Flagship Group

Consolidated Financial Statements

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

for the year ended
31 March 2024

flagship-group.co.uk

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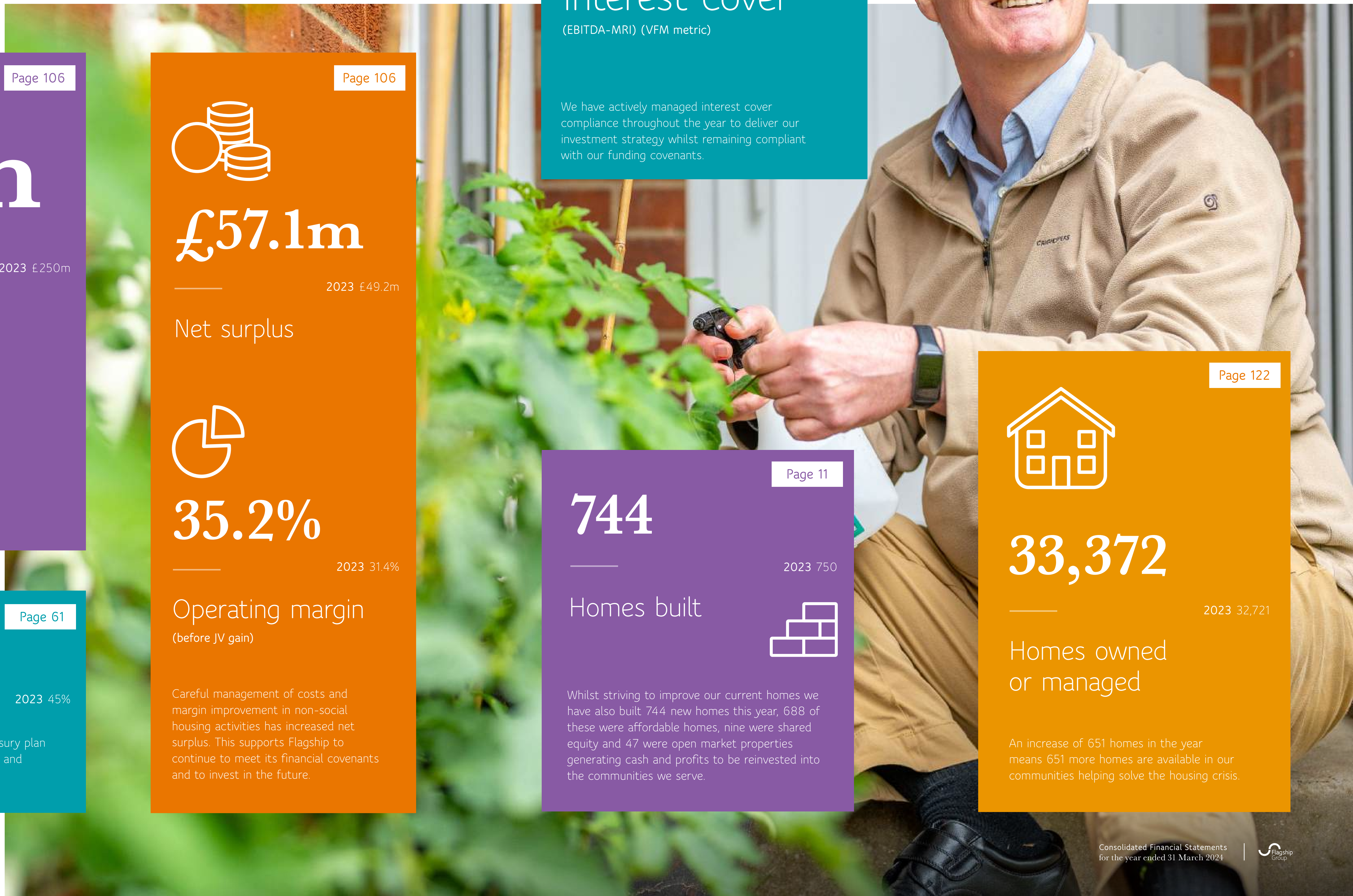
“We provide homes and create sustainable communities.

Consolidated Financial Statements
for the year ended 31 March 2024

Key Highlights

for the year ended 31 March 2024



Page 106

£253m

2023 £250m

Turnover

£184m from social housing lettings
£17m Shared ownership first tranche
£21m Outright property sales
£22m Gas and property maintenance
£8m other non-social activities

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45% Asset gearing

2023 45%

Broadly stable with FY23. As a Group we have a robust treasury plan underpinning our financial performance, strategic objectives, and business plan for the years ahead.

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£57.1m

2023 £49.2m

Net surplus

35.2%

2023 31.4%

Operating margin

(before JV gain)

Careful management of costs and margin improvement in non-social housing activities has increased net surplus. This supports Flagship to continue to meet its financial covenants and to invest in the future.

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136%

2023 132%

Interest cover

(EBITDA-MRI) (VFM metric)

We have actively managed interest cover compliance throughout the year to deliver our investment strategy whilst remaining compliant with our funding covenants.

Page 11

744

2023 750

Homes built

Whilst striving to improve our current homes we have also built 744 new homes this year, 688 of these were affordable homes, nine were shared equity and 47 were open market properties generating cash and profits to be reinvested into the communities we serve.

Page 122

33,372

2023 32,721

Homes owned or managed

An increase of 651 homes in the year means 651 more homes are available in our communities helping solve the housing crisis.

Page 50

Spend on improving our homes

£50m

2023 £47m

Capital improvements ensure our properties are decent, safe, and modern homes for our tenants. This has included investing in insulation, solar panels, and environmentally sustainable heating systems.

Page 56

7.7%

2023 8.6%

Reinvestment percentage

A measure of how much our organisation has invested in new build development and improved existing homes as a percentage of the net book value of housing properties.

Page 26

Tenant Satisfaction Measures (TSM)

Rented **71.9%**

Shared Ownership **58.2%**

A score of 71.9% for our rental homes and 58.2% for our shared ownership homes gives us good visibility of our performance through the customer lens. The results are a good foundation to build upon and inform how we will continue to improve our services.

Page 13

7.8

2023 8.1

Employee engagement score

Our annual staff engagement survey had a high response rate of 83% this year. By delivering improvements based on colleague feedback, Flagship continues to offer an attractive working environment reflected by a score of 7.8 out of 10, although we still want to improve employee engagement further.

Page 61

4.1%

2023 3.7%

Return on capital employed ('ROCE')

Measures the Group's level of profitability and the efficiency with which its capital is employed.

Page 61

62%

2023 59%

Homes at EPC-C %

62% of our homes were at EPC-C at the end of the year, on course to deliver all homes at EPC-C by 2030.

