. This has a greater impact on individuals and families who exist on or close to the poverty line because their existing income is only just meeting the necessities of life. Any inflation in the cost of those necessities results in individuals and families having to make difficult, and quite frankly, unreasonable, choices about which necessities they can do without. By its very definition, a necessity is something that is indispensable or required and therefore doing without it reduces quality of life.

In response to this we have launched our 'Affordable for All' fund which is a £2.1m fund set aside to support both tenants and employees facing hardship because of current economic volatility. Its goal is to deliver maximum social impact through a variety of financial and non-financial interventions. In 2022/23 we are investing in the following projects:

- tenancy support & wellbeing service - £60,000 has been set aside to provide advice, support and counselling services to tenants;
- local partnership funds - £70,000 has been set aside for each of our affordable rent housing brands to allow our employees and our local housing boards to address affordability challenges at a very local level by issuing small one-off grants to organisations and community groups that are supporting our tenants;
- relocation support – £20,000 has been set aside to support tenants that need to move home in order to address long term unaffordability associated with the costs of running their home (or barriers to improve affordability due to location);
- warmer homes fund - £50,000 has been set aside to provide fuel vouchers to tenants that need help with their heating bills;
- affordability advisor roles – each affordable rent housing brand will have a dedicated affordability advisor who will act as a point of contact for tenants requesting help with affordability. This ensures that support is provided with local knowledge and is specific to the community that the tenant lives in; and
- discretionary fund - £120,000 has been set aside to support tenants to live in their homes and will be administered by Hopestead, alongside its successful white goods and furniture grant program. It will help provide things such as a mattress or a tank of petrol to get to a job interview, or a supermarket food voucher to put food in the cupboard. It will be focused on hardship needs and will support individuals who are seeking to, for example, return to work, but the poverty premium means they are unable to take those simple steps that most take for granted.

Operating principles

We are continuing to develop and pilot targeted interventions, for example, related to rent arrears, to support those tenants raising affordability concerns with their rent.

We believe that 'affordable for all' is essential in the face of rising costs but we also acknowledge that the funding we can make available is limited. We are striving to ensure that we deliver maximum impact from finite funding ensuring we help as many tenants as possible in need during challenging economic times.

Going digital

We believe that digital transformation is essential if we are going to continue to deliver a service to our tenants that meets their needs. We want our tenants to be able to manage their relationship with us in a way that suits them at any time of the day or night.

Our primary areas of focus for digital transformation are:

- to create a digital first culture within our organisation that helps us reimagine how we deliver services that meet the needs of our customers now and in the future;
- to provide a digital choice for all services, rolling out a suite of easy to use, self-service options across the customer journey;
- improve our legacy systems to create a digital ecosystem that supports digital transformation; and
- to automate the mundane and pilot new and innovative ways of working so our staff can do more of the added value work and spend time with those who need it most.

Operating principles

We acknowledge that some of our tenants won't have the ability to utilise our digital services initially. We want to support and encourage engagement with online services by creating a plan focused on inclusivity, which explores the connectivity, tools and skills needed to increase the adoption of digital for the benefit of all our tenants.

Here are some of the key benefits we identify from digital transformation:

- our people can invest their time in encouraging community cohesion, working with tenants facing hardship and delivering a local tenant centred service focused on helping to address the challenges our tenants are facing;
- digitalisation improves operational efficiency and productivity by seamlessly delivering parameter-controlled change management;
- enables us to address more challenging issues and concerns in a timelier manner because basic change management is automated;
- improves integration and internal collaboration between departments; and
- it empowers decision-making by enhancing data analysis opportunities enabling us to tailor our service to our tenants needs.

Importantly, we are on a journey with our digital agenda, and we expect to deliver tangible improvements against our digital objectives in the next financial year.

Consolidated Financial Statements
for the year ended 31 March 2022

Strategic
Report

Our environmental impact

Our eighth operational principle is to be a Flagship that is sustainable and responsible for the planet. We want to reduce our impact on the environment, and acknowledge that a large portion of our carbon emissions originate from our existing homes and our operations create greenhouse gas emissions and we are investing in new technologies to reduce our impact on our planet.

We commissioned an annual review (covering 1 December to 30 November) of our emissions which helps us identify where we can deliver sustainability within our business model. Our greenhouse gas emissions and energy use for the report period were:

Scope 1 / 2	4,478 (2021:4,438) tonnes CO_2e
Scope 3	89,609 (2021:99,856) tonnes CO_2e

1,530 (2021: 1,753) tonnes CO2e of our scope 1 & 2 emissions is from our van fleet used by Flagship Services to service our properties. Our ongoing programme to replace our vans on a cyclical basis with newer more efficient models, alongside our algorithmic developments to deliver our repair and maintenance services more efficiently is reducing the volume of emissions we are producing. We are continuing to investigate the use of electric vans and actively reviewing how we can operationally manage an electric van portfolio with some of the existing technology challenges, such as mileage range. We intend to continue to invest in making our fleet more environmentally sustainable. As part of our ongoing improvement of our sustainability reporting the 2022 scope 1 & 2 emissions include additional communal areas not reported in 2021.

Emissions from our homes has fallen by over 10,000 tonnes equivalent year on year demonstrating that our investment in renewable energy technology alongside supporting our tenants to understand how to manage their home more efficiently is really making a difference to the indirect emissions we produce as an organisation.

Operating principle

Scope 1 emissions arise from the Group's owned and controlled assets such as vehicles and can be directly managed and influenced by the Group's use of those assets.

Scope 2 emissions are indirect emissions generated from sources such as electricity production which is used to power our offices.

Scope 3 emissions are other indirect emissions which arise from assets owned by the Group but whose use is controlled by others, for example our housing properties. The Group can influence Scope 3 emissions through steps to improve the efficiency of its

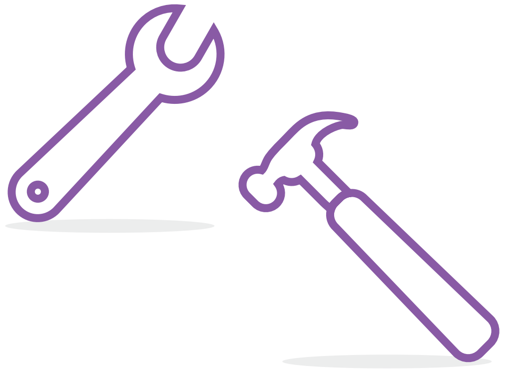
Regulation

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

> We strive to have an ongoing, transparent dialogue with the RSH through co-operative and constructive engagement, in respect of all issues impacting the Group and the sector.
>
> *Operating principle*

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

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



Principal strategic and operational risks

Financial performance

Failure to make efficient use of our resources or overstretching financially puts all of the Group's strategic objectives at risk. The Group manages this risk through detailed budgeting and business plan forecasting to manage operational profitability and through proactive monitoring of future cash flow requirements to ensure that the Group has sufficient available liquidity to deliver its strategic goals.

Failure to manage our cost base and respond to rising inflation and other economic shocks impacts our financial resilience, results in a depreciation of net margin, a reduction of free cash flows, and challenges to the ability to deliver our projects and services.

The Group is responding to these risks by focusing on delivering efficiencies within its operating model, seeking to invest wisely to future proof its asset base, and continuing to deliver its new build programme to continue to deliver revenue growth.

Failure to maintain investor appetite in our business model and failure to manage interest rate exposure on our existing debt facilities are key strategic treasury risks that the Group is actively managing. These risks could potentially lead to reduced capacity to deliver new build homes and less investment in existing stock, ultimately impacting our carbon zero strategy.

The Group had £940m of debt financing at 31 March 2022. Any reduction in profitability has a direct impact on the Group's bank covenants. At 31 March 2022 the Group had sufficient headroom on all of its covenants and is confident that it will remain fully compliant for the foreseeable future.

At 31 March 2022 the Group business plan forecast demonstrated that the Group could, with some mitigating actions, such as reducing uncommitted development spend and other discretionary project spend, absorb multiple competing adverse movements of the assumption variables used and still remain compliant with all of its banking covenants. We used the following stress test assumptions: 15% house price crash with recovery over four years, 2% higher than forecast inflation (inflation forecast: 2023: 3.75%; 2024: 3.75%; 2025: 2.75%; 2026: 2.06% and 2027 onwards: 2.0%), interest rates 1.5% higher than forecast (interest rate forecast 2023: 1.3%; 2024: 2.6%; 2025: 3.2%; and 2026 onwards: 2.6%), bad debts at 4% for three years, a four-year rent freeze, additional £4m repair spend for five years, loss of a major contract, a £2.5m loss as a result of the failure of a contractor on one of the Group's development schemes, a pension deficit increase of £0.5m per annum and a six month sales lag.

Current economic uncertainty continues to elevate cash flow as a strategic risk which warrants disclosure. A fall in revenue, excessive cost inflation, or reduced cash collection within our core rental property activities could lead to liquidity pressure for the Group.

The Group has a suite of KPIs which it monitors on an ongoing basis and undertakes a rolling full year forecast to ensure that any risks can be responded to quickly enabling the Group to address liquidity challenges strategically rather than reactively.

Housing market volatility

A fall in house prices would reduce the profitability of the Group's open market development activities, which in turn would reduce capital generated through these activities and result in fewer affordable housing properties being developed. The Group actively monitors housing unit development volumes and completed stock levels awaiting sale to manage its exposure risk to house price instability. The Group also monitors open market sale scheme profitability and revenues to identify any early warning signs which may trigger a change in the Group's risk profile. Finally, the Group stress tests its business plan with scenarios that are considered to approximate a worst-case scenario to ensure that the Group can weather future price volatility.

> **“ Health and safety compliance is an important strategic and operational risk for our organisation.**

Health and safety compliance

Health and safety compliance is an important strategic and operational risk for our organisation ensuring that we protect the safety of all stakeholders in our business and encourage them to thrive.

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

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

Strategic Report

People

The Group structure has changed considerably in the last few years with a significant number of employees joining the Group. Not having the right people and culture prevents effective integration and will ultimately impair the Group's progress toward delivering its vision and purpose.

The Group has an integration plan in place to build consistent understanding of Flagship's vision and strategy to ensure that everybody at Flagship is travelling in 'one direction'.

Access to skilled labour in our local jobs market is a strategic risk for us and is a risk that has become more apparent following COVID-19 and the disruption it had to the labour market. Not having the right people in the right roles would impact our ability to deliver services such as our development programme for example. We are responding to this risk through investment in upskilling existing staff, investment in apprenticeship programmes and ensuring that our remuneration packages are competitive and attract the right people to enable us to deliver our strategic objectives.

The Group launched the Flagship Academy in January 2021 with an increased focus on leadership, training and personal development across the Group, because our people are the future of our business and integral to us delivering our goals. The breadth of training we offer our people is constantly growing and with a digital platform enhancing accessibility we are seeing greater training engagement which ultimately supports a good control environment and ever improving services for our tenants.

IT system and information security

Failure to manage data properly results in poor decision making and operational inefficiency, potential vulnerabilities which can be exploited by cyber-criminals, adversely impact front line services, the inability to communicate effectively with customers and the potential for non-compliance fines from the Information Commissioners Office ('ICO').

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

The Group's Information Security Council co-ordinates and monitors the Group's response to cyber security as well as implementing mandatory data protection and cyber fraud awareness training for all staff, with additional targeted training to staff in business functions considered higher risk from a data security perspective. Training is provided on a cyclical basis to all staff. Cyber and data security training completion rates is a key KPI monitored by senior management.

The Group is currently undertaking an organisation wide data project to enhance clarity around data ownership, remove duplicate data sources and seek to move toward greater integration of data to deliver operational insights and efficiencies as we seek to future proof our organisation.

Finally, the Group is working towards ISO 27001 certification to demonstrate that the Group has adopted internationally recognised practices on how to manage information security. This not only demonstrates how seriously we take data security but will also ensure that we have a robust control framework to manage information security risk into the future.

Property maintenance

Failure to maintain and invest in existing housing stock leads to deterioration of that property, damp and mould issues, increases in customer complaints and a fall in customer satisfaction, potential risk of increased disrepair claims and adverse ombudsman determinations.

The Group continues to closely monitor its outstanding jobs to understand the operational and financial impact of these at any given point in time as well as the negative impact that long standing repairs can have on the wellbeing of our tenants. Our monitoring includes an appraisal of the extent of the risk, understanding the impact on the welfare of our tenants and their satisfaction and recognising that outstanding unresolved minor repairs could lead to more serious property condition issues in the future. Therefore, proactive targeted management is essential to deliver value for money and peace of mind for our tenants.

The availability of materials, due primarily to demand outstripping supply post COVID-19 and the geo-political instability currently in Eastern Europe, is an important operational risk for the organisation. The Group is working closely with its supply chain partners to highlight and respond to availability challenges promptly. Supply chain management and strong working relationships remain key to managing this risk.

Strategic Report

> “Our housing tenants are at the heart of our purpose.

Tenant engagement and our federated structure

Our housing tenants are at the heart of our purpose. Lack of effective tenant engagement results in disenfranchised tenants and poor customer service ratings.

As previously explained, at the beginning of the current financial year, the Group implemented a federated structure with three affordable rent housing brands which focus on geographical areas to improve tenant engagement and enable tenants to be represented in the area in which they live. Each local affordable rent housing brand has a local housing board which sets the strategic direction of that brand. Each local housing board has representation from tenants, the Board of Management and local management who oversee the delivery of the day-to-day operation in the local area.

The federated structure in itself carries a strategic risk that the failure to strike the right balance between central control and local autonomy results in conflict and management distraction, ultimately putting social housing assets at risk.

Housing stock is split geographically between the three affordable rent housing brands but there is a shared constitution for the local housing boards to promote consistency and an aligned culture and values.

Ultimately our federated structure enables us to deliver a customer and community focused Flagship that holds its teams accountable for local service delivery in an inclusive, kind and respectful way. Our risk mitigation actions above ensure we deliver a Flagship with ‘one direction’.

Carbon zero

Failure to budget for increases in housing maintenance costs (related to retrofit property improvements) could result in the Group’s failure to achieve increased energy efficiency standards.

The Group has increased its property investment spend in its long-term business plan. The Group has approved a new empty homes standard which standardises the expected specification of a property before it is handed over to a new tenant, enabling the Group to make any improvements required prior to re-letting. The Group is currently developing carbon net zero and estate regeneration strategies. The Group is reviewing its baseline energy performance standard for its new build homes, with the primary aim being to increase the efficiency of new build homes today to reduce the requirement for expensive retrofit in the future.

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Group results: Summary of ratios

Financial ratios

Financial ratios	2022	2021	2020
Operating margin – social housing lettings	33.3%	35.4%	40.0%
Operating margin (including gain on disposal of fixed assets and profit from joint venture activities)	35.9%	34.7%	38.0%
Operating costs per home – social housing	£3,332	£3,217	£2,710
Operating costs per home	£3,560	£3,470	£3,058

Key covenant ratios

Key covenant ratios	2022	2021	2020
EBITDA MRI (interest cover)	180%	243%	234%
Net debt per unit	£25,530	£25,643	£25,132
Gearing (debt / housing properties cost)	45.7%	46.5%	46.6%

Other key performance indicators

Other key performance indicators	2022	2021	2020
Homes in management	32,192	31,782	31,529
Current tenant rental arrears	£5.7m	£5.5m	£5.3m
Current tenant rental arrears as a % of income	3.8%	3.9%	3.8%
Average weekly gross rent (52 weeks)	£96.76	£92.68	£90.39
Average re-let time	75.0 days	63.0 days	47.0 days
Rent loss from voids as a % of income	1.0%	1.1%	0.9%
New affordable homes delivered	564	460	579
First tranche shared ownership sales	163	139	104
Staircasing shared ownership sales	67	32	38

Development programme delivery

Failure to deliver our development programme is a key strategic risk for the Group because it results in fewer new homes delivered and slows our progress toward delivering our vision, 'to solve the housing crisis in the East of England'. We manage this risk through close performance monitoring by our Flagship Housing Developments Limited Board and regular publication of performance dashboards. We use central assumptions approved by the Group to appraise all new build developments with investment return hurdle rates to ensure that our development programme delivers a longer-term robust return for the Group.

Financial performance review

2021/22 has been another year of disruption, with the business continuing to manage the impact of living with COVID-19, material shortages, a challenging labour market and rising inflation.

Despite the challenges faced through 2021/22, the Group has been focused on continuing to improve operational performance and has managed to deliver a good set of financial results.

Below are a few headlines:

Turnover
£231.9m

(2021: £200.2m)

Net Profit
£59.2m

(2021: £46.1m)

Operating Profit
£83.3m

(2021: £69.5m)

Liquidity
£331m

(2021: £198m)

New Affordable Homes
564

(2021: 460)

First Tranche Sales
163

(2021: 139)

Open Market Sales
81

(2021: 6)

Hopestead funding
£0.6m

(2021: £0.4m)

Public bond issued
£250m

Strategic partnership of
£92m

with Homes England

2021/22 has been a year of consolidation. The previous two financial years have been impacted by group restructuring activities and 2021/22 has been an opportunity for the Group to streamline its processes and procedures, deliver greater efficiency through its operating model and, therefore, greater value for money for our tenants. This has enabled us to invest in new initiatives, such as 'affordable for all'.

“The housing team maintained their strong performance onrent collection, ending the year with a rent arrears percentage of 3.8% (2021: 3.9%)

Social housing rented homes

67% of the Group’s income is generated from its principal trading activity - the provision of rented social housing property (2021: 77%). This remains the Group’s primary income stream and the Group is committed to ensure that its social housing rental income is always at least 60% of the Group’s income.

The housing team maintained their strong performance on rent collection, ending the year with a rent arrears percentage of 3.8% (2021: 3.9%). Leveraging our federated structure, and a local understanding of our communities, we have been able to identify tenancies which may fall into arrears and work together with tenants to find solutions before arrears get out of control.

Operating principle

Operating costs for our social housing lettings have increased to £104m in 2022, an increase of £4.7m year-on-year. A driver for this is an increase in maintenance costs during the year ended 31 March 2022 driven by reducing our outstanding repair jobs backlog. We have focused on reducing the volume of our outstanding repairs during the year because our tenants tell us that this is very important to them and because we acknowledge that good maintenance of our properties protects their long-term economic value and reduces the risk of higher value repairs at a future date, as well as providing a comfortable home for our tenants.

Maintenance expenditure for our social housing properties increased by £2.4m to £38m and capital improvement expenditure also increased by £18.8m to £40.0m reflecting our operational principle to invest wisely in our existing assets. The asset management section of this strategic report highlights how we have invested in our homes during the year.

Operating principle

Headline social housing cost per unit has increased year on year from £3,217 in 2021 to £3,529 in 2022. It is important to acknowledge that in 2021 the social housing cost per unit was depressed by lower repairs volumes due to COVID-19. The increase in social housing cost per unit that we have seen at Flagship over the last 6 years can be broadly explained by an increase in maintenance costs where we have seen more investment in existing homes with the average maintenance spend per property increasing from £1,600 per home in 2016/17 to £2,500 per home in 2021/22, representing 72% of the overall social housing cost per unit.

Whilst we have seen an increase year on year in headline social housing cost per unit this has been driven by increased investment in our existing homes improving the quality of our homes for our tenants.

Despite the increase in the overall social housing cost per unit over the last few years, Flagship still compares very positively when compared against its peer group and the overall social housing sector.

Increasing void losses and re-let times reflect our new void homes standard to ensure all void homes are re-let at a consistent high standard following an inspection. The standard enables us to access the property while empty to carry out any needed work, resulting in a longer void periods, offset by improved customer satisfaction.