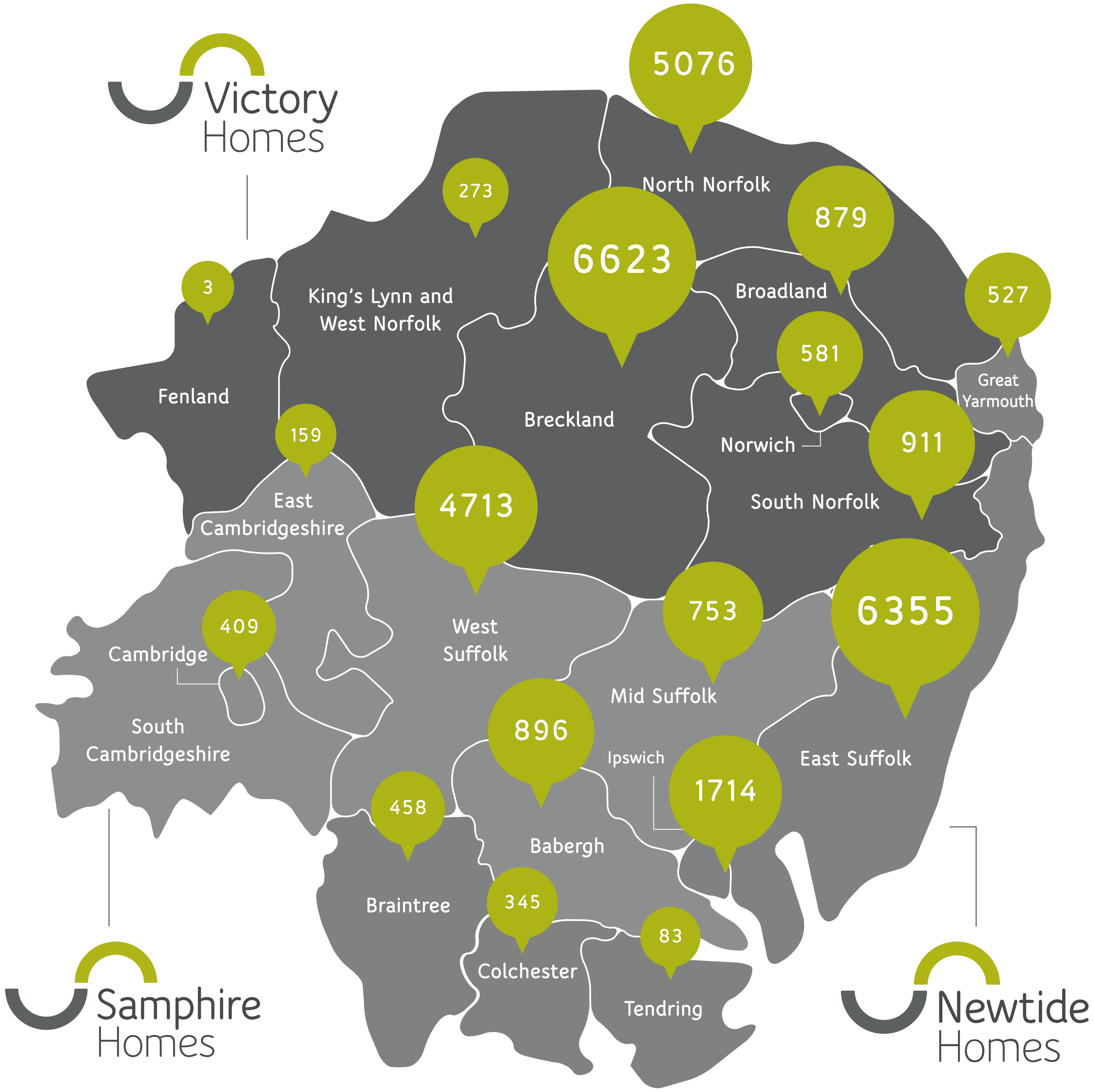
A
B
C

Flagship at a Glance

Flagship exists to provide homes and create sustainable communities. At Flagship, we want to solve the housing crisis. Of course, this requires more than just an increase in new affordable homes. That's why we are focused on investing in our existing homes, developing new technologies, and using imaginative methods for service delivery. We give our people the freedom to try new things to automate and solve problems which facilitates continuous improvement of our services, greater efficiency in our service delivery model and maximises our resources to build more homes. We know that great people doing great things delivers outstanding customer service.

There is an acute housing crisis. Above average and inconsistent property prices, too few homes for local needs, ageing housing stock and an ageing population are all tough challenges to crack. By spending money wisely, improving relentlessly and working together in partnership with others, we can fulfil our vision. At Flagship we make a difference every day, and together we can solve the housing crisis.

We support the local economy by providing opportunities for people through employment, education and training. As a Group, we employ over 1,400 people and create award winning apprenticeships.



We have over 33,000 homes across the east of England, working with 20 local authorities. Since 2020 we have invested almost £400m in building new homes, over £150m in improving existing ones, and over £160m in maintaining our homes to the standard we want for our tenants.

Chair's Statement

Peter Hawes, Chair

This year's achievements wouldn't have been possible without the unwavering commitment and dedication of our exceptional staff and Board members and my heartfelt gratitude goes out to them for their resolute commitment and hard work throughout the year. Their passion, creativity, and tireless efforts have been instrumental in driving Flagship forward.

Through their contributions, we've not only overcome challenges but also achieved some excellent performance highlights:

- ✓ We reported an overall tenant satisfaction measure ('TSM') score of 71.9% from a representative sample of our rental tenant population for the first full year of reporting. Feedback is enabling us to learn and improve based on what matters to our customers;
- ✓ We delivered 744 new homes in the year which included 465 rental homes and 223 shared ownership homes;
- ✓ We sold 66 new outright sale homes generating £21m of cash to reinvest in our social housing development activity;
- ✓ Our INfluencer Network goes from strength to strength enabling our tenants to directly influence how we improve our business and the services we offer them;
- ✓ We claimed a top honour at the Fleet News Awards for our drive towards a net-zero fleet, exemplifying our commitment to our environmental goals;
- ✓ We invested £95.2m in our existing homes including over £50m of capital improvements ensuring our properties are decent homes for our tenants;
- ✓ 62% of our homes were at EPC-C at the end of the year, on course to deliver all homes at EPC-C by 2030.
- ✓ Staff turnover is at its lowest level (excluding year of pandemic) demonstrating that our people strategy makes Flagship a desirable place to work;
- ✓ The Group had over 180% liquidity coverage, maintained its A2 Moody's rating and healthy headroom on its lending covenants demonstrating the Group's strong financial viability; and
- ✓ We delivered a full year net profit of £57.1m which we can reinvest into improving our existing homes and build more new homes.

The organisation's collaborative spirit, combined with a commitment to excellence, ensures we are well positioned to overcome any obstacles that lie ahead, in what continues to be, a challenging operating environment. We will continue to make improvements for our tenants, for our people, to our services and to our homes.

Our social housing

Regulation

We welcomed the Social Housing Regulation Act and are fully committed to upholding the high standards it promotes. We have undertaken a comprehensive review of our services and implemented the necessary changes to ensure compliance with the new requirements and policy measures. This includes a focus on enhancing service delivery, increasing transparency in all our communications, promoting the safety and timely maintenance of our properties, and providing tenants with clear and accessible information regarding their rights and the complaint resolution process.

Back in July 2023 the Regulator of Social Housing ('regulator') rated Flagship G2 meaning that we met the Regulator's governance requirements but needed to improve some aspects of our governance arrangements to support continued compliance. Throughout the year we have been working closely with the regulator and sector experts, digesting their constructive feedback, and implementing all improvement recommendations. We have welcomed this opportunity to reflect on existing governance arrangements and enhance our internal processes. This collaborative effort is all about building an even stronger future for Flagship, one where we can continue to improve the service we deliver to our tenants.

The regulator reaffirmed our V2 grade for viability demonstrating the robustness of our core business model and the long-term financial viability of our Group.

Development

During the year we developed 744 new homes. These included 465 rented homes, 223 shared ownership homes, nine shared equity homes, and 47 outright sale homes. Highlights include:

- ✓ 53 homes for rent and shared ownership at Trinity Meadows, Rackheath in partnership with Lovell;
- ✓ 42 homes out of a 300-property scheme in Stowmarket with Hopkins Homes;
- ✓ 38 affordable homes at Elm Farm, Wymondham with Persimmon;
- ✓ The final 33 homes from our mixed tenure schemes at Ellingham Green, Great Ellingham, and The Lilacs, Trimley St Martin; and
- ✓ 73 affordable homes at North Pickenham Road, Necton, and 39 at Kirby Road, Walton-On-The-Naze, part-funded with grant from our Homes England Strategic Partnership.

During the year we entered into 27 new scheme contracts for 570 new homes, including:

- ✓ 67 affordable homes at Festival Park, Easton, and 25 at Nursery Lane, South Wooton with Persimmon;
- ✓ 45 affordable homes at Chapel Lane, Pettistree with Hopkins;
- ✓ 74 affordable homes at St Margarets Crescent, Leiston, and 24 at West Wood, Sheringham, part-funded with grants from our Homes England Strategic Partnership;
- ✓ 40 homes in Narborough where Flagship Homes, Burmor Construction, and LoCaL Homes are set to deliver a greener living environment. Using modern construction methods, the development at Chalk Lane will provide 40 environmentally friendly and high-standard affordable homes; and
- ✓ A development of 60 houses using i-House technology Crown View, Great Ellingham, reducing build times by up to 40% compared to traditional methods.

Creating sustainable communities

At Flagship, we recognise that solving the housing crisis involves more than just providing homes; it's also about creating sustainable, thriving communities. This year we released our biodiversity plan which is a critical part of our sustainability agenda and our pledge to our tenants, communities, and the planet.

We pioneered a partnership project between Flagship, Greengage and Levitt Bernstein to explore the effectiveness of various land management approaches in catering to both people and nature. This initiative helps inform us about which methods are most successful. We have so far taken proactive steps by sowing seeds, installing informative signs, engaging a local landscaping firm to plant shrubs, and procuring benches from a local social enterprise focused on integrating people with disabilities into the workforce.

As part of our energy efficiency programme, we entered the second wave of a £12.8 million project to install air source heat pumps, solar panels, and external wall insulation. The first wave of upgrades, in partnership with West Suffolk Council, delivered in 2022-23, upgraded 151 homes, with 52 homes receiving heat pumps and solar panels, and 99 receiving external wall insulation. The second wave which began in 2023-24, continuing until 2025, is funded by £4.4 million from the government and matched by Flagship, with a further 100 homes already upgraded.

We have continued to develop our Tenant Voice Framework, "The INfluencer Network," to offer meaningful engagement opportunities

Chair's Statement

for our tenants. We now have 56 tenants, called "Group Influencers," who review and discuss various topics and hold us accountable for key services. This year, they participated in scrutiny events focused on Safe Communities & Neighbourhoods, the Contact Centre, and Social Housing stigma. We provided updates on previous feedback to ensure their input drives positive change.

We held focused panels for complaint handling, to shape new service standards and review the voids standard. Our Digital Engagement Group continues to collaborate with us and have co-created a new customer portal and tested WhatsApp as a communication method. In September 2023, we launched a new digital engagement hub, an interactive online space for tenant engagement. By March 2024, the INfluencer Hub had attracted 308 members.

Through the dedication and commitment of our housing teams we ended the year with void loss at 1.2%. Whilst this is strong compared to the sector we know it can still be better and we are focused on ensuring that our homes are relet as quicky as possible.

> **"During the year we entered into 27 new scheme contracts for 570 new homes.**

Financial performance

The Group generated revenue of c.£253m in the year up 1.1% year on year. Social housing lettings income increased by c.£17m year on year, up 10.2%. Social housing lettings percentage increased to c.72.7% of total revenue, up from 66.7% in 2023, notably driven by a smaller outright sales programme in 2024.

Operating surplus increased year on year by 13.2% to c.£90.1m but financing costs also increased in the year due to rises in the Bank of England base rate increasing the cost of variable rate borrowing. Overall, the Group delivered a net surplus of c.£57.1m which is an excellent achievement in a challenging economic climate.