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Shared ownership

With first tranche shared ownership home sales, the Group's income generated from its affordable housing activities was 76% of Group revenue (2021: 85%). The Group sold a first tranche in 163 shared ownership homes during the year ended 31 March 2022 (2021: 139) delivering revenue of £19.6m, a £3.1m increase year on year. This really demonstrates our support for enabling people to own their own homes and has been a particularly attractive opportunity with interest rates being historically low making the cost of debt more affordable for those whom it previously precluded.

Average revenue per sale in 2022 was £120,000 (2021: £119,000). The average shared ownership share purchased in 2022 was 44% (2021: 45%). Shared ownership first tranche sales delivered a contribution for the Group of £7.2m (2021: £5.7m) at 31 March 2022 which is a return of 36.7% compared to 34.2% in 2021. This year-on-year increase reflects house price inflation seen during the year ended 31 March 2022 and generates important re-investable capital that enables the Group to continue developing affordable housing properties.

Non-social Housing Activity

Open Market Sales

The Group's non-social housing revenue has increased year-on-year by 91% equating to £27m. 82% of this growth (£22.1m) is driven by open market sales during the year ended 31 March 2022. The Group sold 81 open market sales properties during 2021/22 compared to six during 2020/21.

The Group achieved a gross margin of 15% (2021: 20%) on open market sales in the year ended 31 March 2022 owing to a change in scheme mix bring the margin down slightly against 2021. The Group's open market sale programme delivering a return of £3.3m which the Group has re-invested into developing more homes. A return of £3.3m is equivalent to building approx. 18 new affordable homes so we believe that continuing to invest wisely in our open market sale programme will enable us to build more affordable homes in the future.

Gas related income

Our external gas servicing income increased year on year by £4.5m (25%) which reverses the £4.1m contract volume depression caused by COVID-19 in 2021. This growth also returned our gas businesses to profitability with the Group recognising £1.2m net profit from its external gas servicing activities. However, cost inflation, material availability, and economic instability, continue to place considerable pressure on margins. The Group is actively reviewing its external gas servicing income streams to ensure that it focuses resource on the most profitable income streams, which reduces non-charitable trading risk for the Group by delivering an economic return which is reasonable for the risk being undertaken.

"The Group's non-social housing revenue has increased year-on-year by 91% equating to £27m.

“ We achieved a net profit per home of £1,864 which comfortably exceeds our target

Profit and margins

Overall operating margins

Operating margins have shown a reduction over the past few years, predominantly driven by turnover growth from lower margin revenue streams such as open market sale and our gas servicing businesses.

Despite operating margins falling slightly over time, our overall operating margin and operating margin from social housing compare very well to our peer group and the overall social housing sector and our business plan is forecasting overall operating margin (excluding gain or loss on disposal of fixed assets) to increase up to 33.5% by 2026/27.

Our operating margin (excluding gain or loss on disposal of fixed assets) at 31 March 2022 was 28.4% compared to 30% during the year ended 31 March 2021. At 31 March 2021 we targeted an operating margin (excluding gain or loss on disposal of fixed assets) of 30%. We did not quite achieve that margin during the year ended 31 March 2022 owing to additional costs related to COVID-19 recovery and reducing our repairs backlog, but we believe reducing our repairs backlog is the right thing to do for our tenants and the right thing to do for our assets.

Our repairs and maintenance backlog returned to our operationally favourable ‘steady state’ level in early 2022/23 enabling us to maximise resource utilisation and proactively invest in our assets. If we adjust operating profit for additional repairs and maintenance spend incurred in response to the COVID-19 backlog our operating margin for the year would have been 30.1%, in line with target for the year of 30%.

We consider an operating margin (excluding gain or loss on disposal of fixed assets) of 30% to remain a healthy operating margin target for us as a group and for the year ended 31 March 2023.

Operating margin (social housing lettings only) has reduced from 35.4% at 31 March 2021 to 33.3% at 31 March 2022. Once again this is directly correlated to additional maintenance spend incurred to reduce the COVID-19 backlog.

Net profit per home

At 31 March 2021 we set ourselves a target of delivering a net profit per home of £1,797 or better to support our longer-term asset investment goals. At 31 March 2022 we achieved a net profit per home of £1,864 which comfortably exceeds our target and is an excellent trading achievement in the challenging economic climate. For context our peer[1] group achieved a net profit per home for the year ended 31 March 2021 of £935 but we must also acknowledge that 2021 was impacted by COVID-19. However, we believe that this demonstrates that our business model is efficient and enables further investment in our services as we strive to be a leading force in the social housing sector.

Return on capital employed

We acknowledge that we set ourselves a target of a return on capital employed of 4.4% at 31 March 2022. We actually achieved 4% and the primary reason for our ROCE being lower than our target was our sustainable bond issue. The proceeds from the bond issue increased our total assets less current liabilities at 31 March 2022 essentially reducing our ROCE because the bond issue provides longer term liquidity to enable the Group to deliver its growth objectives. Therefore the short term impact on ROCE is a consequence of obtaining longer term financing at very attractive interest rates to deliver the Group’s future growth aspirations.

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Balance sheet

Housing properties

Housing properties, held at depreciated historical cost, are valued at £1.84bn (2021: £1.75bn). During the year the Group invested £97.4m in development of new social housing properties and £40m in capital improvements to existing properties. The Group disposed of £13.4m of housing properties which were uneconomic to maintain and recognised a depreciation charge on assets in use of £24.1m.

Our new supply delivered (social housing units) has historically demonstrated that development is an area of strength for us. Our new supply delivered (social housing units) during the year ended 31 March 2022 was 1.8% which is 0.3% above what we achieved in 2021 and 0.5% above what our peers1 achieved in 2021. It is important to remember that 2021 comparatives are based on a COVID-19 disrupted time-period.

We set ourselves a target of 2.2% for new supply delivered (social housing unit) at 31 March 2022 which would have been a further 125 homes during the year ended 31 March 2022. Delivering 1.8% was a considerable challenge for the Group due to ongoing COVID-19 challenges, such as labour and material availability which, in turn, increased material prices putting pressure on operating margins. Whilst we are disappointed that we did not achieve our target of 2.2% we believe that 1.8% reflects a strong performance in a challenging trading environment. We are focused on investing wisely for the future, on building homes where they are most needed, and ensuring that we continue to build a strong business foundation that will provide security for our tenants for many years to come.

Our target for 2022/23 is 2.5%. We acknowledge that this target is aspirational but achievable and our development team are working hard to secure the number of homes we need to meet this target. The wider economic trading environment has not got any easier and nutrient neutrality is just the latest challenge we are grappling with as we continue to strive to build more homes for people in need.

In March 2022 Natural England issued guidance to local planning authorities in Norfolk concerning nutrient neutrality within the catchment areas of the River Wensum Special Area of Conversation and the Broads Special Area of Conservation. Whilst local authorities consider the impact of Natural England's guidance on existing planning applications (where conditions require discharge) and develop a mitigation action plan for new planning applications, we are expecting planning approval delays to invariably arise. Whilst this is unlikely to materially impact our new home delivery in 2022/23 it will impact planning applications in our strategic development pipeline which may impact future development unit numbers. Until local authorities have ascertained the appropriate response to Natural England's concerns, we are unable to assess with any real confidence the impact to our development pipeline.

At the date of signing this report we remain on target to deliver 758 affordable homes during the year ending 31 March 2023.

We also set ourselves a reinvestment target of 7% during the year ended 31 March 2022. The reinvestment value for money metric assesses a housing associations investment in developing new homes and making improvements to its existing homes as a percentage of the value of its existing homes. We achieved a reinvestment percentage of 7.1% during the year ended 31 March 2022 which reflects the growth in our development programme but also reflects increased spend in renewable energy technology, investing in the future viability of our homes.

Investment properties

The Group's investment properties have seen a £4.2m revaluation uplift at 31 March 2022 (2021: £1.8m) predominantly driven by occupancy rates returning to pre-COVID-19 levels.

Our student accommodation portfolio saw growth in 2021/22, as occupancy rates started to return toward pre-COVID-19 levels. Revenue increased by £0.3m during the year ended 31 March 2022, a 10.5% increase year on year. Our forecast for our student accommodation portfolio, underpinned by the government's 'living with COVID' policy and no future expected societal restrictions, is positive and forecasts a return to full occupancy during the 12-month period ending 31 March 2023.

The Group's student accommodation realised a £0.4m revaluation increase in the year ended 31 March 2022. Our student accommodation portfolio has traditionally been let to language schools who deliver English language tutoring to international students. COVID-19 travel restrictions had a significant impact on the language school sector and on occupancy rates for the portfolio. The valuation at 31 March 2022 recognises improved occupancy rates and a buoyancy in the Cambridge accommodation market reversing some of the perceived adverse risk from the previous year's valuation.

Operating principle

The Group's market rented portfolio valued at MV-STT increased in value by £3.9m at 31 March 2022 primarily due to rents increasing year on year and lower arrears than feared due to COVID-19. The Group continuously monitors its rental yield on its market rented properties and has a detailed investment strategy to trigger sale and realise capital gains where the realistic future yield does not offer the return targeted by the Group.

Operating principle

Loans to JV undertakings

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

The Group has active investments in two LLPs, Evera Homes LLP (a 25% share) and Lovell Flagship LLP (a 50% share). Lovell Flagship LLP returned an investment for the Group during the year ended 31 March 2022 of £0.7m whilst Evera Homes LLP made a loss for the year ended 31 March 2022 owing to challenges at its De Havilland Garden's development having an impact on its performance for the year.

Operating principle

Evera Homes LLP has undergone a management restructure during the year, with a new managing director building a robust senior leadership team to enable the LLP to deliver its strategic objectives. Evera Homes LLP has also created a forward-thinking renewable energy USP as part its brand which enables it to stand out from competition in the competitive Cambridgeshire housing market.

Despite the loss observed by Evera Homes LLP during the year ended 31 March 2022, the Group considers both investments to be fully performing with forecast future revenue growth and margins and development scheme and land bank asset values and the Board is comfortable that no impairment exists at 31 March 2022.

Strategic Report

Treasury

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

The gross amount owed by the Group at 31 March 2022 was £940.3m (2021: £798.5m) with £111.4m (2021: £100m) of term debt held at variable interest rates, £805.9m (2021: £676m) of term debt held at fixed interest rates and £23m drawn against the Group's £205m revolving credit facility arrangement.

The Group issued its first sustainable bond during the year ended 31 March 2022, issuing £200m of its £250m retained bond facility at a very attractive all-in interest rate of approx. 2%.

The Group has, and continues to, meet all covenants of its lending facilities. The Group regularly stress tests its business plan and budgets, enabling it to make strategic decisions as required, to ensure that compliance is maintained with all covenants.

The Group's gearing ratio (a measure of indebtedness calculated as net borrowings as a proportion of housing property net book value) was 45.7% at 31 March 2022 (2021: 46.5%). Gearing has remained relatively stable over the last few years even with the introduction of the public bond during 2021/22. Our gearing at 31 March 2022 is marginally above our peer group but lower than the sector average, and well within our 60% covenant. Our business plan forecasts gearing to fall over the next five years to approx. 40%.

EBITDA-MRI interest cover was at its highest 243% in 2020/21 which was mainly due to the lower level of capitalised repairs spend linked to the impact of COVID-19. 2021/22 has seen a decrease in EBITDA-MRI to 180%. The primary driver for the year-on-year decrease is the £20m increase in capitalised repairs as well as the higher interest costs associated with the public bond. Flagship's EBITDA-MRI still compares very comparably with that of our peer group and the social housing sector as a whole. Our EBITDA-MRI is considerably above our covenant minimum of 120% and our business plan forecasts EBITDA-MRI to increase to 188% in 2022/23 and 283% by 2026/27.

Cash flows

The Group generated cash of £101.9m from operating activities during the year ended 31 March 2022 (2021: £76.1m). The year-on-year increase is driven to some extent by timing movements on creditors and inventories alongside property disposal proceeds doubling in 2022 compared to 2021 generating an additional £9m of cash receipts.

The Group spent £130m (2021: £86.4m) on its housing properties during the year ended 31 March 2022. Spend in 2021 was suppressed due to COVID-19, however, the Group spent £98m on its housing properties in 2020 which provides some context for spend in 2022. The Group spent £40m on capital improvements in 2022 compared to £28m in 2020 which demonstrates how the Group is investing in its existing housing stock, with much of the growth driven by renewable energy technologies.

The Group recognised proceeds from new loans during the year of £188m (2021: £50m) predominantly being the proceeds from the sustainable bond issue. £58m (2021: £43m) of loans were repaid during the period which was predominantly repayment of the Covid Corporate Financing Facility.

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“ The Group generated cash of £101.9m from operating activities

Capital structure

Flagship Housing Group Limited is registered under the Co-operative and Community Benefit Societies Act 2014 with registered number 31211R. It has issued share capital of £8 (2021: £9). Each share carries one vote, is not redeemable and does not have any dividend or distribution rights.

Value for Money

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

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

We achieve this by:

- setting the overall strategic direction and culture of the Group, recognising how important it is to maximise VFM in order to deliver our strategic aims;
- approving key strategies and ensuring that VFM has been considered throughout;
- including VFM targets in our five-year plan;
- benchmarking against our peer[1] Group (20,000 – 40,000 homes), which enables the Board to challenge the organisation to do more;
- reviewing key performance indicators (including VFM indicators) against our five-year plan objectives and annual budget to ensure the Group is continuously improving; and
- really understanding our performance each year and by setting challenging objectives for the next financial year.

We use a colour coding system to highlight our VFM performance: 🟢 Good 🟠 OK 🔴 Requires improvement

Absolute and Comparative Costs	2022 Actual	2021 Actual	2021 Peer Group	2022 Actual	2021 Peer Group
Staff engagement score	7.9	8.3	N/A	🟠	N/A
New affordable homes delivered	564	460	374	🟢	🟢
Void loss (£m)	1.75	1.59	2.31	🟠	🟢
Current tenant arrears %	3.8%	3.9%	4.5%	🟢	🟢
Operating (loss) / profit from commercial activity (£m)	0.5	(1.0)	N/A	🟢	N/A
Total operating profit (£m)	83.3	69.5	55.9	🟢	🟢
Net Profit (excluding gift on acquisition) (£m)	59.2	46.1	27.0	🟢	🟢
Net Profit per Home (excluding gain on acquisition) (£)	1,864	1,449	935	🟢	🟢
Reinvestment percentage	7.1%	5.8%	6.1%	🟢	🟢
New supply delivered (Social housing units)	1.8%	1.5%	1.2%	🟢	🟢
New supply delivered (Non-social housing units)	0.3%	0.1%	0.2%	🟢	🟢
Gearing	45.7%	46.5%	45.0%	🟢	🟠
EBITDA MRI (interest cover)	180%	243%	175%	🟠	🟢
Headline social housing cost per unit (£)	3,637	2,817	3,730	🟠	🟢
Operating margin (overall)	28.4%	30.0%	23.0%	🟠	🟢
Operating margin (social housing lettings only)	33.3%	35.4%	28.0%	🟠	🟢
Return on capital employed (ROCE)	4.0%	3.8%	3.2%	🟢	🟢

[1]Our peer group benchmarking data is from the year ended 31 March 2021 and it is important to acknowledge that 2021 was significantly adversely impacted by COVID-19 for many organisations within the peer group.

Growing our business

Building new homes and improving our existing homes is strategically integral to achieving our business plan and delivering our social purpose. We are committed to providing as many affordable new homes as we can, with plans to invest in excess of £750m building 4,900 homes over the next five years.

Operating principle

During 2021/22 we built 655 new homes across Norfolk, Suffolk, Cambridgeshire and Essex. 447 were for affordable rent, 110 share ownership, seven shared equity and 91 open market sale.

95% of the new homes we delivered during the year were built to an EPC B (SAP 81-91) standard. The homes that we are building on our own land are being designed and built to SAP rating of 86+ (EPC B) and are sufficient to meet the 2050 net zero carbon emission targets. Future proofing these properties today, and building renewable technology into their fabric, means that we do not have to retrofit them in the future reducing the overall cost of investment required in each property.

Operating principle

Economic productivity has not kept pace with global demand and consequently we have experienced challenges with labour and material shortages which result in construction site delays. Despite these challenges we actively progressed 15 developments by entering into build contracts and starting on site. These schemes included 53 all affordable homes at Kirby Road, Walton-on-the-Naze, 39 all affordable homes at South Green, Dereham, 23 all affordable homes at Fordham Road, Soham, 35 all affordable homes at Longfield Road, Capel St Mary and 30 all affordable homes at Chitts Hill, Stanway.

Operating principles

Open market sale homes are an important part of our development strategy. They enable us to develop affordable homes in areas of housing need on challenging parcels of land where an all-affordable development is not financially viable. Profits from open market sales contributes to making a challenging development viable. They generate re-investable cash which we utilise to develop our strategic land bank providing a secure pipeline of new affordable homes. During the year ended 31 March 2022 we completed the sale of 12 homes at The Printworks, Papworth, 33 at Mill Grove, Stowmarket, 33 at Ellingham Green, Great Ellingham and three at Saxons Green in Sutton.

Operating principle

Given the operational challenges we continue to experience we were delighted to complete the build of 564 new affordable properties which will help 564 households thrive in a home they really need. These included:

- 38 affordable homes for rent at Hill Farm, Halesworth;
- 30 affordable homes for rent and nine shared ownership homes at Heath Farm, Holt;
- 30 affordable homes for rent and two shared ownership homes at New Road, Melbourn; and
- 34 affordable homes for rent and four shared ownership homes at Elm Farm, Wymondham.

We know that working in partnership with other local and national organisations in both the public and private sector is key to our success. Partnerships allow us to maximise the benefits of our profit-for-purpose approach, create innovative solutions to increase the supply of affordable housing in the East of England and improve our existing homes.

Operating principle

We secured a strategic partnership with Homes England, securing £92m of grant to support the development of 1,500 new homes. We have completed 59 homes out of 300 at our Mill Grove development scheme in Stowmarket in partnership with Hopkins Homes. Our partnership with Legal & General Affordable Homes welcomed its first new homes in Bury St. Edmunds. Our joint venture partnership with Lovell, Lovell Flagship LLP, completed the sale of 28 open market sale homes at its development, Williams Park, Wymondham, as well as providing 11 affordable rent homes and six shared ownership homes to Flagship during the year. Our joint venture Evera Homes LLP sold all 36 properties at its De Havilland development in Huntingdon.

Operating principle

During the year we started talks with bpha and Futures Housing Group to explore how we could partner to combine our expertise and capability to enhance the provision of housing and help make a difference for more people in need. Discussions are progressing positively. Combined, the three organisations would own and manage around 60,000 homes and the financial strength of three parties combined will provide a solid foundation for future growth ambitions.

Operating principle

Customers

Our customers are diverse. They are our housing property tenants, individuals who purchase our residential development properties as well as individuals and other businesses who access our repairs, maintenance, and capital improvement services. Our aim is to deliver an outstanding service in everything we do, through whatever touch points our customers have with us.

Operating principle

We monitor our performance and listen to our customers to make sure we are always improving what we do. The more we know about how our customers feel about our services, the more we are able to provide a personalised experience, and further shape our services around them.

Operating principle

Our housing tenants form one of our largest customer bases. Over the last year we have transformed our service delivery model through implementation of our federated structure, managing our affordable rent homes across our three affordable rent housing brands, Newtide Homes, Samphire Homes and Victory Homes and our shared ownership homes within our Flagship Homes brand.

Operating principles

The primary driver behind moving to a federated brand structure was to enable us to provide a service that enhances our local presence in our tenants' communities and provides access to additional tenancy related services that are shaped to their needs and interests.

Operating principles

During the year, and in accordance with government safe working guidelines, we carried out a door-to-door exercise, speaking to over 200 tenants about our services. We visited communities in Colchester to discuss ways to reduce arrears and anti-social behaviour. In Thetford, our neighbourhood team carried out a spring clean-up, and in Newmarket we recently completed a lighting workshop – helping us to understand how community lighting influences behaviour.

Collaboration is at the heart of everything we do, and we know that our tenants' feedback is imperative to this, as they have first-hand experience of our services – helping us to know what we're doing well, and what we could do better. During 2021/22 we carried out seven in-depth surveys to help shape services and received 593 responses on topics including energy efficiency, communal area standards, internet connectivity, shared ownership and local hotspots.

Additionally, our approach to place-led interventions aims to enhance the lives and opportunities of our tenants. Through our conversations with tenants, wider residents, and communities we can shape the future together. This year, as part of regeneration projects, we have seen 3,300 engagements and received 22,847 pieces of feedback through face to face, telephone calls, text messages, surveys, digital platforms, and drop-in sessions.

We have spoken to our tenants this year about Tenant Satisfaction Measures, to understand how they feel about the Regulator's proposed way forward. We also consulted tenants in a smoke free homes survey, to understand how they feel about the government's proposals to make all UK homes smoke-free by 2030.

Tenants have continued to work with us to influence what matters most to them. The Complaint Appeal Panel (CAP), previously the Tenant Experience Group, agreed their Terms of Reference and have played an essential role in our complaints process, hearing appeals to help achieve fair and reasonable outcomes.

Operating principle

Our Digital Experience Group, a diverse panel of our tenants, has helped deliver user experience improvements across our digital platforms by attending sessions to feedback on our new websites, suggest improvements to self-service solutions, and shape the effectiveness of live chat.

Operating principle

Satisfaction

It is difficult to draw a year-on-year comparison of tenant satisfaction due to the suspension of many of our services during the year ended 31 March 2021. Despite this, 82% of our tenants scored us either a four or five out of five, down just 3% compared to the year ended 31 March 2021.

Throughout the year our tenants frequently praised our friendly and helpful people, particularly those in our contact centres. Tenants have told us they feel listened to, and our operatives in particular have stood out this year, by clearly explaining the work being done to our tenants' properties, working in a tidy way and approaching all tenant communication with a friendly and welcoming attitude have all landed well within our communities.

Our Net Promoter Score ('NPS') of +5 captured in September 2021 demonstrated to us that our reduction in services, caused by COVID-19, had had a significant impact on our tenants. This score was significantly lower than the target we set ourselves of +30 and we have sought to understand how our tenants were impacted and have already implemented improvements based on what we have learnt so far.

We acknowledge that we have still got more to do in respect of communication, however, data we collected this year shows it has improved significantly since 31 March 2021, with a 76% reduction in failed call-backs. To further improve this, we are focusing on resolution at the point of contact in our contact centres, with additional coaching, upskilling and system access, reducing the necessity for call-backs. We have also focused on how we communicate with our tenants about their repair bookings which has given tenants greater clarity on their repair appointments and greater confidence in our attendance.

Since the introduction of the Housing Ombudsman Complaint Handling Code in July 2020, we have not only aligned complaints handing to the necessary requirements but also conducted an in-depth review to help us understand how effective our complaints mechanisms are and how services to tenants could be improved. A new tenant voice framework, launching in 2022 will see complaint handling embedded within local teams as part of our federated structure, focused on quick and effective resolution and importantly learning and improvement for better overall outcomes. The updated and strengthened Code which came into force in April 2022 requires a self-assessment to be undertaken against its provisions and this will be published by the Group on its website in the summer of 2022.

The Regulator of Social Housing has launched new Tenant Satisfaction Measures which it will publicly publish for all housing associations from the Autumn of 2024. Our intention is to adopt these measures early and begin to report internally against these measures. Therefore, whilst we understand how our service baselines under these new metrics we have chosen not to set ourselves a customer satisfaction target against these measures for the year ended 31 March 2023.

Getting things right

We received 1,040 complaints during the year ended 31 March 2022, which was a 5% increase year on year compared the 31 March 2021. Placing this in context against a national backdrop which has seen a significant increase of enquiries and complaints across most housing associations. Our Learning and Resolution team has reduced the time taken to fully close complaints and now, on average, resolves the majority of complaints in 10 days.

During the year ended 31 March 2022, the Housing Ombudsman delivered three determinations, in respect of three specific complaints escalated to them. The determinations did not highlight any systemic issues in our service delivery and we remain committed to responding to the concerns of our tenants promptly so that they do not need to escalate complaints.

In 2022/23 we are launching a new Voice of the Customer programme, which will see us restructuring our complaints handling, engagement and experience teams, and embedding these locally within our federated model. A new tenant voice framework will see local teams focusing closely on causes for dissatisfaction within their area, providing more frequent opportunities for tenant engagement and driving forward plans which will improve overall tenant experience.

Operating principles

> “In 2021/22 we invested over £75m in responsive repairs and capital improvements

Repairs and Maintenance

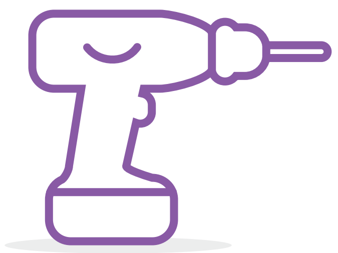
We have aligned our repairs and maintenance operation with our affordable rent housing brands within our federated structure enabling us to offer a more localised service to our tenants. These changes have delivered operational efficiencies and enable us to continue to provide our tenants with warm, safe, and well-maintained homes.

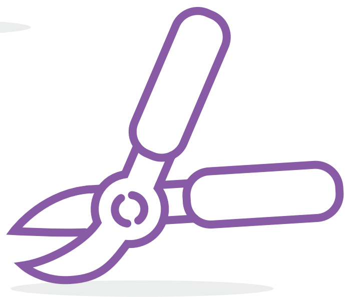
Operating principles

We are actively managing our teams to overcome labour availability and working closely with our suppliers to mitigate material availability challenges. We continue to see a reduction in our repairs backlog and are focused on returning to the level of service we want for our tenants.

Operating principle

We know we still have a way to go, but we have continued to invest in our existing homes throughout. In 2021/22 we invested £35.5m into responsive repairs and £40m in capital improvements.





Strategic Report

Capital works

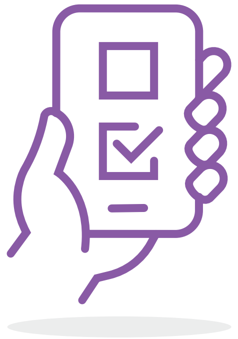
2021/22 saw the cost of some building materials increase by 12% and the timber market increase by up to 50%. The volume-based contract we hold with our main material supplier has, to some extent, protected us from much of the price volatility the market has experienced but we have undoubtedly seen an increase in the material cost of our capital improvement programme.

Our capital works programme started the year slowly but normalisation of our capital works in accordance with the government's 'roadmap out of lockdown' meant that we finished the year by completing 91% of planned works on kitchens, bathrooms, windows, doors and roofs. We also completed our external redecoration programme in the year which did not require access to tenant properties and has, therefore, been less impacted by isolation access restrictions.

We anticipated income of approximately £50k from selling our old vans, but due to changes in the second hand vehicle market and increased demand for second hand vehicles, we achieved approximately £100k which we have reinvested into new vehicles as part of our fleet replacement programme.

Our vehicle procurement during the year has been more effective, with volume purchases and price negotiation delivering a saving of approximately £25k for 2021/22.

> “We finished the year by completing 91% of planned works



Responsive repairs and maintenance

Restrictions to our societal freedoms in the last couple of years have certainly impacted tenant confidence and we have had to be mindful of how tenants feel about our operatives attending their property to ensure we deliver our services safely.

That said, we still managed to complete over 37,000 jobs in 2021/22 and improved 1,100 void properties to our void home standard, enabling us to re-let the property to another household in need of a home.

Whilst our void loss in 2022 is £0.16m greater than in 2021 this is predominantly driven by the additional works undertaken when a property becomes void to ensure that we are reletting our homes at a consistently high standard in accordance with our void homes standard.

During the year ended 31 March 2022 we streamlined our mutual exchange process, whereby our repairs and voids managers carry out a pre-leave inspection to identify any issues with the property before the tenants move into their new homes. This has helped us to provide a more suitable home for our tenants and increase overall satisfaction with the move process.

We have seen an increase in tenant demand for online services, and we acknowledge that some of this has been driven by COVID-19 and the sudden removal of offline avenues for reporting issues, such as housing and community officers. We established a repair reporting form on our websites enabling tenants to notify us of repair issues at a time that suits them. As a result, we have seen a reduction in call wait times during peak hours and an increase customer satisfaction score.

We have made an algorithmic improvement to our repairs system which enables the system to automatically allocate appointments to operatives based on skill set and location of the repair. This has resulted in less time travelling between repairs and therefore greater operative productivity, ultimately delivering greater value for money and an improved repairs service for our tenants.

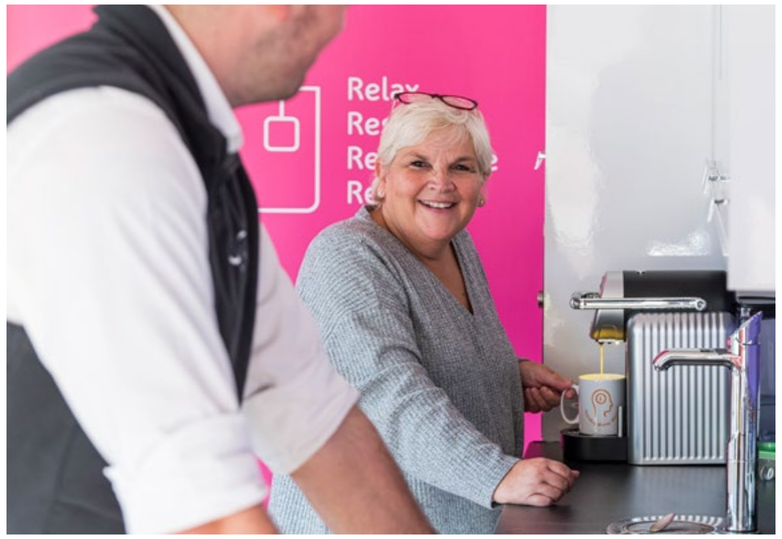
Operating principle

Our neighbourhood team have been upskilled and can now provide lock changes to untenanted garages. This means that our tenants see a positive relet outcome sooner and the garage is void for less time maximising income for the Group. Upskilling our neighbourhood team has also reduced the need for other operatives to attend, meaning they are able to focus on more challenging repairs in our tenant's homes, leading to quicker turnaround times and an increase in first time fixes.

Operating principle

Despite the increase in material prices, we have been able to negotiate better 'per metre' rates with our flooring suppliers, not only resulting in financial savings, but also shorter end to end repair times and an increase in our customer satisfaction score.

Strategic
Report



People

The way we work has changed and it seems unlikely that we will ever return to the way we worked pre-COVID-19.

As a Group, we continue to provide support to our employees, by providing a safe office environment for those who work most effectively in that space, as well as supporting home working for those who feel most comfortable working from home. We have continued to pay 100% salary for COVID related absences, regardless of vaccination status.

Operating principle

It is fair to say that our employees have learnt to adapt to new behavioural patterns and expectations in their jobs. Technology is constantly opening up opportunities for new ways of working and it continues to redefine the relationship we have between our workplaces. As a result, we have created blended meeting spaces, using hybrid technology to support the increase in agile working.

For some the shift away from offices and centralised workplaces was relatively easy. But there are many people across our organisations, particularly frontline staff, for whom buzzwords like "hybrid workplace" probably have very little impact on their day-to-day lives.

Towards the end of this year, gradually, people started to come back to the office. With people, comes the need to think about our impact on the environment. We have invested in recycling schemes for hard to recycle waste streams like crisp packets, coffee pods and face masks. All sanitising wipes are environmentally safe and biodegradable. We have also eliminated most single use plastics from the workplace.

Flagship has historically paid a 'living wage' but this year we achieved 'Living Wage Accreditation'. However, throughout 2021/22 the cost of living has risen considerably, and almost everyone started to feel the financial impact of cost inflation. Additionally, people started to evaluate their working lives. As a result, we saw a dip in our staff engagement survey, which was reflective of global trends linked to COVID recovery and 'The Great Resignation'.

The dip in results was something we had expected, particularly with the financial strain on peoples' lives, and the significant impact COVID-19 has had on our mental and physical wellbeing. As a Group we have always concentrated on understanding and improving our employee engagement, and this year, our work over the last five years was recognised at the 2021 Engagement Excellence Awards.

As the year progressed, we started to feel the impact of these results and needed to respond quickly to an unprecedented labour shortage. We implemented skills assessments and a skills-based approach to pay, for operatives and engineers. We restructured our human resources team to create two dedicated Recruitment Coordinators. By working closely with the Communications and Digital teams, we launched a new careers website and applicant tracking system to improve applicant experience, which offers anonymised recruitment and digital interview planning.

During a normal year, our biggest opportunity for savings is usually through recruitment. However, based on the tough employment market, reduced labour mobility being a consequence of COVID-19, our notable savings were achieved by negotiations on digital solutions, such as our new reward and recognition platform, and digital benefits portal, saving us approximately £47,000 during the year.

"Our work over the last five years was recognised at the 2021 Engagement Excellence Awards

This year has seen a significant shift in our staff digital offering. Our Learning Management System and Virtual Academy Learning Catalogue now offers 49 pieces of bitesize learning ranging from project management to digital skills. In the first six months we saw 18,789 visits to the platform with 32,324 training course completions. The most popular category of self-serve training is Digital Skills followed by Equality, Diversity, and Inclusion ('ED&I'). By bringing even more of our training on-line, and continuing to deliver sessions internally, we have saved £76,000 in training costs – £10,000 more than we saved in 2020/21.

Operating principle

ED&I continues to be a Group focus, and throughout this year we have seen an increase in the amount of Inclusion Champions, who help us promote the importance of ED&I throughout the Group. We have also carried out various events, both virtual and in person, covering topics such as LGBTQ+, Black History, neurodiversity, ADHD, cultural awareness, stigma, and stereotypes.

Operating principles

Mental health remains a major focus for the Group because our people are our culture and deliver our purpose. If we support positive physical and mental wellbeing for our people, they will deliver great customer service for our tenants.
We have the following initiatives to support our people:

- over 130 Mental Health First Aiders;
- a wellbeing hub, employee assistance program, reward and recognition portal and benefits platform;
- free counselling via a local provider;
- sessions on mindfulness, menopause and healthy living; and
- a dedicated full-time workplace wellbeing and sustainability co-ordinator.

Operating principles

This year, we recruited 28 new apprentices, meaning we now have 106 apprentices studying across the Group. We have also supported the government's Kickstart scheme, with four placements offered and a further two currently being recruited.

Strategic
Report

Housing

During the year ended 31 March 2022 our focus was on adapting our service to deliver a hands on, face-to-face, local service, safely in response to the government's 'Living with COVID' plan. For our housing teams, speaking to our tenants face-to-face and listening to their views about their homes and communities is essential in enabling us to focus on what they really need. Having the ability to visit our tenants in their homes once again was a big milestone.

Despite the continued challenges throughout the year, we maintained our focus on enhancing our local presence in the communities we serve and providing a more personalised experience designed around those communities.

Not only have we enhanced our local services, we also expanded our online offering. Our tenants now have more self-serve options, allowing them to request statements, setup Direct Debits and pay their rent online. As a result, we have seen a circa £3m increase in online rent payments, which has also helped to reduce demand on our contact centres.

We have collected £146m in rent, which is 98.4%, of the rent debit, compared to 98.8% in 2020/21. This year, we decided to move away from charging rent on a weekly basis to monthly rent for all new tenants from 1 April 2022. We hope that changing our approach will make paying rent more convenient for our tenants by aligning with their other outgoings and income such as Universal Credit.

> " **We have seen a circa £3m increase in online rent payments.**

We understand the financial pressures that our tenants are facing, and we acknowledge that we can help reduce tenancy uncertainty by providing our tenants with assured tenancy arrangements. We offer our tenants security of tenure if they have rented from us for more than 12 months. At 31 March 2022 89% of our tenants were on assured tenancy agreements.

We acknowledge that providing the tools to sustain a tenancy is as important as providing a brick and mortar home and our housing team offers a wide range of support to our tenants to help them manage their home including:

- support with setting up home (including furniture, white goods and flooring packages from Hopestead where appropriate), support with setting up utility accounts (including utility debt support), and starter tenancy reviews throughout the first 12 months of all new tenancies to promote tenancy sustainability and intervene early if issues begin to arise;
- support with benefit applications and healthcare appointments placing the wider welfare of our tenants at the heart of our service delivery;
- supporting people to live independently in their own homes through the provision of aids and adaptations;
- inter-agency referrals and partnership to support tenants facing other non-housing related personal hardship; and
- building relationships with our tenants to enable them to trust us if they are experiencing domestic abuse and welfare concerns. We are part of a co-ordinated community response enabling us to involve the appropriate support networks early to reduce suffering and promote greater wellbeing.

Continuing to focus on our purpose of providing homes and creating sustainable communities, our Estates team has been renamed to the Neighbourhood team to help alleviate the stigma associated with the term 'estate'. The team now provides a consistent service to all our tenants under the Flagship Services umbrella, making sure all our neighbourhoods are somewhere our tenants can be proud to call 'home'.

Operating principles

Next year, we also plan to take a common approach to anti-social behaviour ('ASB'), by renaming the team 'Safe Communities' to more accurately reflect the service provided. This year, we logged a total of 648 ASB cases, and approximately 30% of team's case load is related to domestic abuse. Therefore, the new name is also designed to make tenants feel reassured, rather than stigmatised, by the term 'ASB'.

Operating principle

We have kept doing what we do best and provided a new home to an additional 2,878 people, with 437 of those being through the mutual exchange process. We have developed a new on-boarding pack to simplify the moving in process, and we have also implemented six core housing policies – ensuring that our baseline offering is consistent, but still allows each affordable rent housing brand to offer a service tailored to the tenants they serve.

Operating principle

Asset Management

We have all spent a lot more time at home over the last couple of years and for some, their home is now also their workplace, even if only for part of the working week. Understanding how our tenants use their homes will enable us to provide homes which better meet their needs.

In the last year we have conducted 3,000 property surveys to help us target our investment where it really delivers value for money. Our priority has been, and continues to be, ensuring our homes are safe, warm, and suitable for the future, and in the last 12 months we have invested £40m in improvements to existing homes.

Operating principle

During the last year we invested £400,000 on a communal area trial, investing in initiatives to promote safety and create more functional entrance spaces. We also increased our investment in our empty homes by £2m on previous years evidencing our determination to let properties that our tenants can be proud of.

We are continuing to install smart thermostats across our portfolio, and the year ended 31 March 2022 saw us reach 2,000 installations. Smart thermostats help our tenants use their heating more efficiency which reduces their energy use, their carbon footprint and the cost to heat their homes. Our smart thermostat installation program is future proofing today and part of our response to increasing fuel costs.

Operating principle

Investment in our existing stock remains strategically focused on our net zero targets and on the alleviation of damp, mould and condensation within our properties, which we acknowledge has potential health impacts for our tenants and longer-term asset sustainability challenges for our properties.