The launch of Gasway's new renewable technology team in the latter half of the financial year resulted in Gasway's external profit hitting c.£0.4m for the year. We know that renewable technology is and will continue to be a significant growth area and Gasway are working to position themselves competitively in what will undoubtedly become a very competitive market.

The Group delivered 66 outright sale completions in the year generating c.£21m in revenue. The Group also completed 191 low-cost home ownership completions generating c.£17m. Additionally, we generated £2.6 million from 28 additional tranche transactions in our shared ownership portfolio. Through our Homes England Strategic Partnership, we received £22.4 million of grant funding in 2023/24 out of an allocated £92 million for 1183 homes.

The Group improved its headroom on its borrowing covenants during the year ending the year with EBITDA-MRI interest cover from the value for money definition of 136.2% (2023: 132%).

Beyond the bottom line, we're proud to announce that Moody's uprated our credit rating outlook from negative to A2 stable. This reflects our robust financial health and strong liquidity and balance sheet leverage metrics, which positions us strongly in, what continues to be, an uncertain operating environment.

Hopestead

Over the last 12 months, our charity arm Hopestead has continued to build upon the projects set up in previous years.

October 2023 saw the completion of Hopestead Place as part of Hopestead's 'Building Hope' initiative, for which Hopestead won the 'Best Use of Emerging Technology in Housebuilding. Hopestead Place was built in conjunction with Emmaus Suffolk and New Meaning Foundation ('NMF') to deliver two modular homes to provide accommodation for individuals transitioning out of homelessness.

The trainees at NMF built and installed the modular homes, each piece representing a step toward a brighter future for both the builders and the future residents. Emmaus Suffolk named the new homes "Hopestead Place," symbolising hope and renewal and these were officially opened by Sir Terry Waite, celebrating the collaboration that brought these homes to life.

Hope at Home was expanded in the year, with £875,825 spent on providing the essentials needed when transitioning from homelessness into a home, compared to £695,179 in the previous year. 239 households have been supported with furniture, flooring, white goods and other essential items to give them the best possible start in their new home. This year 418 people, 264 adults and 154 children, were supported by the project. Helping them to live a more fulfilling life and stay in their home.

Hopestead awarded £165,694 of funding to 17 local charities, organisations and community groups during the year ended 31 March 2024 through its Hope Funds initiative. This was the third funding round of the Hope Funds project with over 15,700 beneficiaries in this funding round, taking the total number of beneficiaries over the last three years to almost 28,000, a fantastic achievement for charity launched just four years ago.

Our people

Our annual staff engagement survey had a high response rate of 83% this year. By delivering improvements based on colleague feedback, Flagship continues to offer an attractive working environment reflected by a score of 7.8 out of 10, although we still want to improve employee engagement further.

Staff turnover for the year was 17.6%, 1.2% lower than last year, and our lowest turnover rate on record, with the exception of year ended 31 March 2021 during the pandemic. Our apprenticeship programme continues to do well with 104 apprentices across the Group (21 internal staff development; and 83 newly recruited). Notably, we have an apprenticeship completion rate of 78.5%, which is significantly higher than the national average of 54.6%.

We are committed to diversity and inclusion. The Equality, Diversity and Inclusion ('ED&I') champions have been instrumental in organising support and events for Pride, Disability, Neurodiversity and Gender Equity. This includes training for all colleagues, which goes towards creating an inclusive culture where all colleagues can flourish. Over the last year ED&I has also begun to focus more on increasing system accessibility and equitable support for marginalised tenants.

Board changes

I would like to take this opportunity to thank our Board Members for their significant contributions and dedication to excellence throughout the year. We extended our heartfelt gratitude as we bade farewell to Doris Jamieson at the end of her tenure, and we welcomed Steve Barford, a specialist in business improvement programmes across all aspects of Asset Management, Property Compliance, and Maintenance Services.

Looking ahead, we remain committed to sustaining our momentum, enhancing service delivery, and driving value for our tenants.

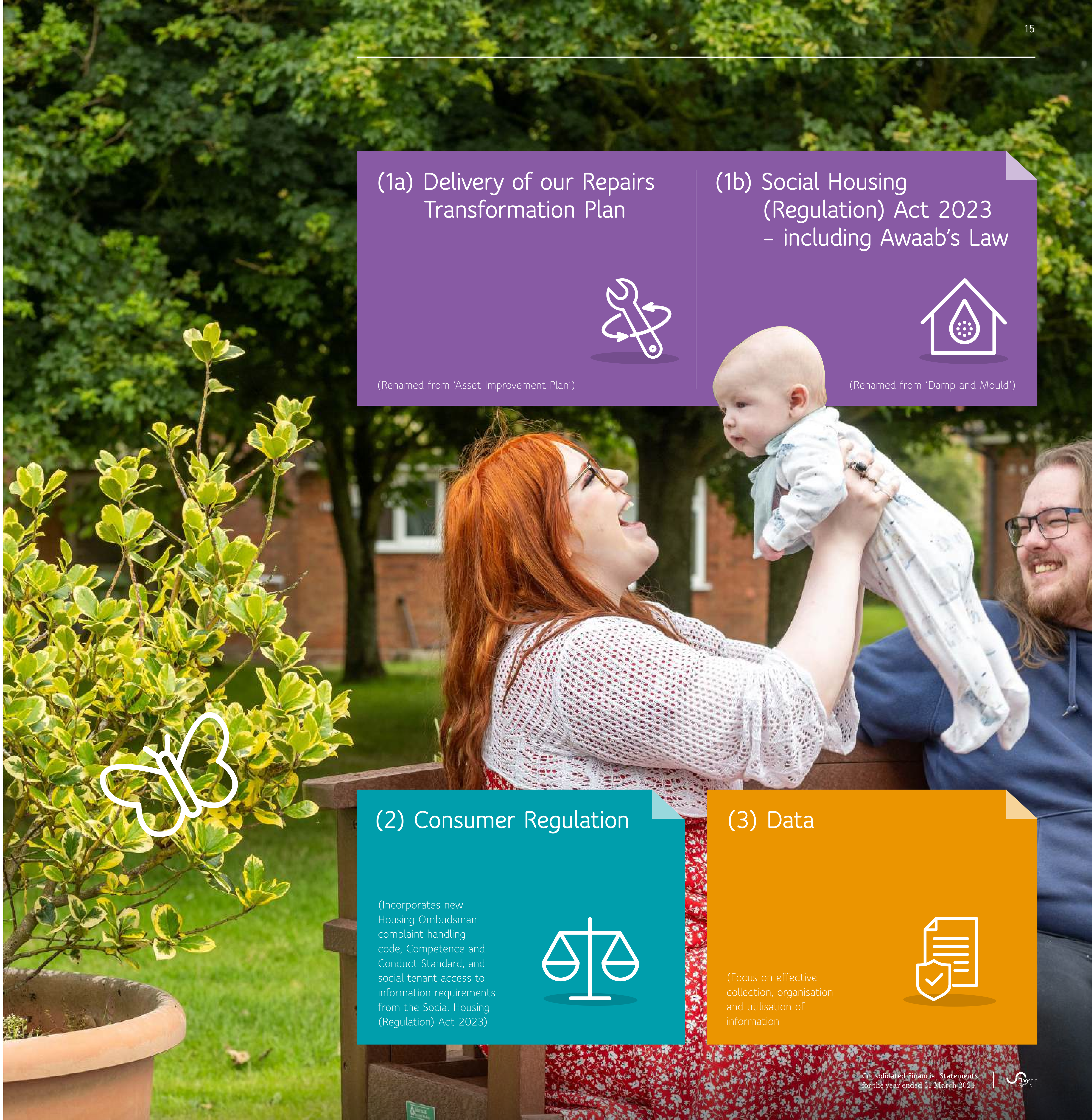
Peter Hawes, Chair
7 August 2024

Our priorities for FY25

– the year ahead

Each year we set ourselves some key strategic priorities. These priorities focus us as an organisation to ensure we are delivering targeted change at the heart of where it is really needed within our organisation. These priorities are closely aligned to our values because by doing so it promotes holistic improvement across the Group. The page opposite presents our priorities for the year ahead.

A review of how we delivered against our strategic priorities (Residential Property Sales Risk, Damp and Mould, Delivery of Asset Improvement Plan and Consumer Regulations) for the year ended 31 March 2024 is available on pages 26-27.