Operating principle

Asset Safety

Ensuring that our homes are safe is a primary objective for us and we have increased the resource we dedicate to asset safety during the year ended 31 March 2022. We have increased the headcount of our asset compliance team, bringing in-house highly skilled resource, which has enabled us to rely less heavily on external experts which has been particularly valuable in the last twelve months.

The Building Safety Bill and Fire Safety Act has been an area of focus for us and unpicking the key elements from both is a continuing challenge for all housing providers. Our fire safety investment in the last few years means we have a number of proactive measures already being in place giving us a strong foundation to build upon.

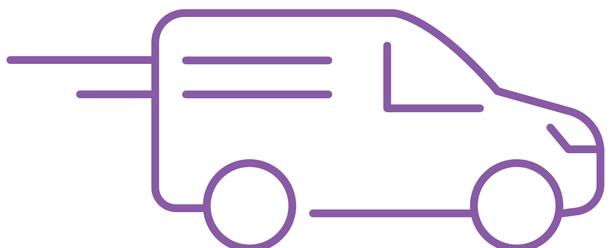
We have invested over £1.3m in fire safety upgrade programs during the year ended 31 March 2022 which included enhanced fire stopping and detection systems, as well as entrance door replacements and lighting upgrades making our homes safer if a fire did occur.

We remain on track to fulfil our commitment to undertake asbestos surveys on all of our properties by 2030 to ensure that we understand where asbestos exists. This enables us to proactively manage asbestos exposure risk. Where we cannot make the asbestos safe within the structure of the property or where it may be disturbed in the future, we are increasing our efforts to remove it from our homes, making our homes easier to improve in the future and ultimately reducing the cost of maintaining and improving our homes in the longer term.

We have introduced a new enhanced electrical inspection specification, which includes dedicated management and quality control resource alongside a more in-depth inspection program, is truly bespoke to Flagship.

We commissioned an independent inspection of the lifts in our properties, which provided valuable insights into our lifting equipment and has allowed us to focus our planned investment. We also renegotiated our lift maintenance contract, reducing its cost by £45,000 per year for an improved service, delivery real value for money.

We continue to leverage expertise and resources across our Group. Gasway has been proactively removing water hygiene risks from some of our large communal water systems, with newer technology reducing our monitoring requirements.



Strategic Report

Energy Efficiency

Our focus on de-carbonisation saw us invest £12m in energy efficiency measures (including insulation, heat pumps, solar photovoltaic panels, window and door replacements and high retention storage heaters) during the year ended 31 March 2022, which included the installation of 389 air source heat pumps and 1,757 Switchee thermostats. We have secured over £3m in grant funding for energy efficiency improvements for our homes, including £1.8m from the Social Housing Decarbonisation Fund which will provide funding to upgrade approximately 180 homes to EPC C.

We continue to focus on bringing all our homes up to an EPC rating C or above and are progressing with our ambitious retrofit program to improve the efficiency of 1,250 homes per year. We plan to invest £65m over the next 5 years to improve the energy performance of our housing stock.

Operating principles

Our energy efficiency team has expanded during the year ended 31 March 2022 to manage the increased volume of energy efficiency works being undertaken to our properties. The team has also undertaken a review of damp and mould in our properties and can prioritise our investment to remediate those homes that need it most.

We were recognised as East Region Landlord of the Year at the Energy Efficiency Awards and were also recognised as national runner up. We were also awarded with the Most Innovative Retrofit or Refurbishment Scheme at the Housing Digital Awards, in conjunction with our partner for robotised underfloor insulation.

Strategic Report

Focus on energy performance

An Energy Performance Certificate ('EPC') measures the energy efficiency of a property on a scale of A to G. Better rated homes produce less carbon dioxide (CO_2) emissions and therefore understanding the EPC rating of our homes will help us understand how best to improve efficiency for the future as we strive for net-zero by 2050. The energy efficiency rating of a home also has a significant impact on the fuel poverty status of its tenant and improving energy efficiency directly impacts our tenant's disposable income.

A household is in fuel poverty if they are living in a property with an energy efficiency rating of band D or below and when they spend the required amount to heat their home, they are left with a residual income below the official poverty line.

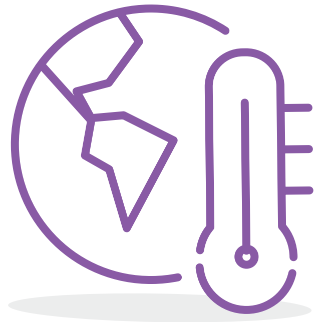
Across the UK there are approximately 2.5m homes living in fuel poverty and 10% of households in the East of England live in fuel poverty. Without doubt some of these households will live in our homes.

Tackling fuel poverty is important to us because it improves tenants' quality of life through lower heating bills leaving tenants with more disposable income for other necessities. Warm homes also support positive health outcomes through the prevention of respiratory illnesses and reduce the risk of falls in the elderly.

We are tackling fuel poverty through:

- A programme of planned investment in thermal insulation, heating controls (such as smart thermostats) and heating system upgrades;
- Training our front-line staff to educate our tenants on how to operate new heating systems efficiently;
- Putting up to date advice and guidance on our website;
- Working with tenants to maximise their income;
- Supporting and providing tenants with opportunities to upskill, secure training and employment opportunities that enhance their earning potential, incomes and quality of life; and
- Offering financial support to tenants facing extreme hardship by helping with fuel costs via local food banks

Naturally it is not cost effective to demolish all our properties and rebuild them to deliver a higher efficiency rating. Retrofitting properties with renewable energy technology, insulation and other innovative solutions is one way to improve a properties energy efficiency rating. That said, any retrofitting investment needs to be economical for the Group and there may be some properties that we need to either dispose of or rebuild to achieve the required rating for our properties.



"By reconnecting the area to nature and its surroundings, we will promote healthy active travel

Initially we are focussing on our lowest performing homes, where retrofitting is economical, because it is those tenants most at risk of fuel poverty and who will realise the largest benefits from our retrofit activities.

Emissions from our existing homes which we are unable to directly influence account for approx. 95% of our total emissions with approx. 90,000 (2021: 100,000) tonnes of CO_2e produced each year. Improving the EPC rating of our properties will reduce our indirect carbon emissions and we intend to bring all our homes up to an EPC rate of C or better by 2035. We are further targeting an average SAP rating of 86 (EPC mid-band rating of B) across our property portfolio by 2050 as we strive to achieve the government's target of net-zero emissions.

Our properties currently fall into the following EPC ratings:

EPC Band	Percentage of our homes
A	0.1% (2021: 0.1%)
B	10.5% (2021: 13.9%)
C	46.0% (2021: 34.8%)
D	38.2% (2021: 43.7%)
E or below	5.1% (2021: 7.6%)

Our work to date has demonstrated that it is viable to bring most of our homes up to EPC band C by installing a range of energy efficiency measures like loft and cavity wall insulation. Beyond EPC band C we will continue to target investment in renewable energy technologies to bring our portfolio to an average SAP rating of 86 by 2050.

Our progress during the year ended 31 March 2022 is reflected above and demonstrates that 56.6% of our homes are now EPC C or better compared to 48.8% in 2021. This equates to approx. 507 homes which have been upgraded to EPC C which is a superb achievement and demonstrates that our retrofit program is having a real impact on our property portfolio, is reducing the energy costs for our tenants and means we are producing less carbon emissions which is better for the environment.

Strategic
Report

“ **The masterplan was developed with the community.**

Placemaking

Collaboration is at the heart of everything we do, and we want to work in partnership with tenants, wider residents, and communities. Through listening to people, we understand what matters most, and we can shape the future together, delivering long-lasting, meaningful change for generations to come.

We have been working with several communities this year, across the East of England. We have built a deep understanding of community needs, local issues, symptoms and root causes by working closely with local residents and stakeholders.

We are leading a place-based regeneration of a large housing area in Norfolk and have consulted with over 2,000 people on a masterplan of regeneration. The masterplan was developed with the community over time, in response to over 20,000 pieces of feedback.

Our consultative approach has developed a combination of urban design interventions that breathe new life in the homes, unites the area with the surrounding town, and creates a sustainable community for the long term. By reconnecting the area to nature and its surroundings, we will promote healthy active travel, and – alongside some selective demolition and provision of new homes – offer a blend of improved, affordable housing options and an opportunity for the community to access greater opportunities and life chances.

Operating principles

We are also starting to take a different approach to regenerating parcels of land we own within our existing communities. We are taking a longer-term custodian's view and prioritising the environment, community participation and health and wellbeing.

Piloting a series of interventions to residential open spaces, from traditional mowing, through wildflower meadows and even dense landscaping that promotes wildlife restoration, we will be measuring the impact on biodiversity, health and wellbeing, and tenant satisfaction. We believe that through partnering, innovation, and education we can create vibrant, healthy spaces rich in biodiversity, and community.

Operating principles

By order of the Board

E Marcus, Company Secretary
28 July 2022

Flagship Housing Group Limited
31 King Street | Norwich | Norfolk | NR1 1PD

Report of the Board

for the year ended 31 March 2022

The Board of Management presents its annual report for the audited financial statements of the company and the Group for the year ended 31 March 2022.

Future developments

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

Group structure

At 31 March 2022 the Group consisted of six active entities:

- Flagship Housing Group Limited
- Flagship Housing Developments Limited
- Flagship Finance PLC (incorporated 10 June 2021)
- Gasway Services Limited
- Blue Flame (Colchester) Limited
- Hopestead CIO

On 10 June 2021 Flagship Finance PLC was incorporated as a funding vehicle, initially to secure a market bond for the Group. On 14 July 2021 Flagship Finance PLC issued a 40-year listed bond for £250m (initially with £100m retained) on the International Securities Market ('ISM') at the London Stock Exchange ('LSE'), at an all-in rate of 1.97%. On 2 February 2022 Flagship Finance PLC issued a further £50m retained bonds at an all-in rate of 2.39%.

Report of the Board

Community initiatives and charitable donations

During the year the Group paid £168,897 (2021: £167,383) towards community initiatives. In addition, £288,112 of charitable donations were made (2021: £37,012), of which £238,112 were donations by Hopestead to partner charities to support the alleviation of homelessness in the East of England.

The Board of Management and executive team

The Board of Management and the executive team who served the company in office at 31 March 2022 are detailed on page 5 of the annual report. At 31 March 2022 the Board was comprised of eight non-executive directors (67%) and four executive directors (33%) and are drawn from a wide background bringing together professional, commercial and local experience.

The Flagship Housing Group Board had the following demographics at 31 March:

	2022	2021
Women	17%	23%
Ethnic minorities	8%	8%
Average age	61 years	61 years
Average tenure (NEDs only)	5 years	5 years

To place the composition of the Board in context 57% of Flagship tenants are women; 62% of lead tenants are women; and in the East of England 50% of the population are women. In the East of England 9.2% of the population are classed as ethnic minorities but in Norfolk and Suffolk (where the Group has the majority of its properties) only 3.5% of the population is of ethnic minority. The average age of Flagship tenants is 48; lead tenants have an average age of 54 years; and the East of England population has a median age of 42 years. Our current Flagship Housing Group Limited board members have not declared any disabilities but 12.3% of our tenants have a disability compared to 7% in the East of England population.

The maximum tenure for non-executive directors will normally be for a period of up to six consecutive years (two terms of three years) although this may be extended up to a period of nine years or extended further where the board agrees that circumstances exist where it would be in the best interest of the association for the non-executive director to serve for a longer period.

The company has an open recruitment and selection policy for non-executive directors. Recruitment is transparent and focuses on filling experience gaps on the Board. A copy of the recruitment and selection process is available on request in writing to the company secretary. All new non-executive directors are provided with induction training to enable them to meet their obligations and commitment to the Group, in accordance with the NHF's governance code.

The Board has adopted the National Housing Federation Code of Governance 2020 (the 'Code'). Historically the Board has complied with all aspects of the code, except for the number of directors on the Board, however, following the resignation of Carole Taylor-Brown on 30 July 2021, the Group was also compliant in respect of the number of directors on the Board at 31 March 2022.

The Board actively prepares for forthcoming non-executive director retirements through co-ordination of a succession plan overseen by the People and Culture Committee. At 31 March 2022, one non-executive director had exceeded the nine-year maximum tenure period and has remained on the Board for continuity. This is a temporary arrangement and plans are in place for succession handover in the near future.

The 2020 Code introduced a requirement for subsidiaries to apply the code or explain any reasons for not doing so. Our subsidiaries comply with the Code in all relevant aspects, but some elements are not directly applicable to the individual subsidiaries and their Boards due to the non-housing and commercial nature of their activities.

Each non-executive director signs a service agreement which covers compliance with standing orders, Directors' Code of Conduct and Directors' Protocol, as well as completing an annual disclosure of interest report to Governance Audit and Risk Committee (GARC). Flagship's standing orders provides the following processes to address conflicts of interest:

- declarations of interest are a standing agenda item at each board meeting;
- formal minuting of any declarations made;
- a board member withdraws from a meeting for the duration of an item, debate or decision where the interest is clear and substantial; and
- all board members to offer to resign where a conflict of interest is likely to recur on a frequent basis.

Employees

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

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

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

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

“ All employees should be given equal opportunity and are appraised solely on performance

Employee engagement statement

The Group has a number of effective workforce engagement mechanisms in place including:

- keeping employees informed of performance and strategy through regular presentations and updates;
- internal social media engagement platforms;
- employee engagement surveys are undertaken with results reported back to all staff with encouragement for all staff to drive the future direction of the Group;
- senior management team making themselves visible and accessible to all staff enabling them to hear views across the employee spectrum; and
- annual employee performance reviews to facilitate personal development and collective team development.

The Board considers that, taken together, these arrangements deliver an effective means of ensuring the Board stays alert to the views of all employees.

Employee remuneration

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

Statement of engagement with suppliers, customers and other stakeholders with a business interest

Suppliers

Throughout the year the Board was briefed on major contract renegotiations and strategy with regard to key suppliers.
The Board seeks to balance the benefits of maintaining strong partnering relationships with key suppliers alongside the need to obtain value for money and the desired quality and service level for the Group's customers.

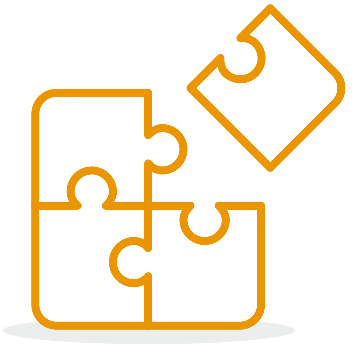
Customers

The Group is diverse and delivers a range of services. The Group's primary charitable objective is the provision of social housing and therefore its social housing tenants are a considerable customer base for the Group. However, the Group is also engaged in residential development and gas installation and maintenance services which also have considerable customer bases respectively. The Board actively reviews customer satisfaction to continuously improve the company's services to meet the ever-changing needs of its customers.

Regulators

The Group's primary regulation is provided by the 'Regulator of Social Housing' ('RSH'). The Group strives to have an ongoing, transparent dialogue with the RSH through co-operative and constructive engagement. The Chief Executive Officer oversees the Group's communication with the RSH and provides regular updates to Board on correspondence with the RSH. GARC exercises oversight over the Group's governance framework and the Group's Finance & Treasury (F&T) exercise oversight of the Group's financial viability.

The Group manages its tax affairs responsibly and proactively to comply with UK tax legislation. The Group's engages with HMRC constructively, honestly and in a timely and professional manner, and seeks to resolve any disputed matter through active and transparent engagement. The Group CFO provides regular updates to Board on tax matters.



“ The Group is diverse and delivers a range of services

Debt capital / credit facility providers and credit reference agencies

The Chief Financial Officer, Group Finance Director and the Group's Treasury team are responsible for managing the relationships with bank syndicates, bond trustees and credit rating agencies, and for the Group's cash / debt management and financing activities. The Group Finance Director provides regular reports to Finance & Treasury Committee (F&T) on these activities including the Group's plans to ensure appropriate access to debt capital, monitoring of headroom and maturity schedules for the Group's credit facilities. The Board approves all new financing arrangements and the Group's treasury strategy annually.

Consolidated Financial Statements for the year ended 31 March 2022 | Flagship Group

Report of the Board

Statement of Board's responsibilities

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

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

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

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

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. The Board has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Executive team

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

The executive team has created a senior management team, consisting of operational directors (individuals with a director title who report directly to a member of the executive team) which collectively deliver the day-to-day operations of the Group. Together the executive team and the operational directors comprise the Group's key management personnel.

The composition of the executive team is as follows:

David McQuade	Chief Executive Officer
Helen Walsham	Deputy Chief Executive Officer
David Armstrong	Chief Financial Officer
John Archibald *(resigned 31 May 2022)*	Chief Strategic Officer

A biography of all key management personnel can be found on the company's website www.flagship-group.co.uk.

Consolidated Financial Statements
for the year ended 31 March 2022

Risk and internal control

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

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

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

The Group monitors and controls all risks that may affect achievement of its objectives through regular review of the consolidated risk register by the Board and through review of the Group's Assurance Map by GARC, to ensure that all strategic and operational risks are being managed within the Group's risk appetite. Together this approach creates a hierarchical assurance framework through successive levels of management to address strategic and operational risk. The Group's internal audit function (which leverages input from an external independent auditor) undertakes an agreed audit plan for each financial year to appraise the effectiveness and robustness of the Group's control environment. Oversight of the internal audit function is performed by GARC which provides assurance to the Flagship Housing Group Limited Board under delegated authority.

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

"The Group monitors and controls all risks that may affect achievement of its objectives.

Report
of the Board

Board Committees

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

Governance, Audit and Risk Committee (GARC)

Purpose:

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

Members:

Four non-executive directors excluding the chair of the Board and may include a Board adviser or Independent Member as one of the members.

Experience:

Audit committee members have considerable experience which they bring to the committee. This includes a former Big Four accountancy firm partner with extensive public sector audit experience, a consultant with extensive experience in public sector health, who specialises in strategy, finance, business planning and governance, a consultant specialising in regulatory, political, whistleblowing and harassment matters with experience leading board effectiveness reviews and significant financial turnaround and recovery plans, and a consultant specialising in business coaching, leadership development, change management and succession planning.

Finance and treasury committee (F&T)

Purpose:

To oversee the principal finance and treasury activities across the group. The committee focuses on cash and cash equivalents, borrowings, hedging and other financial risk management tools, asset security, pension arrangements, value for money performance, the Group's investment strategy and broader Group financial performance.

Members:

Four members of which at least two must be non-executive directors excluding the chair of the Board.

Health and safety committee (H&S)

Purpose:

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

Members:

One non-executive director (excluding the chair of the Board), the Deputy Chief Executive Officer (from 31 May 2022), the Chief Strategic Officer (office ceased to exist following resignation 31 May 2022), an employee representative and the Group's Business Assurance Manager.

People and culture committee (P&C)

Purpose:

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

Members:

Two non-executive directors excluding the chair of the Board, a Board adviser and an employee representative.

Consolidated Financial Statements
for the year ended 31 March 2022

Report of the Board

Compliance

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

The Board has reviewed the requirements of the Regulator of Social Housing's Governance and Financial Viability Standard and certifies that the Group is fully compliant with the requirements of the Standard.

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

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

Housing properties

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

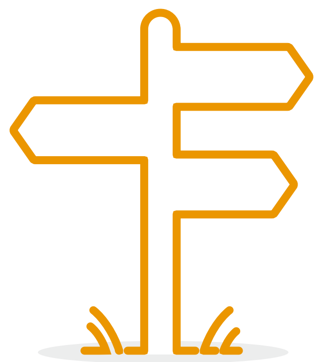
Post balance sheet events

On the 6 April 2022 the Flagship Group announced that it was discussing a tripartite partnership between bpha and Futures Housing Group. The parties are currently exploring the opportunity and no firm commitment exists at the date these financial statements were signed.

Disclosure of information to auditors

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

- so far as the member is aware, there is no relevant audit information of which the company or Group's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a member in order to make themselves aware of any relevant audit information and to establish that the company and Group's auditors are aware of that information.



Independent auditors

Mazars LLP have been the Group's auditors for ten consecutive financial years, however, the current audit partner has held office for four years. The Group tendered its contract for the provision of external audit services in Autumn 2020. The tender process was co-ordinated by GARC and Mazars LLP were reappointed on 9 December 2020.

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

By order of the Board

E Marcus, Company Secretary
28 July 2022

Flagship Housing Group Limited
31 King Street | Norwich | Norfolk | NR1 1PD

Independent auditor's report

to the members of Flagship Housing Group Limited

Opinion

We have audited the financial statements of Flagship Housing Group Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise the Group and the parent company's Statements of Comprehensive Income, the Group and the parent company's Balance sheet, the Group and the parent company's Statements of changes in reserves, the Group Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2022 and of the Group's and the parent company's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Independent auditor’s report

Basis of opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors’ Report.

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

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

Independent
auditor's report

Responsibilities of Directors

As explained more fully in the Statement of the Board's responsibilities set out on page 68, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of Flagship Housing Group Limited, its subsidiary undertakings and their industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate performance and management bias through judgements and assumptions in significant accounting estimates.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements.

Our audit procedures included but were not limited to:

- discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquires of the directors and management on whether they had any knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

Use of the audit report

This report is made solely to the company's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Vincent Marke
(Senior Statutory Auditor)
For and on behalf of Mazars LLP

2 August 2022

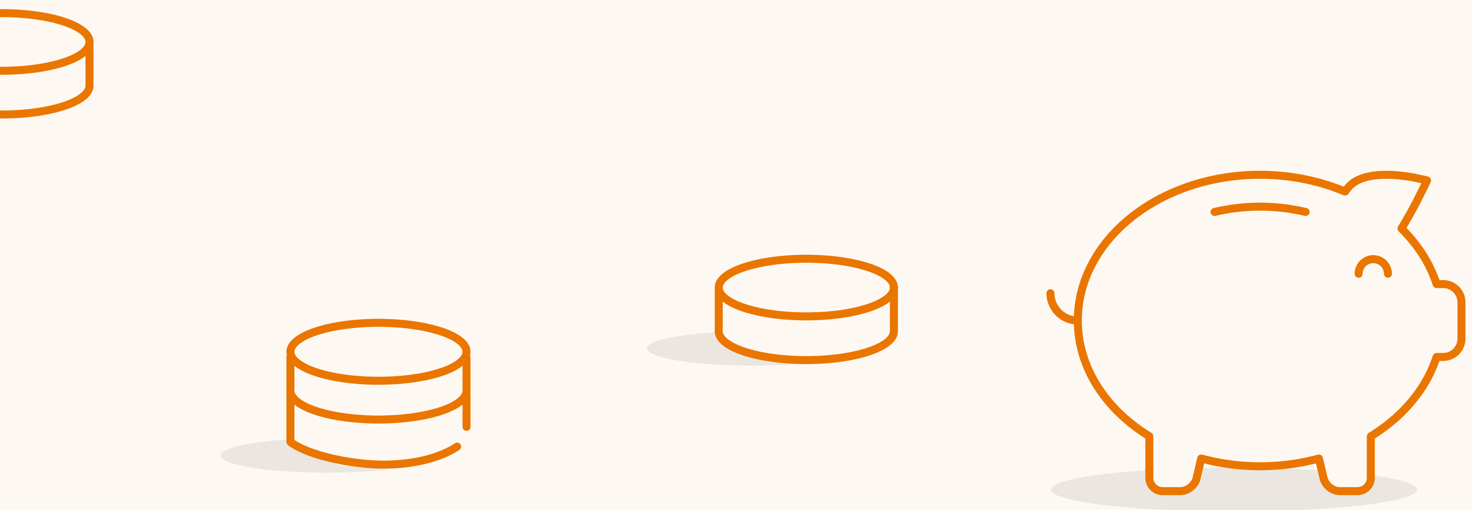
Chartered Accountants and Statutory Auditor
2 Chamberlain Square
Birmingham
B3 3AX

Financial statements

Statement of Comprehensive Income

for the year ended 31 March 2022

	Note	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Turnover	6 / 8	**231,940**	200,150	**189,161**	168,696
Operating costs	6	**(166,628)**	(140,530)	**(127,417)**	(111,397)
Gain on disposal of housing properties and other property, plant and equipment	9 / 10	**17,423**	9,353	**17,046**	6,056
Share of operating profit / (loss) in joint ventures	21	**572**	480	**-**	-
Operating surplus	10	**83,307**	69,453	**78,790**	63,355
Interest receivable	27	**483**	352	**98**	1,657
Interest and financing costs	26	**(28,802)**	(25,533)	**(27,982)**	(24,157)
Movement in fair value of investment properties	16	**4,202**	1,824	**4,202**	1,824
Gift on transfer of engagement	36	**-**	-	**-**	138,583
Surplus for the year before taxation		**59,190**	46,096	**55,108**	181,262
Taxation	14	**26**	33	**-**	(3)
Surplus for the year		**59,216**	46,129	**55,108**	181,259
Actuarial (loss) / gain in respect of pension schemes	32	**7,879**	(8,188)	**7,879**	(8,188)
Total comprehensive income for the year		**67,095**	37,941	**62,987**	173,071



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

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

The notes on pages 89 to 139 form an integral part of the financial statements.

Balance sheet

as at 31 March 2022

	Note	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Fixed assets					
Intangible fixed assets	18	**7,481**	7,520	**3,268**	2,476
Tangible fixed assets - Housing properties	15	**1,842,633**	1,754,927	**1,866,406**	1,778,518
Oher tangible fixed assets	19	**14,828**	10,489	**14,507**	10,065
Investment properties	16	**78,588**	74,274	**78,588**	74,274
Investments in subsidiaries and other investments	20	**13,440**	13,440	**85,267**	80,254
Investments in joint ventures	21	**13,066**	13,119	**-**	-
Non-current other debtors	22	**90**	90	**-**	-
		1,970,126	1,873,859	**2,048,036**	1,945,587
Current assets					
Stock	11	**51,456**	54,842	**6,845**	10,133
Trade and other debtors	22	**17,351**	16,023	**10,588**	9,260
Cash and cash equivalents		**116,601**	11,408	**104,122**	6,761
		185,408	82,273	**121,555**	26,154
Creditors: amounts falling due within one year	23	**(75,514)**	(112,685)	**(66,516)**	(101,259)
Net current assets/(liabilities)		**109,894**	(30,412)	**55,039**	(75,105)
Total assets less current liabilities		**2,080,020**	1,843,447	**2,103,075**	1,870,482
Creditors: amounts falling due after one year	24	**(1,137,691)**	(958,716)	**(1,139,848)**	(960,770)
Provision for liabilities					
Defined benefit pension liability	32	**(9,514)**	(19,219)	**(9,514)**	(19,219)
Other provisions	30	**(308)**	(100)	**(233)**	-
Net assets		**932,507**	865,412	**953,480**	890,493
Reserves					
Income and expenditure reserve		**545,561**	472,954	**566,534**	498,035
Revaluation reserves		**386,946**	392,458	**386,946**	392,458
Total reserves		**932,507**	865,412	**953,480**	890,493

The notes on pages 89 to 139 form an integral part of the financial statements.

The financial statements were authorised for issue by the board of directors on 28 July 2022 and signed on its behalf by:

P Hawes
Chairman

R Bennett
Board Member

D Armstrong
Chief Finance Officer

Statement of changes in reserves

for the year ended 31 March 2022

(a) Group

	Income and expenditure reserve	Revaluation reserve	Total reserves
	£'000	£'000	£'000
Opening balance at 1 April 2020	430,406	397,065	827,471
Surplus for the year	46,129	-	46,129
Other comprehensive income for the year	(8,188)	-	(8,188)
Total comprehensive income for the financial year	37,941	-	37,941
Transfer from revaluation reserve to revenue reserve	4,607	(4,607)	-
Total transactions recognised directly in equity	4,607	(4,607)	-
Closing balance at 31 March 2021	472,954	392,458	865,412

	Income and expenditure reserve	Revaluation reserve	Total reserves
	£'000	£'000	£'000
Opening balance at 1 April 2021	472,954	392,458	865,412
Surplus for the year	59,216	-	59,216
Other comprehensive income for the year	7,879	-	7,879
Total comprehensive income for the financial year	67,095	-	67,095
Transfer from revaluation reserve to revenue reserve	5,512	(5,512)	-
Total transactions recognised directly in equity	5,512	(5,512)	-
Closing balance at 31 March 2022	545,561	386,946	932,507

The notes on pages 89 to 139 form an integral part of the financial statements.

(b) Company

	Income and expenditure reserve	Revaluation reserve	Total reserves
	£'000	£'000	£'000
Opening balance at 1 April 2020	320,357	397,065	717,422
Surplus for the year	181,259	-	181,259
Other comprehensive income for the year	(8,188)	-	(8,188)
Total comprehensive income for the financial year	173,071	-	173,071
Transfer from revaluation reserve to revenue reserve	4,607	(4,607)	-
Total transactions recognised directly in equity	4,607	(4,607)	-
Closing balance at 31 March 2021	498,035	392,458	890,493

	Income and expenditure reserve	Revaluation reserve	Total reserves
	£'000	£'000	£'000
Opening balance at 1 April 2021	498,035	392,458	890,493
Surplus for the year	55,108	-	55,108
Other comprehensive income for the year	7,879	-	7,879
Total comprehensive income for the financial year	62,987	-	62,987
Transfer from revaluation reserve to revenue reserve	5,512	(5,512)	-
Total transactions recognised directly in equity	5,512	(5,512)	-
Closing balance at 31 March 2022	566,534	386,946	953,480

The notes on pages 89 to 139 form an integral part of the financial statements.

Statement of cash flows

for the year ended 31 March 2022

	Note	Group 2022 £'000	Group 2021 £'000
Net cash generated from operating activities	33	101,824	76,072
Taxation		(36)	(3)
Net cash generated from operating activities		101,788	76,069
Cash flows from investing activities			
Purchase of and works to housing properties	15	(130,001)	(86,386)
Purchase of other assets		(3,781)	(2,292)
Proceeds from the sale of housing properties	9	28,398	14,560
Proceeds from the sale of other fixed assets		-	16
Purchase of investments	16 / 20	(112)	(52)
Grant received	28	11,297	7,044
Loans repaid by/(made to) joint venture undertakings	21	625	(5,429)
Interest received	27	483	352
Net cash from investing activities		(93,091)	(72,187)
Cash flows from financing activities			
Proceeds from issue of bank borrowings		187,654	49,698
Repayment of bank borrowings		(58,255)	(42,925)
Capital element of finance lease rental payments		(2,361)	(1,623)
Interest paid	26	(30,542)	(29,379)
Net cash from financing activities		96,496	(24,229)
Net change in cash and cash equivalents		105,193	(20,347)
Cash and cash equivalents at beginning of year		11,408	31,755
Cash and cash equivalents at end of year		116,601	11,408

The notes on pages 89 to 139 form an integral part of the financial statements.

Notes to the Financial Statements

for the year ended 31 March 2022

Notes to the financial statements

for the year ended 31 March 2022

1. General information

Flagship Housing Group Limited ('the company') is a registered provider of social housing, incorporated under the Co-operative and Community Benefit Societies Act 2014. Its subsidiaries (together 'the group') provide repairs and maintenance, capital improvement and residential development services for the company and externally generate re-investable capital.

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

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

The company is an exempt charity.

2. Statement of compliance

The Group and individual financial statements of Flagship Housing Group Limited have been prepared in compliance with applicable law, United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), the Accounting Direction for Private Registered Providers of Social Housing 2022, the Statement of Recommended Practice for registered social housing providers 2018 update and the Housing and Regeneration Act 2008. The Group is a public benefit organisation, and applies the relevant paragraphs prefixed "PBE" in FRS 102.

3. Summary of significant accounting policies

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

a. Basis of preparation

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

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

b. Going concern

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

The Group meets its day-to-day working capital requirements primarily through the cash generated from its trading activities and through cash made available through its debt financing arrangements.

The early part of 2022 was categorised by cautious optimism in the government's 'roadmap out of lockdown'. Material price inflation was notable, due to demand outstripping supply, but this was alongside the backdrop of on-going government economic stimulus.

However, in stark contrast, March 2022 has brought soaring inflation, at its highest level in over 30 years, and, as reported in the media, a 'cost-of-living crisis'. Unusually high levels of geopolitical uncertainty is undoubtedly exacerbating price inflation at a time when productivity is lagging behind due to a contraction in investment during COVID-19.

The current economic, geo-political and environmental conditions continue to create uncertainty over (a) the extent of arrears due to inflationary cost pressures on our tenants and the future recoverability of debts; (b) availability of financing for customers to purchase the Group's products; (c) land availability at attractive hurdle rates to be used for social housing provision and ability to obtain planning permission in required timeframes under current working conditions; (d) the ability to procure construction contracts amidst unpredictable inflation which meet the company's investment hurdle rates; (e) the impact of nutrient neutrality on planning permission applications and the remedial works required to meet the expectations of local authority planning departments; and (f) source availability and price instability of materials.

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

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

c. Exemptions for qualifying entities under FRS 102

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

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

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

d. Basis of consolidation

The Group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings made up to 31 March 2022.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

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

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

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

e. Revenue recognition

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

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

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

Rental and service charge income

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

Property management services

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

Sale of properties

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

Responsive repairs and maintenance service

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

Capital project improvement service

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

Cover plans

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

Interest income

Interest income is recognised using the effective interest method.

f. Exceptional items

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

Consolidated Financial Statements
for the year ended 31 March 2022

Notes to the financial statements

for the year ended 31 March 2022

g. Government grants

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

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

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

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

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

h. Other grants

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

i. Donated land and other assets

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

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

j. Employee benefits

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

Short-term benefits

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

Defined contribution pension plans

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

Defined benefit pension plan

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

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

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

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

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

The cost of the defined benefit plan, is recognised in the statement of comprehensive income as employee costs, and comprises:

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

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

The net interest cost on defined benefit deficit is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the statement of comprehensive income as a 'financing cost'.

Annual bonus plan

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

k. Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

Current tax

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

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

Deferred tax

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

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

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

l. Value added tax

The Group charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. Expenditure in the statement of comprehensive income includes VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

m. Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

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

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

Where a combination is between two public benefit entities, and the combination is at nil or nominal consideration and is, therefore, in substance a gift, any excess of the fair value of the assets received over the fair value of the liabilities assumed is recognised as a gain in profit and loss. This gain represents the gift of the value of one entity to another. If the fair value of the liabilities assumed exceeds the fair value of the assets received an expense is recognised in the statement of comprehensive income representing the net obligations assumed.

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

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

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

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

Notes to the financial statements

for the year ended 31 March 2022

n. Intangible assets

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

Category	Years
Software	3 – 5

Amortisation is included in 'operating costs' in the statement of comprehensive income.

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

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

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

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

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

o. Housing properties

On transition to FRS 102 on 1 April 2014, the Group took the option to carry out a one-off valuation exercise of selected housing properties (for example properties with a large scale voluntary transfer (LSVT) history), valuing those properties on a EUV-SH basis, and using that amount as deemed cost upon transition.

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

i. Subsequent additions and major components

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

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

ii. Assets in the course of construction

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

iii. Shared ownership property categorisation

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

iv. Depreciation and residual values

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

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

Component	Years
Structure	100
Roofs	80
Roofline (guttering / facia	30
Lifts	40
Heating system (excluding boiler)	30
Windows & doors	30
Kitchens	20
Boilers	15
Bathrooms	30

Freehold land is not depreciated.

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

Any difference between the historic cost annual depreciation charge and the annual depreciation charge on assets carried at deemed cost is transferred between the revaluation reserve and the income and expenditure reserve until the revaluation reserve is depleted.

v. Housing property impairment

The Group considers individual schemes (collection of properties) to be separate cash generating units ('CGU') when assessing for impairment, in accordance with the requirements of FRS 102 and SORP 2014. Schemes are assessed annually for impairment indicators.

Where there is evidence of impairment, the recoverable amount of the fixed assets affected is determined and any impairment losses charged to the statement of comprehensive income.

We estimate any impairment to housing properties as follows:

a) Estimate the recoverable amount of the CGU;

b) Calculate the carrying amount of the CGU; and

c) Compare the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

The recoverable amount is taken to be the higher of the fair value less costs to sell or the value in use of an asset or CGU. The assessment of value in use may involve considerations of the service potential of the assets or CGUs or the present value of future cash flows to be derived appropriately adjusted to account for any restrictions on their use. Where value in use - service potential (VIU-SP) is to be determined, the calculation of Depreciated Replacement Cost (DRC) is considered a suitable measurement model.

Based on this assessment, we calculated the DRC using appropriate construction costs and land prices of each social housing property scheme. In these circumstances we consider the DRC to be the recoverable amount.

Where the carrying amount is greater than the recoverable amount, an impairment loss of the difference between the two, is taken to the statement of comprehensive income and a corresponding entry is made to reduce the carrying value of the asset.

vi. De-recognition

Housing properties are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount plus any social housing grant recyclable is recognised as profit or loss and included in 'Gain on disposal of housing properties and other property, plant and equipment'. The social housing grant is returned to the recycled capital grant fund and held for reinvestment in new social housing development or repayment to Homes England upon demand.

p. Other tangible fixed assets

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

i. Depreciation and residual values

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

Component	Years
Computer equipment	3 – 5
Owned vehicles	4
Furniture, fixtures and fittings	5 – 33
Leasehold improvements	10 – 25
Office buildings	25

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

Leased assets are depreciated over the life of the lease.

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

ii. De-recognition

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

Notes to the financial statements

for the year ended 31 March 2022

q. Investment property

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

r. Borrowing costs

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

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

s. Inventories

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

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

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

t. Leased assets

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

i. Finance leased assets

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

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

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

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

ii. Operating leased assets

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

iii. Lease incentives

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

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

u. Impairment of non-financial assets

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

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

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

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

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

v. Investments

Investments in subsidiary company's and jointly controlled entities are held at cost less accumulated impairment losses.

w. Provisions and contingencies

i. Provisions

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

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

In particular:

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

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

ii. Contingencies

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

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

x. Financial instruments

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

i. Financial assets

Basic financial assets, including trade and other receivables, the liquidity deposit reserve (cash held in trust on account of loan facilities) and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest

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

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

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

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

ii. Financial liabilities

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

Notes to the financial statements

for the year ended 31 March 2022

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

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

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

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

iii. Offsetting

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

y. Revaluation reserve

Upon transition to FRS 102, the company utilised the transitional relief available and used the fair value of its housing properties as their deemed cost. Therefore, the difference between the fair value of social housing properties and the historical cost carrying value was credited to the revaluation reserve. The difference between historical cost depreciation and depreciation charged on the fair value balance is transferred from the revaluation reserve to the income and expenditure reserve.

4. Critical accounting judgements and estimation uncertainty

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

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

i. Operating surplus

Operating surplus is shown including the following as these are part of our usual operating activity

- Gain on disposal of housing properties and other property, plant and equipment; and
- Share of operating profit / (loss) in joint ventures.