(1a) Delivery of our Repairs Transformation Plan

(Renamed from 'Asset Improvement Plan')

(1b) Social Housing (Regulation) Act 2023 – including Awaab's Law

(Renamed from 'Damp and Mould')

(2) Consumer Regulation

(Incorporates new Housing Ombudsman complaint handling code, Competence and Conduct Standard, and social tenant access to information requirements from the Social Housing (Regulation) Act 2023)

(3) Data

(Focus on effective collection, organisation and utilisation of information

Our priorities for FY25

(1a) Delivery of our Repairs Transformation Plan

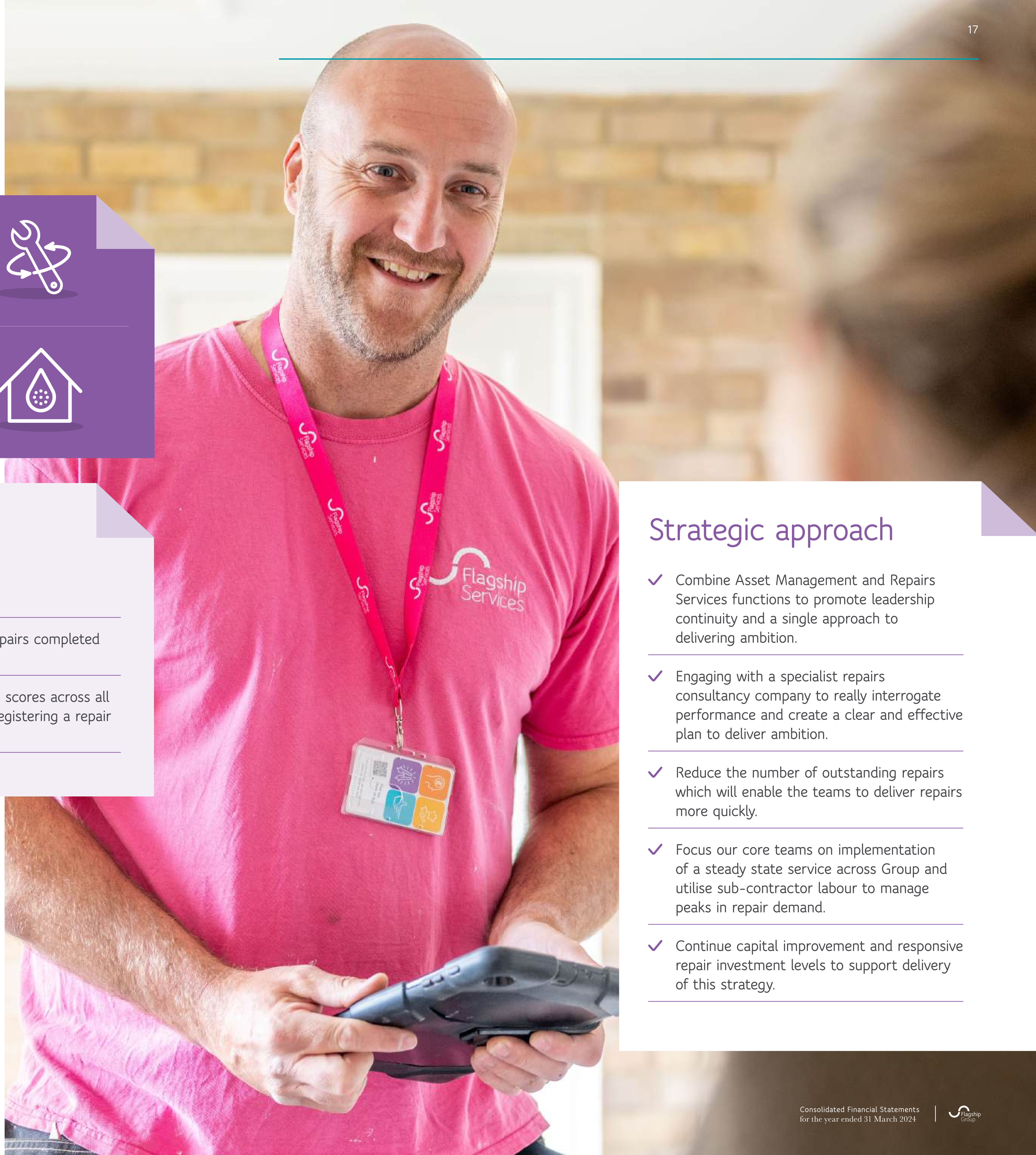
(1b) Social Housing (Regulation) Act 2023 – including Awaab's Law

Ambition

- 5-year validated stock condition data for minimum 80% of homes by 2025.
- All homes at EPC C by 2030.
- The right homes are in the right place for our customers' needs.
- Proactive controls to identify and eradicate damp and mould in all Flagship properties.
- Sufficiently funded capital improvement programme.
- 95% of non-emergency repairs completed within 28 days.
- High customer satisfaction scores across all repairs touchpoints from registering a repair through to completion.

Values alignment

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



Strategic approach

- Combine Asset Management and Repairs Services functions to promote leadership continuity and a single approach to delivering ambition.
- Engaging with a specialist repairs consultancy company to really interrogate performance and create a clear and effective plan to deliver ambition.
- Reduce the number of outstanding repairs which will enable the teams to deliver repairs more quickly.
- Focus our core teams on implementation of a steady state service across Group and utilise sub-contractor labour to manage peaks in repair demand.
- Continue capital improvement and responsive repair investment levels to support delivery of this strategy.

Our priorities for FY25

(2) Consumer Regulation

Ambition

- Increase customer engagement so that service delivery improvements are modelled on customer feedback and testing.
- Deliver customer service to be proud of which will result in increasing customer satisfaction scores.
- Ensure all complaints are responded to and resolved in required timeframes.

Values alignment

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

Strategic approach

- Key accountable persons across the business for each standard.
- Introducing a new customer committee to monitor customer experience and promote customer focus in service delivery.
- Regular Board updates on key components of each standards including Housing Ombudsman Self-Assessments and Tenant Satisfaction Measure ('TSM') compliance.
- Continue to monitor the learnings gained from the TSM process.
- Business Assurance Team testing of action plan delivery to ensure that the Group is in the best place possible to succeed upon introduction.
- Customer feedback collected on a range of services to continuously improve the service we offer.

Our priorities for FY25

(3) Data

Ambition

- Enhancement of our data architecture to improve performance.
- Acknowledging that our IT solutions are only as good as the accuracy, completeness and reliability of trusted source data.
- Clear data ownership, master data sets, governance and effective change controls.
- Treating data as an asset to ensure it is maintained appropriately.

Values alignment

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

Strategic approach

- Our Essentials programme is set to deliver some significant milestones in 2025.
- Enhance data estate to promote real-time data access for more immediate insights and rapid decision-making.
- Providing customers and our people with greater self-service functionality, easy access to their information and smarter communication with us.
- Continued drive on data collection, quality, integrity and maintainability to reduce errors and missing data.

Strategic Report

for the year ended 31 March 2024

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 2024.

The structure of the Group has not changed during the year ended 31 March 2024.

Our purpose

Flagship Group is committed to providing homes for people in need, creating sustainable communities that our tenants can thrive in.

We envision a world where everyone has a safe, affordable, and sustainable home. We believe everyone deserves a home that meets their needs and allows them to thrive. Our vision drives us to continuously provide more new homes, improve the efficiency of existing ones, foster community cohesion, and support marginalised groups, including the homeless, in securing their own homes.

We want to be the best landlord in the UK. Our values guide our actions and ensure that we are always working towards our purpose and vision.

Our values are:

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

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 are committed to operating in a sustainable way, reducing our environmental impact, creating a diverse and inclusive workplace, investing in our communities and being transparent with our customers, partners, funders, and other stakeholders.

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.

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 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 38% lower than weekly private market rents in our two-bedroom properties and 39% lower than weekly private market rents in our three-bedroom properties. Similarly, our rents are between 19% and 40% 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 2024 the Group owned 32,045 social housing properties (2023: 31,550) which over 76,000 people call home, 344 market rented properties (2023: 347) and 600 student accommodation rooms (2023: 600). The Group also managed 383 affordable homes (2023: 224) for third parties at 31 March 2024.

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 careful thought, care, and attention to detail. These homes generate re-investable capital for the Group, enabling us to build more social housing properties.

The Group continues to deliver its gas servicing, maintenance, and capital improvement services through its Gasway subsidiary. Gasway maintains the heating systems in the Group's housing properties but also sells its services to domestic residential customers, other social housing landlords and commercial and local government organisations. The growth of the renewable energy market is a key focus of Gasway's strategy.

Our charitable incorporated organisation, Hopestead, is focussed on ending homelessness. 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 within a community.

> **"... our rents are between 19% and 40% lower than the Local Housing Allowance rates.**

Strategic
Report

Governance at our core

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.

Flagship continues to maintain a V2 viability grading. V2 means that Flagship meets the regulators viability requirements and that it has capacity to deal with a reasonable range of adverse scenarios, but that it needs to manage material risks to ensure continued viability compliance.

The current economic climate presents unique challenges for registered providers. Recognising this, the regulator has implemented a tailored approach, focusing on housing associations with potentially greater exposure to a weaker housing market, and particularly those with higher volumes of property sales in their business plans.

As highlighted in the last financial year, 'actively managing our residential property sales risk' was a key strategic priority for us, evidencing our own interpretation of this risk identified by the regulator. Whilst interest rates have not come down as quickly as some originally expected, which continues to have an impact on mortgage affordability, we are continuing to see promising interest in our homes. We continue to report internally against property sales risk, paying close attention to interest rates, inflation and the sales market, but are satisfied that our internal controls, improved economic stability and on-going reporting are such that we have removed it from our strategic priorities for the year ahead.

As part of our Business Plan stress testing, we tested against this risk to ensure we have an appropriate mitigation strategy were it to materialise. We tested the cash flow sensitivity of our plan to a joint venture failure (c.£15m adverse impact), a 5% house price crash (c.£12m adverse impact), a 5% reduction in average first tranche sold (c.£8m adverse impact) and a 5% increase in construction costs (c.£8m adverse impact) to demonstrate that our plan is sufficiently robust to absorb these adverse impacts. Our full mitigated worst case scenario stress test included a 15% sales price reduction on outright sale, first tranche and asset disposals, a 9-month sales lag, 5% higher construction costs and a £3m one-off contractor failure event, and we are able to mitigate this event demonstrate the financial viability of our organisation.

In July 2023 the Regulator of Social Housing rated Flagship G2 meaning that we met the Regulator's governance requirements but needed to improve some aspects of our governance arrangements to support continued compliance. Throughout the year we have been working closely with the regulator and sector experts, digesting their constructive feedback, and implementing all improvement recommendations.