Management have made a judgement that the movement in fair value of investment properties does not form part of our usual operating cycle based on the existing use of the assets.

ii. Housing Property Impairment

As part of the Group's continuous review of the performance of its assets, management identify properties that have increasing losses, are impacted by government policy changes (such as welfare reform changes or rent reductions), have significant damage or require significant repair spend or are marked for disposal. These factors are considered to be indicators of impairment.

Where there is evidence of impairment, the recoverable amount of the fixed asset affected is determined and any impairment losses are charged to the statement of comprehensive income. Management has identified some impairment indicators during the year, such as properties marked for disposal, but determined that the fair value less cost to sell those properties exceed their carrying amount and therefore no impairment loss has occurred during the financial year (2021: none).

iii. Capitalisation of development and property enhancement spend

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

b. Key accounting estimates and assumptions

i. Deferred tax provisions

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

ii. Defined benefit ('DB') pension scheme

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. For details of assumptions adopted, see note 32.

The Trustee of the SHPS pension scheme, TPT Retirement Solutions, is asking the High Court to provide clarification on the appropriateness of a change to scheme benefits enacted in 2011 which changed the basis of inflation from RPI to CPI. If the change to the basis for inflation is considered to be incorrect, this could create an additional liability for employers. Management are unable to determine the likelihood of any additional liability at 31 March 2022 and therefore no contingent liability has been presented within this financial statements.

iii. Revaluation of investment properties

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Group engages independent experts to determine the fair value of its investment properties at the balance sheet date. The estimation of the fair values requires the combination of assumptions including revenue growth, estimates in respect of voids and bad debt exposure, investment required in maintenance and improvement as well as judgement to use an appropriate discount rate. For details of assumptions adopted, see note 16.

The Group's market rented property portfolio is valued on an MV-STT basis. The Group has not seen a deterioration in arrears or voids across its market rented portfolio with demand broadly outstripping supply throughout the year. As a result, the valuation undertaken at 31 March 2022 returned a valuation uplift of £3.9m. The Group considers this to be reasonable based on inflationary rent increases, the strong underlying market value of its properties and its trading performance to date in challenging economic conditions.

The Group's student accommodation portfolio is valued on a discounted cash flow basis. The Group historically let its student accommodation to international language schools who were impacted significantly by international travel restrictions due to COVID-19. Following the removal of societal travel restrictions, the Group has seen the Cambridge student rental market rebound strongly and now has longer term leases lined up for all of its accommodation blocks. The Group took the opportunity to let rooms on a short-term basis whilst its accommodation blocks were not tenanted with longer term leases. These short term lets are more profitable individually but carry greater occupancy and void risk and were a successful stop-gap until language schools were once again in a position to enter into longer term leases with the Group. The Group recognised a £0.4m revaluation gain on its student accommodation portfolio at 31 March 2022.

iv. Housing property allocation

Where schemes under construction are mixed tenure, costs are split using a suitable method such as area (square footage) or rental yield. The allocation of the cost of shared ownership schemes under construction between inventories and housing properties is determined by past experience. Historically the Group has seen a 45% shared ownership first tranche disposal but with changes to shared ownership in the coming years, such as 10% first tranches and 1% staircasing our experience may change and management will make a suitable estimate based on the Group's experience in the year and in previous years. Management forecast the market value of shared ownership properties on a scheme-by-scheme basis which informs the current element allocated to stock accordingly. This estimate influences stock valuations in note 11 and housing properties under construction in note 15.

v. Useful economic lives of tangible assets

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

vi. Impairment of debtors

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

The arrears of current tenants are provided for when the balance becomes aged by greater than 16 weeks. The arrears balance of former tenants is provided for in full. See note 22 for further detail.

vii. Inventory provision

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

The Group designs and constructs new build residential properties for the open market. The nature of housebuilding is capital intensive and as a result it is necessary to consider the recoverability of the cost of inventory, through a review of the existence of impairment indicators. Management consider the value of inventory in line with expected future cash inflows from the sale of residential property. Where the future cash inflow is expected to be lower than the cost to complete the residential property an impairment is required to reduce the value of work in progress to its net realisable value. See note 11 for further detail.

Notes to the financial statements

for the year ended 31 March 2022

5. Group segmental reporting

Year ended 31 March 2022

	HOUSING[2]						
	Newtide	Samphire	Victory	Flagship Homes	Repairs and Gas servicing	Group and finance	Total
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Turnover	46,953	49,040	53,570	57,666	22,661	2,050	**231,940**
Operating Costs	(31,053)	(31,815)	(36,669)	(7,528)	(6,739)	(817)	**(114,621)**
Cost of sales	-	-	-	(33,042)	(18,965)	-	**(52,007)**
Gain on JV	-	-	-	-	-	572	**572**
Gain loss on disposal of assets	-	-	-	-	-	17,423	**17,423**
Operating surplus	**15,900**	**17,225**	**16,901**	**17,096**	**(3,043)**	**19,228**	**83,307**
Net finance costs	-	-	-	-	-	(28,319)	**(28,319)**
Increase in valuation of investment properties	-	-	-	-	-	4,202	**4,202**
Taxation	-	-	-	-	26	-	**26**
Total surplus / (deficit)	**15,900**	**17,225**	**16,901**	**17,096**	**(3,017)**	**(4,889)**	**59,216**

Year ended 31 March 2021

	HOUSING[2]	Flagship Homes	Repairs and Gas servicing	Group and finance	Total
	£'000	£'000	£'000	£'000	£'000
Turnover	148,014	31,240	20,896	-	**200,150**
Operating Costs	(96,150)	(6,985)	(6,899)	(394)	**(110,428)**
Cost of sales	-	(12,767)	(17,335)	-	**(30,102)**
Gain on JV	-	-	-	480	**480**
Gain loss on disposal of assets	-	-	-	9,353	**9,353**
Operating surplus	**51,864**	**11,488**	**(3,338)**	**9,439**	**(69,453)**
Net finance costs	-	-	-	(25,181)	**(25,181)**
Increase in valuation of investment properties	-	-	-	1,824	**1,824**
Taxation	-	-	-	33	**33**
Total surplus / (deficit)	**51,864**	**11,488**	**(3,338)**	**(13,885)**	**46,129**

[2] Housing has been split out into our federated structure of three local affordable rent housing brands, Newtide Homes, Samphire Homes and Victory Homes, for the purposes of 31 March 2022 segmental reporting because organisational decision making is made on this basis. A breakdown by housing brand was not available for financial year ended 31 March 2021 and is therefore presented in aggregate.

	Newtide	Samphire	Victory	Flagship Homes	Total
Housing units owned and managed	9,093	9,499	10,884	2,638	32,114

Flagship Homes manages the Group's shared ownership, market rented and student accommodation portfolio. Details of unit numbers can be found in note 17.
Segmental reporting is presented via six segments which are aligned to how we review the performance of our organisation and make strategic decisions.

These are: Housing (split between our three local affordable rent housing brands – Newtide Homes, Samphire Homes and Victory Homes); Flagship Homes; repairs and gas servicing; and group and finance. The balance sheet is not presented by segment because the Group reports its balance sheet on a consolidated basis.

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

6(a) Group

Year ended 31 March 2022

	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	155,731	-	(103,858)	-	51,873
Other social housing activities					
- *Shared ownership property first tranche sales*	19,577	(12,395)	-	-	7,182
- *Gain on disposal of housing properties*	-	-	-	17,408	17,408
- *Other*	82	-	-	-	82
	175,390	**(12,395)**	**(103,858)**	**17,408**	**76,545**
Activities other than Social Housing	56,550	(39,612)	(10,763)	-	6,175
Loss on disposal of other fixed assets	-	-	-	15	15
Share of operating profits in joint ventures	-	-	-	572	572
Total	**231,940**	**(52,007)**	**(114,621)**	**17,995**	**83,307**

Year ended 31 March 2021

	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	153,594	-	(99,161)	-	54,433
Other social housing activities					
- *Shared ownership property first tranche sales*	16,535	(10,884)	-	-	5,651
- *Gain on disposal of housing properties*	-	-	-	9,369	9,369
- *Other*	380	-	125	-	505
	170,509	**(10,884)**	**(99,036)**	**9,369**	**69,958**
Activities other than Social Housing	29,641	(19,218)	(11,392)	-	(969)
Loss on disposal of other fixed assets	-	-	-	(16)	(16)
Share of operating losses in joint ventures	-	-	-	480	480
Total	**200,150**	**(30,102)**	**(110,428)**	**9,833**	**69,453**

Notes to the financial statements

for the year ended 31 March 2022

6. Particulars of Turnover, Operating Costs and Operating Surplus (continued)

6(b) Company

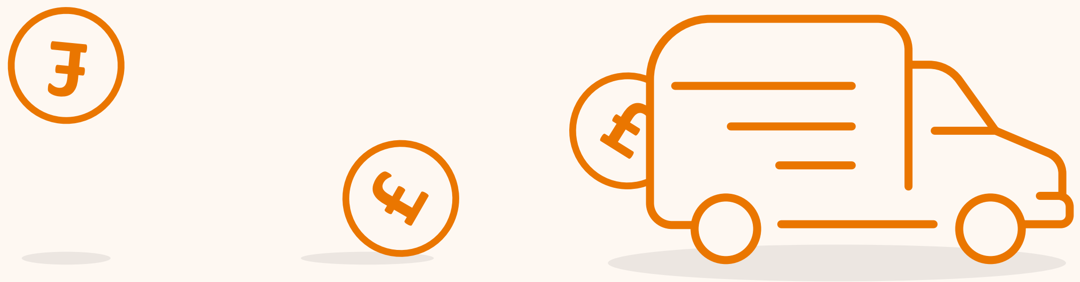
	Year ended 31 March 2022				
	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	155,704	-	(104,322)	-	51,382
Other social housing activities					
- *Shared ownership property first tranche sales*	19,577	(12,395)	-	-	7,182
- *Gain on disposal of housing properties*	-	-	-	17,046	17,046
- *Other*	82	-	-	-	82
	175,363	(12,395)	(104,322)	17,046	75,692
Activities other than Social Housing	13,798	-	(10,700)	-	3,098
Loss on disposal of other fixed assets	-	-	-	-	-
Total	189,161	(12,395)	(115,022)	17,046	78,790

	Year ended 31 March 2021				
	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	132,576	-	(85,243)	-	47,333
Other social housing activities					
- *Shared ownership property first tranche sales*	15,837	(10,445)	-	-	5,392
- *Gain on disposal of housing properties*	-	-	-	6,059	6,059
- *Other*	157	-	(9)	-	148
	148,570	(10,445)	(85,252)	6,059	58,932
Activities other than Social Housing	20,126	-	(15,700)	-	4,426
Loss on disposal of other fixed assets	-	-	-	(3)	(3)
Total	168,696	(10,445)	(100,952)	6,056	63,355

7. Income and expenditure from social housing lettings

7(a) Group

	General needs housing	Supported Housing and housing for older people	Keyworker housing	Shared ownership	Total 2022	Total 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Rents receivable net of identifiable service charges	135,638	6,856	112	5,828	148,434	144,303
Service charge income	2,870	1,632	4	272	4,778	4,759
Amortised government grants (note 28)	2,463	-	-	-	2,463	2,325
Other grants receivable	56	-	-	-	56	2,207
Turnover from social housing lettings	141,027	8,488	116	6,100	155,731	153,594
Management	23,480	2,503	10	1,425	27,418	22,604
Service charge costs	5,027	1,702	32	623	7,384	7,703
Routine maintenance	28,034	2,947	12	1,267	32,260	29,281
Cyclical maintenance	4,947	520	2	224	5,693	6,231
Bad debts	817	29	6	51	903	1,043
Depreciation of housing properties (including loss on replacement of components) (note 9)	24,829	699	1	241	25,770	27,730
Depreciation / amortisation of other tangible and intangible assets	3,833	401	2	194	4,430	4,569
Operating expenditure on social housing lettings	90,967	8,801	65	4,025	103,858	99,161
Operating surplus on lettings	50,060	(313)	51	2,075	51,873	54,433
Rent losses from voids	*(1,431)*	*(221)*	-	-	*(1,652)*	*(1,588)*



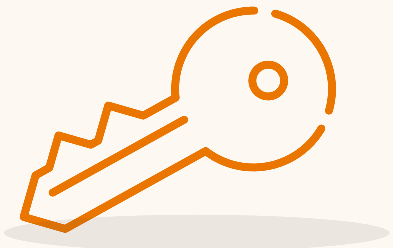
Notes to the financial statements

for the year ended 31 March 2022

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

7(b) Company

	General needs housing	Supported Housing and housing for older people	Keyworker housing	Shared ownership	Total 2022	Total 2021
	£'000	£'000	£'000	£'000	**£'000**	£'000
Rents receivable net of identifiable service charges	135,690	6,856	112	5,828	**148,486**	125,783
Service charge income	2,870	1,632	4	272	**4,778**	4,091
Amortised government grants (note 28)	2,384	-	-	-	**2,384**	2,374
Other grants receivable	56	-	-	-	**56**	328
Turnover from social housing lettings	**141,000**	**8,488**	**116**	**6,100**	**155,704**	132,576
Management	23,479	2,503	10	1,425	**27,417**	19,993
Service charge costs	5,027	1,702	32	623	**7,384**	6,902
Routine maintenance	28,034	2,947	12	1,267	**32,260**	24,836
Cyclical maintenance	4,947	520	2	224	**5,693**	5,048
Bad debts	818	29	6	51	**904**	853
Depreciation of housing properties (including loss on disposal of components) (note 9)	25,231	699	3	301	**26,234**	24,579
Depreciation / amortisation of other tangible fixed assets and intangible assets	3,833	401	2	194	**4,430**	3,032
Operating expenditure on social housing lettings	**91,369**	**8,801**	**67**	**4,085**	**104,322**	85,243
Operating surplus on lettings	49,631	(313)	49	2,015	**51,382**	47,333
Rent losses from voids	*(1,431)*	*(221)*	-	-	*(1,652)*	*(1,408)*



8. Particulars of turnover from non-social housing lettings

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	**£'000**	£'000
Lettings				
Market rented property	**3,406**	3,147	**3,406**	3,147
Student accommodation	**3,550**	3,213	**3,550**	3,213
Private garages	**601**	530	**601**	530
Commercial property	**48**	48	**48**	48
Other	**601**			
Management charges	**-**	-	**3,308**	11,772
Property sales	**24,280**	2,187	**-**	-
Gas servicing	**22,638**	18,178	**-**	-
Other income	**2,027**	2,338	**2,885**	1,416
	56,550	29,641	**13,798**	20,126

9. Gain on disposal of housing properties

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	**£'000**	£'000
Disposal proceeds	**28,398**	14,576	**28,398**	10,640
Costs incurred (including carrying value of asset)	**(10,521)**	(5,172)	**(10,883)**	(4,533)
	17,877	9,404	**17,525**	6,107
Capital grant recycled (note 29)	**(469)**	(51)	**(469)**	(51)
	17,408	9,353	**17,046**	6,056

Notes to the financial statements

for the year ended 31 March 2022

10. Operating surplus

Operating surplus is stated after charging:

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Depreciation of housing properties	24,087	25,130	24,550	21,979
Loss on replacement of components	2,129	2,600	2,169	2,600
Depreciation of other assets	3,155	2,603	2,975	1,963
Amortisation of intangible assets	2,225	1,966	1,381	1,069
Repairs and maintenance expenditure on housing properties	37,953	35,020	37,953	29,883
Operating lease rentals:				
Rent of office buildings	682	781	549	513
Hire of plant and machinery	1,052	851	61	48
Gain / loss on disposal of other fixed assets	15	-	-	-
Auditors remuneration (excluding VAT):				
- Fees payable to the company's auditors for the audit of the parent and Group financial statements	65	35	65	35
- Audit of the accounts of subsidiaries	50	44	-	-
- Other services	4	5	4	5
Bad debt provision	976	1,181	913	850

11. Stock

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Raw materials and consumables	1,537	1,382	563	505
Completed properties for sale	19,917	12,919	6,282	9,628
Work in progress	30,002	40,541	-	-
	51,456	54,842	6,845	10,133

There is no significant difference between the replacement cost and their carrying amounts.
Raw materials and consumables are stated after provisions for impairment of £nil (2021: £nil).

12. Employees

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

	Group 2022	Group 2021	Company 2022	Company 2021
	Number	Number	Number	Number
Housing and central services	561	513	557	476
Repairs, maintenance and capital improvement services	831	734	436	-
	1,392	1,247	993	476

Employee costs:

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Wages and salaries	45,247	42,144	32,097	15,891
Social security costs	4,268	4,353	3,277	1,928
Pension costs	3,730	3,556	3,468	2,326
Total staff costs	53,245	50,053	38,842	20,145

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

	31 March 2022	31 March 2021		31 March 2022	31 March 2021
£60,000 to £70,000	18	18	£130,001 to £140,000	4	1
£70,001 to £80,000	18	17	£140,001 to £150,000	2	3
£80,001 to £90,000	10	7	£150,001 to £160,000	1	1
£90,001 to £100,000	4	4	£170,001 to £180,000	1	2
£100,001 to £110,000	3	5	£200,001 to £210,000	2	3
£110,001 to £120,000	2	-	£210,001 to £220,000	1	-
£120,001 to £130,000	5	5	£290,001 to £300,000	1	1

Notes to the financial statements

for the year ended 31 March 2022

13. Board members and Executive Directors

Directors are defined as the eight (2021: nine) non-executive members of the Flagship Housing Group Limited Board together with the four executive members of the Board (2021: four) in office at the end of the period. The senior management team is defined as operational directors (which comprises senior management from the company and its subsidiary undertakings) and the Board members of the housing Boards and Flagship Services and comprised 44 members (2021: 34). Board member remuneration during the year was:

	2022 £'000	2021 £'000
Peter Hawes	30	30
Philip Burton	20	20
Peter Baynham	18	18
Robert Bennett	18	18
Stephen Cook	18	18
Doris Jamieson	18	18
Matthew Peak	13	13
Paul Remington	18	18
Carole Taylor-Brown	4	13
Total emoluments – non-executive	**157**	166
Emoluments (including social security costs of £112,000 (2021: £111,000) – executive	995	984
Pension scheme contributions – executive	43	43
Emoluments (including social security costs of £326,000 (2021: £320,000) – Operational directors	3,399	3,343
Pension scheme contributions – Operational directors	251	250
Total Key Management compensation – 54 directors (2021: 49)	**4,688**	4,620
Emoluments of the highest paid director	296	296
Pension contributions of the highest paid director	-	-
	296	**296**

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

14. Taxation

a. Tax expense included in profit or loss

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Current tax:				
Corporation tax charge on profit in the year	-	-	-	-
Adjustments in respect of prior periods	-	3	-	3
Total current tax charge	-	3	-	3
Deferred tax:				
Origination of temporary differences	(26)	(44)	-	-
Impact of change in tax rate	-	8	-	-
Total deferred tax charge credit	(26)	(36)	-	-
Tax (credit) / charge on profit on ordinary activities	(26)	(33)	-	3

b. Reconciliation of tax charge

Tax assessed for the year is lower (year ended 31 March 2021: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2022 of 19% (year ended 31 March 2021: 19%). The differences are explained below:

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Surplus for the year before taxation	59,190	46,096	55,108	181,262
Profit multiplied by the standard rate of corporation tax in the UK of 19% (year ended 31 March 2021: 19%)	11,246	8,758	11,022	34,440
Effects of:				
- Charitable non-taxable income	(11,246)	(8,758)	(11,022)	(34,431)
- Loss relief from subsidiary undertaking	-	-	-	(9)
- Deferred tax not recognised	(26)	(44)	-	-
- Impact of change in tax rate	-	8	-	-
- Adjustments to tax charge in respect of prior years	-	3	-	3
Tax (credit) / charge for the year	(26)	(33)	-	3

Notes to the financial statements

for the year ended 31 March 2022

14. Taxation (continued)

c. Tax rate changes

The Finance Act 2020 (which received Royal Assent on 22 July 2020) set the corporation tax rate at 19% for the year ended 31 March 2021 and 31 March 2022. The 'Finance Bill 2021' (also referred to as 'Finance (No 2) Bill') further announced that the corporation tax rate will remain at 19% until 31 March 2023 and from 1 April 2023 it will increase to 25% for profits over £250,000 with a marginal rate returning for profits between £50,000 and £250,000. The Finance Bill 2021 received Royal Assent on 24 February 2022.

d. Provision for deferred tax

The deferred tax provision on the balance sheet relates to accelerated capital allowances. At 31 March 2022 the Group has a future liability of £75,000 (2021: £100,000).