It is our ambition to return to G1 as soon as practicable in the eyes of the Regulator and we are doing all we can to demonstrate that we have embedded all recommendations.

> "This collaborative effort is all about building an even stronger future...

A summary of the key changes we are implementing:

i. Simplify corporate and governance structure to improve line of sight for Board, clarity around roles and responsibilities and reduce the cost of governance.

ii. Introduce a customer committee within the simplified structure to strengthen the voice of the customer supported by a customer engagement framework.

iii. Combine Asset Management committee and Flagship Services Board to strengthen budgetary control, remove duplication, provide clarity on roles and responsibilities, and consistent challenge on the Repairs Transformation Plan.

iv. Finance oversight redirected to Group Board from Finance and Treasury Committee to enhance Board oversight and engagement in strategic performance management.

We have always held governance and regulation at the core of our organisation and this collaborative effort is all about building an even stronger future for Flagship, one where we can continue to improve the service we deliver to our tenants.

Our operating objectives during the year ended 31 March 2024

During the last year we have been focused on a number of key strategic priorities and below we summarise what we have delivered against these priorities during the year:

OBJECTIVE:

Delivery of our Asset Improvement Plan

(renamed to 'Repairs Transformation Plan' for FY25)

"Central to protecting the value of Flagship's housing stock. We want all of our homes to be EPC-C by 2030, a challenging but achievable target. We are continuously monitoring the compliance of our homes against the Decent Homes Standard and seek to remediate issues as soon as they are identified."

WHAT WE HAVE ACHIEVED:

Highlights include:

- ✓ 5-year validated stock condition survey held for 76% of our homes at 31 March 2024.
- ✓ 97.6% of our homes meet the Decent Homes Standard at 31 March 24.
- ✓ 62% of our homes held at EPC-C certificate at 31 March 2024.
- ✓ £50m spend on capital improvements in FY24, an increase of 5.7% on FY23.
- ✓ Implementation of our new repairs management system Total Mobile has delivered improvements to communication with tenants and operative productivity.

See page 68 in our Value for Money report for our asset management and repairs highlights this year.

WHAT NEXT FOR 2025?

We have continued to develop our ambitions during the year and delivery of our Repairs Transformation Plan continues to be a key strategic focus for FY25 – see page 44.

OBJECTIVE:

Consumer regulation (including Tenant Satisfaction Measures)

"Introduction of new regulation is a strategic risk for any organisation. We are focused on meeting the requirements of the regulation and using the data collected to further improve our services for our tenants."

WHAT WE HAVE ACHIEVED:

Highlights include:

- ✓ Group Customer Satisfaction c.81%, from over 32,000 responses.
- ✓ Tenant Satisfaction score of 71.9% on our rented homes and 58.2% for our shared ownership homes. Our full TSM measure report is available on our website.
- ✓ 95% of stage 1 complaints responded to in time.
- ✓ 2,021 tenants involved in 127 engagement activities.
- ✓ Staff conduct and empathy received most positive feedback in year.

See page 62 in our Value for Money report for our customer highlights this year.

WHAT NEXT FOR 2025?

New and any changes to existing consumer regulation continues to be a key strategic focus for FY25 – see page 18.

OBJECTIVE:

Damp and Mould

"The eradication of damp and mould. We want all of our homes to be safe and healthy places to live for our tenants. We will work relentlessly to sustainably manage and resolve damp and mould issues into the future."

WHAT WE HAVE ACHIEVED:

- ✓ 4,770 damp and mould repair jobs raised through tenant contact, property surveys, visiting officer visits or repairs operatives recording follow-up work jobs after attending a property.
- ✓ We have promoted awareness with our tenants through updated resident guides and postcards and with our teams through enhanced eLearning for customer facing staff.
- ✓ Our surveyors receive additional training and carry appropriate diagnostic equipment to undertake a comprehensive 12-stage diagnostic survey approach.
- ✓ We have a specialist team of trained operatives for mould washes and utilise external specialists to undertake more complex intrusive remedial works where required.
- ✓ We have installed 4,782 smart thermostats to date in our homes allowing us to monitor temperature, humidity and air pressure and using this data we can target properties where the risk of damp and mould is greatest.
- ✓ We want to identify all instances of damp and mould in our homes, even the smallest spots, so we can stop it becoming a larger issue.

WHAT NEXT FOR 2025?

Damp and mould continue to be a key strategic focus for Flagship but has been renamed for FY25, 'Social Housing (Regulation) Act 2023 including – Awaab's Law', acknowledging the wider reaching scope expected from Awaabs Law later in FY25 – see page 16.

OBJECTIVE:

Actively managing our residential property sales risk

"Amidst the challenging economic environment this year with increasing interest rates impacting mortgage availability. A reduction in property sales would directly impact re-investable profit and free cash flow."

WHAT WE HAVE ACHIEVED:

- ✓ During the year we sold 66 outright sales homes and 191 shared ownership homes generating £9.1m of profit.
- ✓ At 31 March 24 we had 119 shared ownership homes available for sale of which 73 had been reserved with a further 28 reservations made in April 2024.
- ✓ At 31 March 2024 17 outright sale homes were unsold and 8 had been reserved.
- ✓ We sold 163 asset management homes and 12 Right to Buy homes during the year, in line with our target.

WHAT NEXT FOR 2025?

We have not seen the housing markets contract to the extent that some forecast, despite interest rates impacting mortgage availability and cost inflation impacting developer profitability.

We continue to monitor our sales risk exposure monthly and have mitigated this risk further by scaling back our development programme for the next five years enabling us to focus our investment in our existing homes as part of our Repairs Transformation Plan priority.

Customer focus

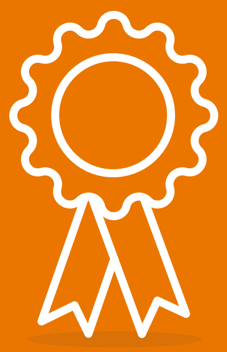
As outlined in the Better Social Housing Review, when social housing works best, it creates good quality, safe and secure homes for individuals and families to thrive in strong communities. However, it is not always the case and too many people in the country are now living in housing which doesn't live up to these ambitions.

The Government is rightly pushing for a rebalancing of the relationship between landlords and tenants, emphasising the need for increased customer engagement and involvement.

To achieve this, a new Social Housing (Regulation) Bill has been drafted and new consumer standards are being introduced, outlining service foundations that all social housing providers should be delivering. Atop this the regulator is introducing consumer grades to measure a provider's compliance with the outcome expectations of the consumer standards.

At Flagship we have launched a Group wide campaign to emphasise the importance of outstanding customer service.
We are calling it our "Customer First" campaign and it outlines our expectations, using the acronym **STAND-OUT**, with these key principles:

Smile, say hello and introduce yourself
Tell our customers what to expect
Act with kindness and respect
Nurture relationships, be polite and helpful
Do the right thing – go above and beyond if possible
Own it, deliver and keep your promises
Understand and listen
Talk about what happens next



All employees learn about these expectations during their Flagship Welcome.

Tenant Satisfaction measures

Tenant Satisfaction measures (TSMs) became a regulatory requirement for all providers on 1 April 2023. They set out tenant perception scores which cover several areas, such as overall satisfaction and how safe people feel in their homes, and a suite of management information key performance indicators covering building safety, repairs, complaints, and anti-social behaviour, enabling users to compare social housing providers.

We used IFF Research to contact Flagship tenants across all three housing brands, as well as our shared owners. 80% of surveys were completed by telephone and 20% online and targets were put in place to ensure a true representation of our tenant population. Our full results can be found here flagship-group.co.uk/about-us/flagship-group-s-tenant-satisfaction-measures/

Overall satisfaction with landlord:

Low-cost rented accommodation: 71.9%

Low-cost home ownership: 58.2%

Although the regulator is not due to publish the sector results until later in 2024, during the year we engaged with a benchmarking exercise which indicated that our results were favourable to the median for a landlord of our size. Whilst this is reassuring from an overall satisfaction perspective, we acknowledge that there are performance areas that we need to improve.

We were pleased that our highest scoring perceptions were that tenants felt that their homes were safe and that we treat them with fairness and respect.

We acknowledge that the performance of our repairs service is not where we want it to be or where our tenants expect it to be. Tenant feedback is clear that it takes us too long currently to complete repairs which impacts our tenant's perception of how well we are maintaining their homes. Whilst 91.8% (target: 100%) of emergency repairs were completed within our target timeframe (24 hours) only 58.4% (target: 95%) of non-emergency repairs were completed within 28 days, which we know simply isn't good enough, and our Repairs Transformation Plan is in place to change this.

Whilst 95% of stage 1 complaints were responded to within complaints handling code timescales and 80% of stage 2 complaints within complaints handling code timescales our tenants scored us 37% for our approach to complaints. We are working closely with our INfluencer network to understand this feedback and are positively evolving our complaints handling process so that when things do go wrong, and a customer needs to complain, they are satisfied with our approach to seek to resolve that situation. See page 16 for more detail on some of the changes we have made this year.

Through the introduction of our new Customer Committee and our investment in tenant engagement activities we will continue to improve our services to meet the expectations of our tenants and deliver the service they deserve.

Complaints

We've made significant changes to enhance our complaint-handling process and the complaint service we provide. Specifically, we have taken the following steps:

- An annual self-assessment against the Ombudsman's newly refreshed complaint handling code which we make publicly available on our website;
- Strengthened our complaints policy to ensure it robustly meets all the requirements of the new Code;
- Processes and procedures have been refreshed and strengthened to ensure compliance;
- Improved and rolled out new training and made complaints handling training mandatory for the entire organisation;
- Developed a new IT system to manage complaints and help cement the requirements of the new Code firmly within our complaint handling procedures;
- Added the facility to signpost all tenants to complaint handling information when providing customer feedback;
- Recruitment efforts focus on selecting individuals who genuinely want to make things right for our customers; and
- Regularly review complaint outcomes and performance measures to gauge our effectiveness and take corrective actions if needed.

Throughout the year, we held three Complaint Scrutiny Groups to improve complaint handling, where INfluencers reviewed complaint data and real case studies. They helped shape our new customer complaints service standards and reviewed our void property standard, ensuring that we understand what is important for 'new' tenants when they move into their new home.

During 2024 we received 2,407 complaints. Guidance from the Housing Ombudsmen Service (HOS) is that complaint procedures should be visible and embedded in our service delivery touchpoints making it more accessible for tenants to tell us when something has gone wrong.

We continue to use HOS determinations as a great source of learning. During the year the HOS issued us with 12 determinations for complaints that they had reviewed which we used to inform service improvements.

We recognise that complaints relate to delays in service, poor quality of repairs, failed repair appointments and lack of communication. We are working hard to address these themes and continuously seeking to improve how we deliver our services.

Of complaints received only 7.5% were escalated to Stage 2 and of those escalated, 88% resulting in the same outcome as Stage 1 meaning that less than 1% of complaints resulted in a different outcome at Stage 2 compared to the recommended outcome at Stage 1. This demonstrates robustness and consistency in the Group's complaints handling processes.

Our annual complaints performance and service improvement report sets out our efforts to create a positive complaint handling culture and can be found here: **flagship-group.co.uk/contact-us/complaints**

Consolidated Financial Statements
for the year ended 31 March 2024

Our environmental impact

We understand that our environmental impact is not only an important part of looking after our planet, but also the efficiency and sustainability of our homes and surrounding areas has a significant impact on our tenants and the communities we serve, impacting the affordability of their homes and their wellbeing. We want to reduce our impact on the environment and acknowledge that a large portion of our carbon emissions originate from our existing homes. 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 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	7,227 (2023: 7,067) tonnes CO_2e
Scope 3	94,232 (2023: 74,039) tonnes CO_2e

We are committed to continuous improvement in our environmental reporting. This year, we have invested in new systems and processes to collect and analyse energy use and emissions data. This enhanced approach has resulted in more accurate and comprehensive data, leading to higher reported emissions figures for 2024.

It is important to note that the national CO2 conversion factor increased 7% year on year due to electricity generation using more in FY24 compared to FY23. However, the primary driver for the increase year on year is more accurate and comprehensive datasets resulting in fewer high-level assumptions within calculations.

Whilst this increase in emissions might seem like a negative trend, we view it as a necessary step towards greater transparency. We are confident that these figures provide a more accurate baseline for future comparisons and will serve as a foundation for future emissions reductions.

Our on-going 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, currenting piloting three electric vans in our neighbourhood teams.

We have a strategic priority to deliver an electric car fleet by 2027 and are making good progress as existing leases come to an end to transition company car users over to electric vehicles. At 31 March 2024 82% (2023: 42%) of our car fleet were fully electric or plug-in hybrid models. We intend to continue to invest in making our fleet more environmentally sustainable and have added EV charging points to our offices to make this more achievable.

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 homes for example.

Strategic
Report

Our Net Zero strategy

Flagship Group has set itself an ambitious goal to generate net-zero emissions by 2050, aligned to the UK Government's Net Zero target.

We have a moral and legal duty to take positive action to reduce our greenhouse gas emissions. We believe it is important for us to play our part to reduce our impact on climate change, reduce energy costs for our tenants, and be ready to meet increasing legal obligations as the Government introduces further targets and legislation for businesses as it seeks to deliver on its net zero emission targets.

As highlighted, the majority of the Group's emissions are caused by carbon dioxide from energy purchased by tenants renting our homes (scope 3, indirect emissions).

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 (CO2) emissions. Understanding the EPC rating of our homes is essential to enable us to 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.

According to UK government data released in 2024, 10.3% (2023: 12%) of all households in the east of England are living in fuel poverty. Without doubt some of these households will live in our homes.

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 help our tenants operate new heating systems efficiently;
- **Putting up to date advice and guidance** on our website;
- **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.**

Retrofitting existing properties with innovative solutions like renewable energy technology and internal or external insulation is a powerful way to change the efficiency of a property.

But our retrofitting efforts must be strategically targeted to maximise efficiency gains from economic capital invested. In some cases retrofit won't be a feasible solution and we will need to explore responsible disposal, or, as a last resort, consider demolition and rebuilding to meet our energy efficiency goals.

By combining these strategies, we will create a more sustainable portfolio that benefits the environment, delivers value for money for our tenants and protects the financial viability of the Group.

> "We have secured over £1.4m of funding in the current financial year to support our renewable energy technology investment.

We have the following action plan to achieve our net zero target:

- **A significant retrofit programme underway** to ensure that all properties reach a minimum of EPC-C (SAP 69) by 2030;
- **All new homes to achieve a high EPC-B (SAP 86)** designed with futureproofing in mind mitigating the need for expensive future retrofit and meet the anticipated Future Homes Standard coming in 2025 and to include cycle storage, internal recycling bins and EV charging points where practicable;
- **All Flagship company cars to be fully electric by 2027** and a low carbon company van fleet by 2035;
- **Continue to make offices** more energy efficient and powered by renewable energy sources;
- **10% biodiversity net gain** designed into new developments and the implementation of our Biodiversity Action Plan for existing stock;
- **Landfill waste reduction** project;
- **Implement an Environmental Management System ('EMS')** across the Group;
- **Net zero champions across the Group** influencing culture and behaviour to co-ordinate change; and
- **Monitoring our progress annually** through our environmental impact assessment, to ensure that we remain on the right trajectory.

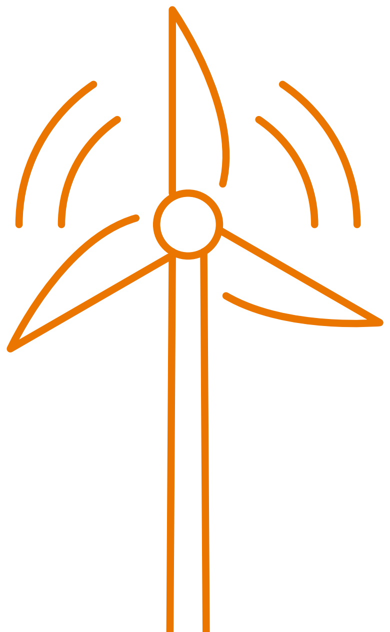
Our work to date has demonstrated that it is viable to bring most of our homes up to EPC band C by installing a range of energy efficiency measures like loft and cavity wall insulation. Beyond EPC band C we will continue to target investment in renewable energy technologies to bring our portfolio to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

We have secured over £1.4m of funding in the current financial year to support our renewable energy technology investment which has supported the installation of 68 air source heat pumps and 130 solar photovoltaic installations.

At 31 March 2024 62% of our homes are at EPC-C or better compared to 59% in 2023. This equates to c.810 more homes in our portfolio at EPC-C which is a superb achievement and demonstrates that our action plan is having a real impact on reducing energy costs for our tenants and means we are producing less carbon emissions which is better for the environment.

We set ourselves a target to have 65% of our homes at EPC-C by 31 March 24. Following the introduction of new systems and processes during the year to collect and analyse energy performance certificate data with greater accuracy it became clear that our target of 65% at 31 March 24 was over ambitious.

We have, therefore set ourselves the following targets by 2030 to give us a roadmap to achieve 100% by 2030. FY25: 65%; FY26: 70%; FY27: 75%; FY28: 82%; FY29: 90% and FY30: 100%.



Our societal impact

We use our knowledge and expertise to make a real difference to the lives of our tenants and their communities. Our social impact work helps us to solve the housing crisis by providing homes, creating sustainable communities, and ending homelessness. Below we explore the social impact of our new homes programme, our focus on placemaking and our focus on ending homelessness.

> **"Flagship's focus is on building affordable homes, not just houses.**

Our societal impact - building homes

Flagship's focus is on building affordable homes, not just houses. A home provides a safe space for people to thrive and is more than bricks and mortar. We believe homes are integral to sustainable communities. Our development programme is about solving the housing crisis, providing more homes where they are most needed, organic growth, and through robust investment creating economic value to build more homes. It's a cyclical process.

During the year ended 31 March 2024 Flagship invested over £100m on building 465 new affordable rent homes and 223 shared ownership homes and over the last three years Flagship has invested over £300m in new home development. Flagship provided affordable new homes in FY24 for 688 families in the east of England. This demonstrates our commitments to solving the housing crisis and is at the heart of our social impact. We build our homes to a high quality with modern living in mind because we believe that our tenants should be able to live somewhere they are proud of.

Flagship successfully delivered a £9.7m, 73-home scheme at Tower Mill, Necton which had been in development for two years. The scheme includes a mix of shared ownership and affordable rent homes, providing homes for more than 200 people. Tower Mill has helped meet the high demand for affordable homes in a popular part of the Norfolk countryside, which boasts quick connections to the growing towns of Swaffham, Dereham and Watton.