15. Tangible fixed assets – Housing properties

15(a) Housing property net book value - Group

	Housing properties	Shared ownership properties	Property under construction	Total
	£'000	£'000	£'000	£'000
At 1 April 2021				
Cost	1,826,064	119,809	42,894	1,988,767
Accumulated depreciation	(223,807)	(10,033)	-	(233,840)
Net book amount	1,602,257	109,776	42,894	1,754,927
Year ended 31 March 2022				
Opening net book amount	1,602,257	109,776	42,894	1,754,927
Additions	316	75	89,628	90,019
Interest capitalised	-	-	902	902
Completed property additions	56,343	10,910	(67,253)	-
Improvement works to existing properties	39,982	-	-	39,982
Transfer of shared ownership properties to inventories	-	-	(5,710)	(5,710)
Depreciation	(23,201)	(886)	-	(24,087)
Disposals	(10,350)	(3,050)	-	(13,400)
Closing net book amount	1,665,347	116,825	60,461	1,842,633
At 31 March 2022				
Cost	1,876,152	127,744	60,461	2,064,357
Accumulated depreciation	(210,805)	(10,919)	-	(221,724)
Net book amount	1,665,347	116,825	60,461	1,842,633

15(b) Housing property net book value - Company

	Housing properties	Shared ownership properties	Property under construction	Total
	£'000	£'000	£'000	£'000
At 1 April 2021				
Cost	1,841,966	122,623	39,336	2,003,925
Accumulated depreciation	(215,974)	(9,433)	-	(225,407)
Net book amount	1,625,992	113,190	39,336	1,778,518
Year ended 31 March 2022				
Opening net book amount	1,625,992	113,190	39,336	1,778,518
Additions	316	75	90,626	91,017
Interest capitalised	-	-	902	902
Completed property additions	57,356	10,910	(68,266)	-
Improvement works to existing properties	39,982	-	-	39,982
Transfer of shared ownership properties to inventories	-	-	(5,710)	(5,710)
Depreciation	(23,593)	(957)	-	(24,550)
Disposals	(10,591)	(3,162)	-	(13,753)
Closing net book amount	1,689,462	120,056	56,888	1,866,406
At 31 March 2022				
Cost	1,922,633	130,082	56,888	2,109,603
Accumulated depreciation	(233,171)	(10,026)	-	(243,197)
Net book amount	1,689,462	120,056	56,888	1,866,406

Notes to the financial statements

for the year ended 31 March 2022

15(c) Social housing assistance

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

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Total accumulated social housing grant received or receivable at 31 March:				
Recognised in the Statement of comprehensive income as amortisation of social housing grant	16,506	14,043	16,429	14,045
Held as deferred income	207,728	198,894	205,619	196,706
	224,234	212,937	222,048	210,751

15(d) Impairment

No impairment charge has been made for the year ended 31 March 2022 (2021: £nil).

16. Investment properties

Investment properties were valued at 31 March 2022 by Carter Jonas LLP and Savills (UK) Limited (part of the Savills Group), independent qualified external valuers. The valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

	Market rented property		Student accommodation property	
	2022	2021	2022	2021
Assumptions				
Discount rate	4.80%	5.00%	9.00%	9.00%
Annual rate of inflation:				
- Year 1	3.90%	0.50%	4.00%	3.00%
- Year 2	3.50%	5.20%	4.00%	3.00%
- Year 3	3.10%	3.80%	4.00%	3.00%
- Year 4 onwards	3.10%	3.50%	4.00%	3.00%
Level of long-term rent increase:				
- Year 1	5.00%	0.40%	2.00%	0.00%
- Year 2	3.50%	4.00%	2.00%	1.00%
- Year 3 onwards	3.00%	3.50%	4.00%	2.00%

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Valuation				
At 1 April	74,274	72,724	74,274	72,724
Additions	112	-	112	-
Disposal	-	(274)	-	(274)
Revaluation	4,202	1,824	4,202	1,824
At 31 March	78,588	74,274	78,588	74,274

The Group's market rented property portfolio is valued on an MV-STT basis. At the date of signing these financial statements the Group continues to see strong occupancy rates and healthy demand within the rental market. Therefore, the Group considers the valuation undertaken at 31 March 2022 to be a reasonable approximation of market valuation at that date.

The Group's student accommodation portfolio is valued on a discounted cash flow basis. Management have reviewed the assumptions used in the valuation and conclude that they are reasonable in the context of the current trading environment.

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

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Not later than one year	2,588	2,830	2,588	2,830
Later than one year and not later than five years	357	1,059	357	1,059
	2,945	3,889	2,945	3,889

The company and Group had no contingent rent arrangements within its investment property portfolio.

Notes to the financial statements

for the year ended 31 March 2022

17. Housing Stock

Group

No. of properties

	2021	Additions	Converted / Reclassified	Disposals	2022
Social housing					
General housing:					
- Social rent	23,116	13	7	(155)	22,981
- Affordable rent	2,210	393	4	-	2,607
Sheltered housing:					
- Social rent	2,367	3	(9)	-	2,361
- Affordable rent	33	-	(3)	-	30
Supported housing and housing for older people:					
- Social rent	332	-	-	(3)	329
Intermediate rented properties	1,129	41	(2)	-	1,168
Shared ownership	1,638	110	(5)	(53)	1,690
Total owned	**30,825**	**560**	**(8)**	**(211)**	**31,166**
Accommodation managed for others	9	69	-	-	78
Total managed	**9**	**69**	**-**	**-**	**78**
Non-social housing					
Market rented accommodation	348	1	(1)	-	348
Student accommodation	600	-	-	-	600
Total non-social housing	**948**	**1**	**(1)**	**-**	**948**
Total owned and managed	**31,782**	**630**	**(9)**	**(211)**	**32,192**

Company

No. of properties

	2021	Additions	Converted / Reclassified	Disposals	2022
Social housing					
General housing:					
- Social rent	23,116	13	7	(155)	22,981
- Affordable rent	2,210	393	4	-	2,607
Sheltered housing:					
- Social rent	2,367	3	(9)	-	2,361
- Affordable rent	33	-	(3)	-	30
Supported housing and housing for older people:					
- Social rent	332	-	-	(3)	329
Intermediate rented properties	1,129	41	(2)	-	1,168
Shared ownership	1,638	110	(5)	(53)	1,690
Total owned	**30,825**	**560**	**(8)**	**(211)**	**31,166**
Accommodation managed for others	9	69	-	-	78
Total managed	**9**	**69**	**-**	**-**	**78**
Non-social housing					
Market rented accommodation	346	1	1	-	348
Student accommodation	600	-	-	-	600
Total non-social housing	**946**	**1**	**(1)**	**-**	**948**
Total owned and managed	**31,782**	**630**	**(9)**	**(211)**	**32,192**

The company manages nine properties for Peal Community Housing Limited, a registered social landlord operating in Suffolk. During the year the company started managing 39 affordable rent properties and 30 shared ownership properties for Legal & General Affordable Homes.

Notes to the financial statements

for the year ended 31 March 2022

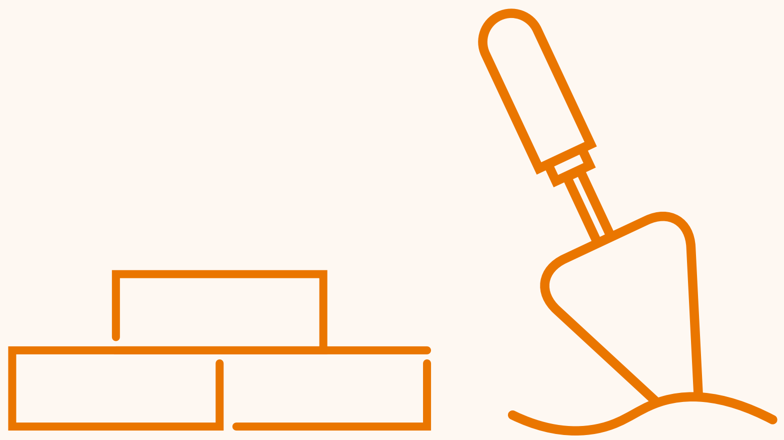
18. Intangible fixed assets

Group

	Goodwill	IT Software	Group Total
	£'000	£'000	£'000
At 1 April 2021			
Cost	8,346	8,383	16,729
Accumulated amortisation	(3,315)	(5,894)	(9,209)
Net book amount	5,031	2,489	7,520
Year ended 31 March 2022			
Opening net book amount	5,031	2,489	7,520
Additions	-	2,192	2,192
Disposals	-	(6)	(6)
Amortisation	(840)	(1,385)	(2,225)
Closing net book amount	5,031	3,290	7,481
At 31 March 2022			
Cost	8,346	5,932	14,278
Accumulated amortisation	(4,155)	(2,642)	(6,797)
Net book amount	4,191	3,290	7,481

Company

	IT Software	Company Total
	£'000	£'000
At 1 April 2021		
Cost	7,882	7,882
Accumulated depreciation	(5,406)	(5,406)
Net book amount	2,476	2,476
Year ended 31 March 2022		
Opening net book amount	2,476	2,476
Additions	2,180	2,180
Disposals	(7)	(7)
Amortisation	(1,381)	(1,381)
Closing net book amount	3,268	3,268
At 31 March 2022		
Cost	5,849	5,849
Accumulated depreciation	(2,581)	(2,581)
Net book amount	3,268	3,268



Notes to the financial statements

for the year ended 31 March 2022

19. Other tangible assets

Group

	Office buildings and leasehold improvements	Plant and equipment	Total
	£'000	£'000	£'000
At 1 April 2021			
Cost	5,734	19,983	25,717
Accumulated depreciation	(2,435)	(12,793)	(15,228)
Net book amount	**3,299**	**7,190**	**10,489**
Year ended 31 March 2022			
Opening net book amount	3,299	7,190	10,489
Additions	-	7,711	7,711
Depreciation	(270)	(2,885)	(3,155)
Disposals	-	(217)	(217)
Closing net book amount	**3,029**	**11,799**	**14,828**
At 31 March 2022			
Cost	5,734	23,737	29,471
Accumulated depreciation	(2,705)	(11,938)	(14,643)
Net book amount	**3,029**	**11,799**	**14,828**

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

The net carrying amount of assets held under finance leases included in other property, plant and equipment is £8,880,000 (2021: £4,080,000).

Company

	Office buildings and leasehold improvements	Plant and equipment	Total
	£'000	£'000	£'000
At 1 April 2021			
Cost	4,964	14,620	19,584
Accumulated depreciation	(2,117)	(7,402)	(9,519)
Net book amount	**2,847**	**7,218**	**10,065**
Year ended 31 March 2022			
Opening net book amount	2,847	7,218	10,065
Additions	-	7,630	7,630
Depreciation	(262)	(2,714)	(2,976)
Disposals	-	(212)	(212)
Closing net book amount	**2,585**	**11,922**	**14,507**
At 31 March 2022			
Cost	4,964	18,298	23,262
Accumulated depreciation	(2,379)	(6,376)	(8,755)
Net book amount	**2,585**	**11,922**	**14,507**

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

The net carrying amount of assets held under finance leases included in other property, plant and equipment is £8,880,000 (2021: £4,080,000).

Notes to the financial statements

for the year ended 31 March 2022

20. Investments in subsidiaries and other investments

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

Name	Company registration number	Ownership	Nature of business
Flagship Housing Group Limited	IP031211	N/A	Housing Association
Flagship Housing Developments Limited	05131085	100%	Development
Flagship Finance PLC	13448782	100%	Finance vehicle - Incorporated 10 June 21
Gasway Services Limited	04158628	100%	Gas servicing
Blue Flame (Colchester) Limited *	05086439	100%	Gas servicing
Hopestead CIO	1190324	N/A	Registered Charity
RFT Repairs & Maintenance Limited	08417425	100%	Dormant
East Anglian Lettings Limited	08421578	100%	Dormant
Flagship Community Housing Limited	09892942	100%	Dormant
North Norfolk Housing Company Limited	05999428	100%	Dormant
RFT Repairs Limited	08341166	100%	Dormant

* Subsidiary of Gasway Services Limited

The registered address of all of the above companies is 31 King Street, Norwich, Norfolk. NR1 1PD.

All of the above subsidiaries, that existed at 31 March 2022, are included in the consolidation. The company's investment is direct ownership unless otherwise stated and the cost of investment is presented below:

Cost of investment:	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
At 1 April	13,440	13,388	80,254	59,203
Additions	-	52	5,013	21,051
At 31 March	13,440	13,440	85,267	80,254
Group companies	-	-	71,827	66,814
Liquidity deposit reserve	13,438	13,438	13,438	13,438
Other investments	2	2	2	2
	13,440	13,440	85,267	80,254

21. Investments in joint ventures

The Group has a direct interest in two joint venture undertakings, Lovell Flagship LLP (50% share) and Evera Homes LLP (25% share), structured as limited liability partnerships, to partner with local developers and other housing associations to deliver larger scale residential developments for which, individually, the risk profile would be unattractive.

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

The joint venture undertakings are funded by way of non-current loan receivable instruments (member's loans), similar in structure to a revolving credit facility, governed by the member's loan agreement, and not through a member's capital injection. This provides the joint venture with flexible funding to invest in working capital in line with build plan requirements but also facilitates the return of cash to members through loan repayment as cash is released through the sale of new build property.

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

The Group actively participates in the following joint venture activities:

Name	Company registration number	Ownership	Nature of business
Evera Homes LLP	OC423288	25%	Development
Evera Developments Limited *	11974181	25%	Dormant
Littleport Developments LLP **	OC435041	12.5%	Development
RAF Upwood LLP ***	OC427200	25%	Dormant
RAF Upwood Developments LLP ***	OC427643	25%	Development
Lovell Flagship LLP	OC427790	50%	Development

* Evera Developments Limited is a 100% owned subsidiary of Evera Homes LLP.

** Littleport Developments LLP is a 50% owned joint venture by Evera Homes LLP with Vistry Homes Limited and its principal objective is to develop a site at Littleport, Cambridgeshire..

*** RAF Upwood LLP and RAF Upwood Developments LLP are owned and controlled by Evera Homes LLP and their principal objective is to develop the former RAF site at Upwood, Cambridgeshire.

The registered address of Evera Homes LLP, Evera Developments Limited, RAF Upwood LLP and RAF Upwood Developments LLP is 31 King Street, Norwich, Norfolk. NR1 1PD. The registered address of Littleport Developments Limited is 11 Tower View Kings Hill, West Malling, ME19 4UY. The registered address of Lovell Flagship LLP is Kent House, 14-17 Market Place, London. W1W 8AJ.

Evera Homes LLP has a coterminous year-end with the Group. Lovell Flagship LLP has a 31 December year-end.

The Group has Member's capital in Evera Homes LLP of £1 and Member's capital into Lovell Flagship LLP of £50.

The Group held the following investment in joint ventures at 31 March 2022:

	31 March 2022	31 March 2021
	£'000	£'000
Opening balance at start of period	13,119	7,210
Additional member loan paid to JV	-	5,429
Loan repayment from JV	(625)	-
Share of profits / (losses) for the period	572	236
Provision against carrying value of joint ventures	-	244
Closing balance at end of period	13,066	13,119

Notes to the financial statements

for the year ended 31 March 2022

21. Investments in joint ventures (continued)

	Evera Homes LLP		Lovell Flagship LLP	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
At 31 March 2022	£'000	£'000	£'000	£'000
Non-current loan receivable	3,625	4,250	8,633	8,633
Share of profits included in member's interests	63	187	745	49
	3,688	4,437	9,378	8,682

During the year, the Group assessed the carrying value of its investment in joint ventures and determined that it was not impaired at the period end date based on the performance of the joint ventures during the financial year.

The Group's share of assets and liabilities of jointly controlled entities is as follows:

	31 March 2022	31 March 2021
	£'000	£'000
Current assets	13,535	12,777
Non-current assets	1,589	1,738
Current liabilities	(1,961)	(1,075)
Non-current liabilities (or members loans)	(12,258)	(12,639)
Net assets at balance sheet date	905	801

The Group's share of income and expenses in joint ventures is as follows:

Revenue	7,513	4,414
Expenses	(6,941)	(3,900)
Share of profit for the period	572	514

22. Trade and other debtors

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Rent arrears				
- Amounts due from tenants	10,255	10,796	10,255	10,796
- Bad and doubtful debt provision	(6,041)	(6,268)	(6,041)	(6,268)
Other trade debtors				
- Amounts due from other trade debtors	3,626	4,325	1,372	1,061
Other debtors	365	509	174	314
Amounts owed by Group undertakings	-	-	507	1,740
VAT and other taxes	182	111	35	-
Prepayments and accrued income	9,054	6,640	4,286	1,617
	17,441	16,113	10,588	9,260

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

Included in 'other debtors' is a non-current receivable of £90,000 (31 March 2021: £90,000) relating to a security for a trade body membership, which would become repayable upon cessation of trade body membership.

23. Creditors: amounts falling due within one year

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Trade creditors	9,661	8,046	6,137	5,228
Amounts due to Group undertakings	-	-	2,956	1,624
Other creditors	5,147	5,220	4,936	4,981
Other taxes and social security costs	1,924	1,493	1,373	858
Accruals and deferred income	28,065	28,647	19,737	17,801
Bank loans and overdrafts (note 25)	24,206	63,944	24,894	65,438
Obligations under finance leases and hire purchase contracts (note 25)	2,661	1,850	2,661	1,849
Deferred capital grant (note 28)	2,575	2,330	2,548	2,325
Recycled Capital Grant Fund (note 29)	1,274	1,153	1,274	1,153
Corporation tax	-	2	-	2
	75,514	112,685	66,516	101,259

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

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

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 25)	914,259	746,274	918,498	750,505
Obligation under finance leases and hire purchase contracts (note 25)	18,384	15,434	18,384	15,434
Accruals and deferred income	404	444	404	450
Deferred Capital Grant (note 28)	204,644	196,564	202,562	194,381
	1,137,691	958,716	1,139,848	960,770

Notes to the financial statements

for the year ended 31 March 2022

25. Loans and other borrowings

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

During the year Flagship Finance Plc was incorporated with the sole purpose of issuing long-term tradeable bonds on capital markets, secured by Flagship Housing Group Limited properties, at attractive interest rates to increase the Group's available liquidity to support its delivery of its future growth aspirations. In July 2021 the Flagship Finance Plc issued £150m of bonds for which it received £145.7m of cash at an effective interest rate of 1.969%. In February 2022 the company issued a further £50m of bonds for which it received £43.5m of cash at an effective interest rate of 2.394%. The discount is being amortised over the term of bond, being 40 years, with maturity on 14 July 2061.