Tower Mill was built with space, quality and nature in mind. The 3-hectare (7.5 acre) site has 2 acres (27%) of open space. It features a children's play park and a 5-metre (16ft) tall 'bat barn', giving bats a space to roost away from the homes. Trees already at the site were retained, and dozens more trees and other plants have been planted, to benefit residents and the environment alike, creating bio-diverse greenspace among new affordable homes.

Whilst the new rules designed to protect our rivers and waterways from pollution, introduced in July 2022, have created some planning permission challenges, they are challenging developers to build more sustainable homes which will only benefit our biome in the longer term. Flagship continues to explore new and innovative ways to mitigate nutrient release to comply with the neutrality rules to ensure that it continues to deliver the new homes that are so desperately needed.

Case study

New affordable rent tenant moves into her new home

Shannon Wright, left, one of the new residents of Tower Mill, Necton, receives her house keys from Victory Homes' new homes officer Emma Smith.

Shannon Wright, 27, and her three children were among the first tenants to move in at Tower Mill, a new, 73-home all-affordable scheme in Necton, in February 2024. Shannon said the new three-bedroom home was "exactly what she wanted" after her family previously lived in an overcrowded flat in Swaffham.

She said...

> **"This is my first house. We've always lived in flats, so it will be nice to have the separation of the upstairs and the downstairs. There's plenty of space for us all now.**

Case study

Getting on to the housing ladder through Shared Ownership

New Flagship Shared Ownership customer Samantha Mayers said she was thrilled to have been able to move into her new home at the Bowlers Green development in Hopton-on-Sea.

Samantha had previously lived in private rented accommodation, and started looking for a new home in early 2024.

She said: "I saw there was a house on the market local to me, which you could buy a share of. I'd never heard of that before, so I started looking into Shared Ownership.

"Then some homes in Hopton came up, and I was able to buy a share in a three-bedroom home, where I live now with my two adult children who have special needs."

A first-time buyer, Samantha bought an initial 25% share in the home.

She said: "The house is beautiful and I'm so grateful. The rent part of it is so much more affordable. I'm already saving £300 a month just on that and I can still claim Universal Credit. It's going to be much more energy efficient in the winter as well.

She said...

"The staff I dealt with were so lovely, they answered all my constant questions. I'm really pleased with the process, it couldn't have been any better.

Our societal impact - placemaking

Our approach to place-led interventions aims to enhance the lives and opportunities of our tenants. We put people before property. By understanding the environment from the community's perspective, before considering changes to the built environment, we can promote the health, happiness and wellbeing of our tenants and wider residents.

We have submitted an outline planning application for a major regeneration project at the Abbey in Thetford. This has followed more than four years of engagement with the Abbey community, which has been focused on understanding and addressing their concerns.

We have prioritised transparency by regularly sharing information through FAQs distributed to every doorstep and maintaining a consistent presence in the community. We have also run bus tours for Abbey residents of successfully regenerated estates, participated in meetings with local MPs and organised community sessions on planning and our commitments. Through a landscape-led masterplan, we aim to enhance the Abbey's green spaces, create safer and more connected streets, and establish a vibrant neighbourhood centre.

We have continued to build on our successful engagement with the community at Icewell Hill in Newmarket, deepening our understanding of their priorities. Through dedicated sessions with residents, we've explored potential interventions for the future of the area and gathered feedback on both short-term and long-term priorities for change.

We are in the early stages of a regeneration project at Barham Cross in Thetford, with the community to understand their needs and vision for their community to create a collaborative plan for the future.

An unfortunate fire at four properties in Green Lane, Pudding Norton, a village near Fakenham, prompted us to rethink the area's potential. Through face-to-face workshops and written surveys, residents were invited to contribute their thoughts on the future of the place.

In collaboration with architects Ensemble, we have-crafted a design that not only replaces what was lost but also transforms under-utilised spaces in the Green Lane estate into something truly inspiring. This design incorporates much-needed affordable homes, a shared communal space, and addresses wider community concerns.

Our engagement efforts have resulted in a detailed design submission to the local planning authority, marking a significant step forward in shaping the future of this community.

We have continued our engagement efforts following the successful approval of outline planning permission for a garage site in Saxon Road, Saxmundham. In collaboration with Ebrik, we've advanced our 'See it first' app to enhance the consultation process. This innovative tool enables residents to explore proposed new homes in life-size scale, inside and out, at their convenience.

We hosted a dedicated session to support residents who were less familiar with the app, providing them with an immersive experience of our plans for the future. Using the app as a focal point, we were able to engage in detailed discussions about the appearance of the proposed homes and the future of surrounding open spaces.

Following last year's pilot of 33 sites, the roll out of a more nature friendly grounds maintenance service has continued apace. Around 160 additional sites are to be left unmown over spring and summer this year, with the aim of creating over 1,000 such spaces by 2030. This year, the land covered will span more than 10 hectares, or just over the area of 14 football pitches.

In FY25 we will launch our Biodiversity Plan. The plan sets ambitious goals for transforming the management of our land by 2030, to benefit the environment, our tenants and the wider community alike. It calls for the creation of climate-resistant green spaces, rich in flora and fauna, and is aligned with the UK's net zero targets.

Strategic
Report

Our societal impact - ending homelessness

We are really proud of the lifechanging impact our charity, Hopestead, is having through its commitment to end homelessness. This is not just about providing a roof over someone's head, but also about addressing underlying socio-economic drivers to ensure that once someone is in a home, they feel safe and supported to remain and succeed in that home breaking the cycle of homelessness.

> **"Hopestead's impact has been recognised across the region and sector through multiple awards and accolades.**

Homelessness is rarely the result of a single factor. It is a complex issue that could be derived from financial hardship, mental health struggles, addiction, or domestic violence. Its impacts are profound and long-lasting, affecting every aspect of a person's life, and breaking the cycle of homelessness is a huge challenge.

Hopestead donated £220,000 to build two modular homes to provide accommodation for individuals transitioning out of homelessness. The homes are located at Emmaus Suffolk in Ipswich and were named 1 & 2 Hopestead Place. The project has proved a real success with feedback from the first two tenants highlighting how the stability of a home and support network is vital for breaking the cycle of homelessness.

Hopestead's Hope at Home project expanded in the year, with £875,825 spent on providing the essentials needed when transitioning from homelessness into a home. Feedback from scheme beneficiaries indicates that 93% feel more positive about the future and more settled in their new home following this support from Hopestead.

Hopestead's impact has been recognised across the region and sector through multiple awards and accolades. For the work on Hopestead Place, Hopestead has won the 'Best Use of Emerging Technology in Housebuilding', with the homes built by the New Meaning Foundation ('NMF') using Modern Methods of Constructions ('MMC') to create energy efficient and sustainable modular homes for individuals transitioning out of homelessness.

Hopestead's Hope Funds grant giving initiative awarded £165,694 of funding to 17 local like-minded charities and organisations tackling homelessness and it's causes. This was the third funding round of the Hope Funds project with over 15,700 beneficiaries in this funding round, taking the total number of beneficiaries over the last three years to almost 28,000 beneficiaries.

Case study

How Hopestead's Hope at Home initiative helps turn houses into homes

Sarah* was found in the street by a passersby when she was eight months pregnant. She had been physically attacked by her former partner and left on the road. After support from the emergency services, she was supported into emergency accommodation and flagged to be housed as a matter or priority.

Sarah was referred to Hopestead by her domestic abuse officer. Thanks to prior donations, we were able to provide kitchen items, bedding, and a microwave for her home – ensuring she had access to means to eat and support her health during the end of her pregnancy.

We ultimately supported Sarah with a full package of flooring, white goods, and furniture that she chose. Sarah also chose a cot for her baby.

She said she...

> **"... was so lucky to have this help ... didn't know what our future would hold, but this new house will be a real home.**

**Name changed*

Strategic
Report

Principal strategic and operational risks

Financial Viability

Risk – Inflation

Impact – Failure to manage our cost base and respond to economic shocks would have a significantly negative impact on our financial resilience, net margin, free cash flows and ability to deliver our projects and services.

Similarly, failure to balance cost increase with revenue growth due to rent caps and rent increase uncertainty, alongside wellbeing concerns for tenants, challenges our financial resilience, available cash flow and delivery of our business priorities.

This risk could lead to a reduction in capacity to deliver new build homes and less investment in existing stock.

Our response – The Group manages these risks 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.

The Group undertakes stress testing of its future business plan to ensure that it has mitigated scenarios to enable timely action where a significant adverse event to occur.

The Group's continuous improvement culture is a cornerstone for delivering efficiency within its operating model. The Group is continuously revisiting its asset investment strategy to ensure its investment delivers future value for money for both the Group and its tenants.

At 31 March 2024 the Group business plan 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 its banking covenants.

We use multi-variant stress test assumptions, and the following ranges present the lower and upper end of the scenario assumptions used. All scenarios were fully mitigated.

High-inflation economy: inflation 1%-3% higher than forecast inflation (inflation forecast: 2026: 2.75%; 2027 onwards 2%) acknowledging the high-inflation high interest rate economy we have experienced in the last twelve months.

Risk – Interest Rates

Impact – Failure to manage interest rate exposure on the Group's existing debt facilities is a key strategic treasury risk that the Group is actively managing. These risks are particularly pertinent if fixed rate borrowing is coming to an end and the Group's proportion of variable borrowing is increasing.

This risk could lead to a reduction in capacity to deliver new build homes and less investment in existing stock.

Our response – The Group is actively managing these risks through a blend of fixed and variable debt facilities, with embedded fixes within its debt portfolio providing interest cost assurance in the short-term but longer-term flexibility to react to changing interest rates. At the 31 March 2024 80% of the Group's debt was at fixed interest rates.