The Group's debt portfolio at 31 March 2022 consisted of £205m (2021: £205m) of revolving credit facilities, £100m (2021: £100m) of term debt held at variable interest rates, £626m (2021: £676m) of term loans held at fixed interest rates and a £200m listed bonds held at a fixed rate (2021: £nil). Undrawn facilities at 31 March 2022 consist of £185m (2021: £182m) revolving credit facilities and £50m retained bonds (2021: £nil)

The Group's borrowing facilities have variable interest rates ranging between 0.4% and 1.6% and fixed interest rates ranging from 0.8% to 6.7%.

The final instalments fall to be repaid in 2061.

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Due within one year				
Loans repayable by instalments	23,162	13,274	23,162	13,274
Loans repayable other than by instalments	-	50,000	-	50,000
Fair value adjustment on bank loans	1,361	1,050	2,049	2,544
Less: debt issue costs	(317)	(380)	(317)	(380)
	24,206	63,944	24,894	65,438
Due after more than one year				
Loans repayment by instalments	622,854	642,347	622,854	642,347
Loans repayment other than by instalments	294,235	92,885	294,235	92,885
Fair value adjustment on bank loans	(379)	12,218	3,860	16,449
Less: debt issues costs	(2,451)	(1,176)	(2,451)	(1,176)
	914,259	746,274	918,498	750,505

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

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Within one year or on demand	23,162	63,274	23,162	63,274
One year or more but less than two years	13,376	18,117	13,376	18,117
Two years or more but less than five years	85,199	73,864	85,199	73,864
Five years or more	818,514	643,251	818,514	643,251
	940,251	798,506	940,251	798,506

Based on the lender's loan agreements, interest is repayable as follows:

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Within one year or on demand	31,667	26,716	31,667	26,716
One year or more but less than two years	32,201	26,662	32,201	26,662
Two years or more but less than five years	90,946	77,342	90,946	77,342
Five years or more	268,835	198,468	268,835	198,468
	423,649	329,188	423,649	329,188

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

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Net finance lease obligations:				
Not later than 1 year	2,661	1,850	2,661	1,849
Later than 1 year and not later than 5 years	9,400	8,339	9,400	8,339
Later than five years	8,984	7,095	8,984	7,095
	21,045	17,284	21,045	17,283

The obligations under finance leases are repayable by equal instalments.

Finance leases relate to vehicles used by the Group to deliver its services and the Group's investment property student accommodation portfolio.

Vehicle leases typically have a four-year term with a purchase option available at the end of the lease. The two investment property leases have 35-year lease terms and one of the leases has provision for discounted purchase at the end of the term.

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for the year ended 31 March 2022

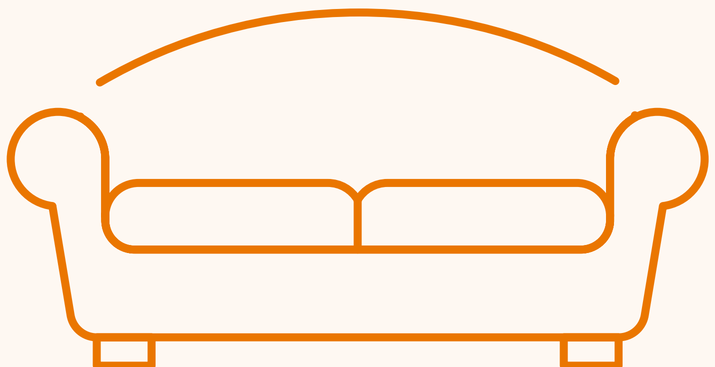
26. Interest and financing costs

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
On loans wholly or partly repayable in more than five years	28,299	25,538	27,479	24,180
Amortisation of debt issue costs	311	359	311	342
Interest accrued on RCGF balance	1	-	1	-
Finance leases	180	89	180	88
Net interest cost on defined benefit deficit	318	270	318	270
Unwinding of discounts on provisions	595	648	595	648
	29,704	26,904	28,884	25,528
Less: Interest capitalised	(902)	(1,371)	(902)	(1,371)
	28,802	25,533	27,982	24,157

The weighted average interest on borrowings of 2.9% (2021: 2.0%) was used for calculating capitalised interest.

27. Interest receivable

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Bank interest receivable	99	54	98	54
Interest from joint venue non-current loan receivables	384	298	-	-
Gift aid receipts	-	-	-	1,603
	483	352	98	1,657



28. Deferred capital grant

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
As at 1 April	198,894	193,904	196,706	192,041
Grant received in the year	11,297	7,044	11,297	6,768
Grant Recycled in the year	349	659	349	659
Released to income in the year	(2,463)	(2,325)	(2,384)	(2,374)
Grant released on disposals	(858)	(388)	(858)	(388)
As at 31 March	207,219	198,894	205,110	196,706
Amount due to be in less than one year	2,575	2,330	2,548	2,325
Amount due to be released after more than one year	206,644	196,564	202,562	194,381
	207,219	198,894	205,110	196,706

29. Recycled capital grant

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
As at 1 April	1,153	1,761	1,153	1,761
Grant to be recycled on disposals	469	51	469	51
Interest accrued on recycled grant	1	-	1	-
Grant recycled in the year on new properties	(349)	(659)	(349)	(659)
As at 31 March	1,274	1,153	1,274	1,153

Recycled capital grant accrues notional interest in accordance with Homes England's Capital Funding policy.

Notes to the financial statements

for the year ended 31 March 2022

30. Provisions

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Dilapidations	233	-	233	-
Deferred tax (note 14)	75	100	-	-
	308	100	233	-

During the year ended 31 March 2022 the Company recognised a provision of £233,000 (2021: £nil) for dilapidations for the leased office estate used by the Company and Group.

31. Capital and other commitments

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Development capital expenditure contracted for but not provided in the financial statements	126,100	256,107	71,974	83,681
Hopestead committed donations without contractual agreement	26	-	-	-
	126,126	256,107	71,974	83,681

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

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Not later than one year	968	916	362	420
Later than one year and not later than five years	1,766	1,698	947	1,072
Later than five years	1,184	1,422	1,164	1,359
	3,918	4,036	2,473	2,851

The Group had no other off balance sheet arrangements.

32. Defined benefit pension liability

During the financial year the Group has participated in three defined benefit schemes: the Norfolk County Council Pension Fund ('LGPSN'), Suffolk County Council Pension Fund ('LGPSS) and the Social Housing Pension Scheme (which is managed by The Pensions Trust) ('SHPS'). The Group also participates in various defined contribution schemes and the amount recognised in the statement of comprehensive income is as follows:

	Group 2022	Group 2021	Company 2022	Company 2021
	£'000	£'000	£'000	£'000
Defined benefit schemes				
- Current service costs	487	371	487	371
- Past service costs	-	-	-	-
Defined contribution schemes	3,243	3,185	2,981	1,955
Total charge in operating profit	3,730	3,556	3,468	2,326
Defined benefit schemes				
- Net interest expense	318	270	318	270
Total charge to profit and loss	4,048	3,826	3,786	2,596

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

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

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

	2022	2021
Expected rate of increase of pensions in payment	3.30%	2.85%
Expected rate of salary increases	3.90%	3.55%
Discount rate	2.70%	1.95%

Notes to the financial statements

for the year ended 31 March 2022

32. Defined benefit pension liability (continued)

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

The mortality assumptions used were as follows:

	LGPSN 2022	LGPSN 2021	LGPSS 2022	LGPSS 2021
Longevity at age 65 for current pensioners				
- Men (years)	21.7	21.9	21.9	22.1
- Women (years)	24.1	24.3	24.3	24.5
Longevity at age 65 for future pensioners				
- Men (years)	22.9	23.2	22.9	23.2
- Women (years)	26.0	26.2	26.1	26.4

Reconciliation of scheme assets and liabilities:

	LGPSN Assets £'000	LGPSN Liabilities £'000	LGPSN Total £'000	LGPSS Assets £'000	LGPSS Liabilities £'000	LGPSS Total £'000
At 1 April 2021	16,764	(21,165)	(4,401)	5,630	(6,107)	(477)
Benefits paid	(650)	650	-	(178)	178	-
Participant contributions	14	(14)	-	3	(3)	-
Employer contributions	706	-	706	60	-	60
Current service cost	-	(94)	(94)	-	(22)	(22)
Interest income / (expense)	330	(407)	(77)	109	(118)	(9)
Re-measurement gains / (losses)						
- Actuarial (losses) / gains	-	(975)	975	-	291	291
- Return on plan assets excluding interest income	1,100	-	1,100	442	-	442
At 31 March 2022	18,264	(22,055)	(1,791)	6,066	(5,781)	285

Total cost recognised as an expense:

	LGPSN 2022	LGPSN 2021	LGPSS 2022	LGPSS 2021
Current service cost	94	86	22	17
Past service cost	-	-	-	-
Interest cost	407	406	118	118
	501	492	140	135

No amounts (2021: £nil) were included in the cost of assets.

The fair value of the plan assets was:

	LGPSN 2022 £'000	LGPSN 2021 £'000	LGPSS 2022 £'000	LGPSS 2021 £'000
Equities	5,662	8,550	3,943	3,716
Bonds	9,315	5,867	1,456	1,408
Property	2,922	1,844	607	450
Cash	365	503	61	56
	18,264	16,764	6,066	5,630

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

The return on the plan assets was:

	LGPSN 2022 £'000	LGPSN 2021 £'000	LGPSS 2022 £'000	LGPSS 2021 £'000
Interest income	330	311	109	108
Return on plan assets less interest income	1,100	2,841	442	858
Total return on plan assets	1,430	3,152	551	966

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

	Approximate % increase to Defined Benefit Obligation		Approximate monetary amount (£'000)	
	LGPSN	LGPSS	LGPSN	LGPSS
Changes in assumptions at 31 March 2022				
0.1% decrease in Real Discount Rate	1%	1%	298	85
1 year increase in member life expectancy	4%	4%	802	231
0.5% increase in the Salary Increase Rate	0%	0%	8	5
0.5% increase in the Pension Increase Rate (CPI)	1%	1%	288	79

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

Notes to the financial statements

for the year ended 31 March 2022

32. Defined benefit pension liability (continued)

ii. Social Housing Pension Scheme - SHPS

During the year the Group participated in the Social Housing Pension Scheme ('SHPS'), a multi-employer scheme which provides benefits to some 500 non-associated employers. SHPS is a defined benefit scheme. The Group was a member of SHPS until 30 September 2021 when the Group's share of the assets and liabilities within this scheme were transferred to a new Flagship Pension Scheme (called "The Pensions Trust – Flagship Housing Group ex-SHPS Scheme ('FHGS')) administered by The Pensions Trust.

SHPS is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

SHPS is classified as a 'last-man standing arrangement' and therefore the Group was potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the scheme.

The FHGS scheme is a single employer scheme and the Group's is solely responsible for schemes assets and liabilities. At 30 September 2021, and upon transfer to FHGS, the net liability attributable to Flagship within the SHPS scheme was £10m.

A comprehensive actuarial valuation of the SHPS scheme, using the projected unit credit method, was carried out at 30 September 2020, by independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	31 Mar 2022	30 Sep 2021	31 Mar 2021
Expected rate of increase of pensions in payment (CPI)	3.26%	3.01%	2.85%
Expected rate of salary increases	3.96%	4.01%	3.55%
Discount rate	2.77%	2.04%	1.95%
Rate of inflation (RPI)	3.50%	3.40%	3.26%

The mortality assumptions used were as follows:

	31 Mar 2022 Years	30 Sep 2021 Years	31 Mar 2021 Years
Longevity at age 65 for current pensioners			
- Men	21.6	21.6	21.9
- Women	23.6	23.5	23.8
Longevity at age 65 for future pensioners			
- Men	22.9	22.9	23.2
- Women	25.1	25.1	25.4

Reconciliation of scheme assets and liabilities:

	Assets £'000	Liabilities £'000	Total £'000
At 1 April 2021	42,942	(57,283)	(14,341)
Benefits paid	(489)	489	-
Member contributions	17	(17)	-
Employer contributions	737	-	737
Current service cost	(14)	(156)	(170)
Interest income / (expense)	419	(555)	(136)
Re-measurement gains / (losses)			
- Actuarial gains / (losses)	-	1,306	1,306
- Experience Return on plan assets excluding interest income	2,711	-	2,711
At 30 Sept 2021	**46,323**	**(56,216)**	**(9,893)**
Benefits paid	(462)	462	-
Member contributions	19	(19)	-
Employer contributions	1,128	-	1,128
Current service cost	(36)	(165)	(201)
Interest income / (expense)	473	(569)	(96)
Re-measurement gains/(losses)			
- Actuarial gains/(losses)	-	3,903	3,903
- Experience loss on plan assets excluding interest income	(2,849)	-	(2,849)
At 31 March 2022	**44,596**	**(52,604)**	**(8,008)**

Total cost recognised as an expense:

	6 months ending 30 Sep 2021 £'000	6 months ending 31 Mar 2022 £'000	Total 2022 £'000	Total 2021 £'000
Current service cost	170	201	371	268
Interest cost	555	569	1,124	1,039
	725	770	1,495	1,307

No amounts (2021: £nil) were included in the cost of assets.

Notes to the financial statements

for the year ended 31 March 2022

32. Defined benefit pension liability (continued)

ii. Social Housing Pension Scheme - SHPS (continued)

The fair value of the plan assets was:

	31 Mar 2022 £'000	30 Sep 2021 £'000	31 Mar 2021 £'000
Equity	10,069	8,368	6,844
Bonds	790	6,289	7,856
Property	1,330	2,054	1,734
Cash	720	276	261
Other	14,834	16,067	15,333
LDI	16,853	13,269	10,914
	44,596	46,323	42,942

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

The return on the plan assets was:

	6 months ending 30 Sep 2021 £'000	6 months ending 31 Mar 2022 £'000	Total 2022 £'000	Total 2021 £'000
Interest income	419	473	892	874
Return on plan assets less interest income	2,711	(2,849)	(138)	3,830
Total return on plan assets	3,130	(2,376)	754	4,704

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

	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£'000)
Changes in assumptions at 31 March 2022		
Discount rate + / - 0.1%	- / + 2%	- / + 1,052
Inflation assumptions + / - 0.1%	- / + 2%	- / + 1,052
Life expectancy + / - 1 year	- / + 4%	- / + 2,104

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 4%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

33. Notes to the cash flow statement

	Note	Group 2022 £'000	Group 2021 £'000
Surplus for the financial year		59,216	46,129
Adjustments for:			
Tax on profit	13	(26)	(33)
Increase in investment property revaluation	15	(4,202)	(1,824)
Net interest expense	25 / 26	28,319	25,181
Operating surplus		83,307	69,453
Depreciation of tangible fixed assets and amortisation of intangible assets and capital grant (including accelerated depreciation on component replacement)		29,865	29,328
(Gain) / loss on investment in joint ventures	20	(572)	(480)
(Gain) / loss on disposal of housing properties and other fixed assets		(18,024)	(9,353)
Defined benefit pension schemes - service cost	31	487	371
Defined benefit pension schemes - contributions paid	31	(2,631)	(2,228)
Working capital movements:			
- Decrease / (increase) in inventories		9,096	(22,252)
- (Increase) / decrease in debtors		(1,293)	4,265
- Increase in creditors		1,589	6,968
Cash flow from operating activities		101,824	76,072

Analysis of changes in net debt

	At 1 April 2021 £'000	Cash flows £'000	Non-cash changes £'000	At 31 March 2022 £'000
Cash at bank and in hand	11,408	105,193	-	116,601
Bank loans and borrowings	(810,218)	(129,392)	1,150	(938,460)
Finance leases	(17,284)	2,361	(6,122)	(21,045)
Total	(816,094)	(21,838)	(4,972)	(842,904)

Non-cash transactions

The Group has acquired tangible assets under finance leases. £6,122,000 (2021: £995,000) has been capitalised as the cost of the asset, being the present value of the minimum lease payments.

The Group unwound £1,150,000 of discount on fair value of loans and amortisation of debt issue costs during the year (2021: £2,746,000).

Notes to the financial statements

for the year ended 31 March 2022

34. Financial instruments

Group

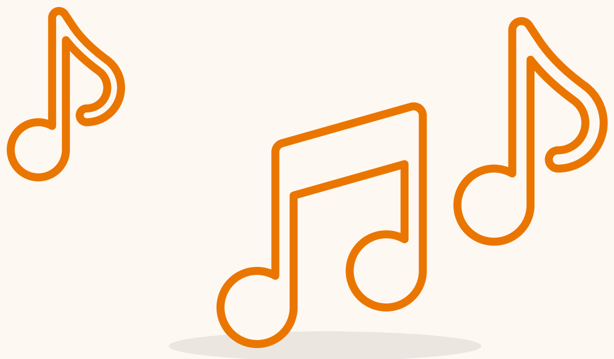
The Group has the following financial instruments:

	Note	31 March 2022 £'000	31 March 2021 £'000
Financial assets that are debt instruments measured at amortised cost			
- Trade receivables and rental arrears	22	7,840	8,853
- Other receivables	22	365	509
- Loan receivable from joint venture undertakings	21	13,066	13,119
- Cash and cash equivalents		116,601	11,408
		137,872	33,889
Financial liabilities measured at amortised cost			
- Bank loans and borrowings	25	938,460	810,218
- Finance leases	23 / 24	21,045	17,284
- Trade creditors	23	9,661	8,046
- Accruals and deferred income	23 / 24	28,469	29,091
- Other creditors	23	5,147	5,220
		1,002,782	869,859

35. Contingent liabilities

The company receives capital grant from Homes England, which is used to fund the acquisition and development of housing properties and their components. Capital grant is amortised to the statement of comprehensive income over 100 years. In certain circumstances upon disposal of grant funded properties the company is required to recycle this grant by crediting it to the Recycled Capital Grant Fund.

As the timing of future property disposals is uncertain, no provision has been recognised in these financial statements for the portion of recyclable grant amortised through the statement of comprehensive income. The company had no other contingent liabilities at 31 March 2022 (2021: £nil).



36. Related party disclosures

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

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Purchases from Flagship Housing Developments Limited	24,487	15,053
Purchases from RFT Repairs Limited	-	41,290
Purchases from Gasway Services Limited	24,293	-
Purchases from Blue Flame (Colchester) Limited	456	-
Interest paid to Flagship Finance Plc	2,233	-
Services provided to Victory Housing Trust	-	3,609
Services provided to Flagship Housing Developments Limited	1,049	1,049
Services provided to RFT Repairs Limited	-	1,521
Services provided to Gasway Services Limited	110	110
Grant made to Hopestead	600	400

As at 31 March 2022 Flagship Housing Group Limited had the following intercompany balances with its subsidiary undertakings:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Amounts due to Flagship Housing Developments Limited	(159)	(19)
Amounts due to RFT Repairs Limited	(1,479)	(1,605)
Amount due to Flagship Finance Plc	(189,766)	-
Amount due to Gasway Services Limited	(536)	-
Amounts due from Blue Flame (Colchester) Limited	373	556
	(191,567)	115

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

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

Notes to the financial statements

for the year ended 31 March 2022

37. Ultimate parent undertaking and controlling party

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

38. Events after the reporting period

On the 6 April 2022 the Flagship Group announced that it was discussing a tripartite partnership between bpha and Futures Housing Group. The parties are currently exploring the opportunity and no firm commitment exists at the date these financial statements are signed.

Flagship Group

flagship-group.co.uk

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