The Group has maintained its A2 (stable) credit rating from Moody's. The Group's credit review highlights strong operating margins, a simple corporate structure, and strong regulatory framework.

We use multi-variant stress test assumptions, and the following ranges present the lower and upper end of the scenario assumptions used. All scenarios were fully mitigated.

High interest economy: interest rates 0.5%-1.5% higher than forecast (interest rate forecast 2025: 5%; 2026: 4.4%; 2027: 3.8%; 2028 onwards: 3.7%) acknowledging the high-inflation high interest rate economy we have experienced in the last twelve months.

Financial Viability

Risk – Covenants

Impact – Increasing costs which erode operating margins directly impact headroom on lending covenants. In the last few years the Group, like many other social housing providers, has seen a deterioration in its interest cover headroom, particularly adjusted for major repairs expenditure.

Failure to comply with loan covenants could result in loans being immediately repayable and the insolvency of the Group.

Our response – The Group's Treasury Committee provides an integral role for managing this risk. It monitors the Group's key treasury measures, influences the Group's treasury plan and strategy and assesses the impact of annual performance on treasury compliance to ensure the Group maintains compliance with its lending covenants.

The Group has proactively sought to amend its tightest interest cover covenant during the year to an EBITDA only basis, making the covenant less susceptible to spikes in capital expenditure.

The Group has a strong working relationship with external independent treasury advisors, a robust treasury plan, a detailed treasury policy and proactive working relationships with its funders to manage its covenant compliance risk.

The Group had £926m of debt financing at 31 March 2024. At 31 March 2024 the Group had sufficient headroom on all of its covenants and is confident that it will remain fully compliant for the foreseeable future.

Risk – Property Sales

Impact – Generationally high interest rates impacting mortgage affordability could result in a reduction in property sales which would directly impact re-investable profit and free cash flow.

Our response – During the last financial year property sales risk was monitored monthly in accordance with the Group's strategic priority during the year.

Our business plan for has been stress tested for a fall in house prices, a sales lag, a reduced average first tranche percentage and increased construction costs. Our development schemes are appraised using prudent development costs and sales values, with careful local market research to maximise the impact of sales strategy and create a product that is desirable in the local market.

We have reduced our development programme in the medium term to facilitate increased investment in our existing homes as we target EPC-C by 2030 and consequently we have reduced our outright sales pipeline naturally reducing our sales exposure risk.

We use multi-variant stress test assumptions, and the following ranges present the lower and upper end of the scenario assumptions used. All scenarios were fully mitigated.

Housing market uncertainty: 7.5%-15% house price crash on outright sales, first tranche sales and asset disposals; and 3-9-month sales lag. Both tests have a significant cash flow impact with a 5% sales price crash having a £12m impact on our 5-year plan.

Principal strategic and operational risks

Governance Risk

Risk – Social Housing (Regulation) Act (2023) / RSH consumer regulation expectation

Impact – As the new consumer regulation begins to take effect there is a risk that amended processes to adopt the requirements of the new regulations result in breaches of consumer standards, adverse regulatory rating, operational inefficiency and poor customer satisfaction.

Our response – New consumer regulation is a key strategic priority for us for the year ahead and with close scrutiny from the Board of Management. We are introducing a new Customer Committee to monitor customer experience in relation to consumer standards.

Business Assurance Team colleagues are undertaking a thorough review of preparations to ensure that the Group is fully ready to respond to new requirements as they 'go-live'.

We are continuing to develop a suite of interconnected customer service tools which improve data accessibility and integrity, bringing all services together in one place, enabling us to respond to customer contact more effectively and with greater impact.

Risk – Quality of Social Housing Properties

Impact – Failure to ensure a decent standard of properties. A risk of regulatory and legal non-compliance. Welfare impact for tenants, including catastrophic health impacts. Health and safety risk.

Longer term considerations, fail to adequately prepare for net zero, climate changes, or future homes quality standards.

Our response – We monitor our legal and regulatory compliance at Management Board level monthly.

Our ambition within our Repairs Transformation Plan strategic priority for the year ahead covers increased survey knowledge of our homes, eradication of damp and mould, increasing efficiency, and a focus on Decent Homes standard categorisation.

The 2025 business plan includes significant investment in our homes to meet our EPC-C 2030 target and also includes further net-zero spend out to 2050. We invested over £95m on maintaining and improving our existing homes in FY24.

We continually review our stock and ensure that the properties we own meet the 'right home, right place' principals that will deliver our commitment to create sustainable communities.

Operational Risk

Risk – Development Programme

Impact – The passage of time between contracting a scheme, construction and the realisation of revenue from the sale of completed property carries an inherent investment risk for the Group.

Local planning requirements for nutrient neutrality, has in some cases, impacted the progress of pipeline schemes.

Financial failure of contractors can result in delayed programme delivery and increased contract costs.

Our response – The Group mitigates contractor failure risk by spreading contracts across a range of suppliers to reduce the risk of exposure to any individual supplier. The Group reviews supplier financial robustness before entering into contract and performance bonds or similar arrangements to protect against the financial impact of supplier insolvency are a requirement of working together.

All new schemes are appraised on a prudent basis with the passage of time from initial contract, through construction to sale of new homes, built into scheme appraisal assumptions.

We actively discuss nutrient release mitigation with local authorities and other local developers to identify new and innovative ways to manage the impact a scheme has on its local environment.

Risk – Counterparty risk

Impact – Utilisation of third-party service providers risks a fall in the quality of service and poor management could result in breaches of regulatory and statutory requirements.

Service delivery failure by a third-party provider carries a risk of financial penalty, reputational damage, and a risk to the safety of our tenants.

Our response – The Group addresses this risk by setting minimum service standards that all contractors are expected to adhere to.

Diligent management of contractual relationships, active monitoring of contractor exposure, stipulating training and policy expectation when procuring also helps manage counterparty risk exposure.

Our Repairs Transformation Project will see the Group use more subcontractors in the short term to reduce work in progress volume to ensure we can hit our target to deliver 95% of repairs within 28 days. We acknowledge this risk and have introduced appropriate controls to manage exposure.

> **"We invested over £95m on maintaining and improving our existing homes in FY24.**

Principal strategic and operational risks

Our people

Risk - Talent

Impact - Failing to attract, recruit and retain the right people due to not being an employer of choice, breakdown of employee relations, ongoing skills shortages and competition in the labour market would have a detrimental impact on our ability to deliver our priorities.

Our response - Flagship Group Board oversees workforce planning and the people offering of the Group to ensure we employ and retain the right talent.

The Group has a successful apprenticeship programme to develop future talent that will lead the future of Flagship.

The Group undertakes an annual employee engagement survey to ensure its people strategy is aligned to the voice of its talent.

Our Homes

Risk - Repairs service

Impact - Failure to deliver a repairs service which is effective or value for money.

Failure to maintain and invest in existing housing stock leads to deterioration of that property, more instances of damp and mould, increases in customer complaints and a fall in customer satisfaction, increased risk of disrepair claims, failure to meet government targets on energy efficiency, adverse ombudsman determinations and non-compliance with the Home Standard.

Our response - We have had an in-house repairs and maintenance function for a number of years at Flagship and last year we completed over 85,000 repairs in our homes.

However, we know we can make our repairs process better, more proactive, timelier and more delivering the service our customers are telling us they expect. That is why we have our Repairs Transformation Plan as a key strategic priority in FY25. It will ensure that we have the data, processes, resources, skills and capacity to deliver the service we expect and our focus on repairs is key to managing this risk.

Other Risks

Risk - Health and Safety

Impact - 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.

Our response - Health and safety compliance is, therefore, monitored continuously with Management Board oversight. 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 a robust reporting framework for health and safety accidents and incidents.

The Group continues to invest in regular training through initiatives such as toolbox talks and specific risk-based training courses which, in some cases, are now delivered online to make them more accessible for a wider audience. Safeguarding processes are embedded in our working practises and training is provided at the appropriate level to all employees.

We are working toward ISO 14001 and ISO 45001 to demonstrate that our Environmental and Health and Safety Management systems are at international standards.

Risk - Data integrity and Information Security

Impact - Failure to manage data properly and or have systems in place to review data integrity could result in poor decision making and operational inefficiency, potential vulnerabilities which can be exploited by cyber-criminals, adverse impacts to our front-line services, the inability to communicate effectively with customers and the potential for non-compliance fines from the Information Commissioners Office ('ICO').

Our response - Information Security has been a determined focus for us following the cyberattack we experienced in November 2020.

We are adopting the Centre for Internet Security (CIS) and Cyber Essentials security frameworks and have a programme of mandatory training and phishing testing for all staff to ensure information security best practice remains forefront for all employees, with additional targeted training and support as required.

Data integrity, accuracy and completeness is one of our key priorities for FY25 as we acknowledge that the digital transformation of our services is limited by the quality of our data. Continuing to enhance data quality will, therefore, give us a strategic advantage as we continue to improve our services.

Risk - Change management

Impact - Failure to effect, control or adapt to change could result in not having the right systems in place to deliver the service required. Ultimately this risks service disruption, inefficient working practises, reduced customer satisfaction and a disenchanted and disengaged workforce, increased costs and a disproportionate amount of management time spent on resolution rather than strategic thinking.

Our response - At Flagship we have an IT change management priority list to ensure that we are directing resource where it is needed.

Our Essentials programme is continuing at pace and is a key component of our digitalised services delivery ambition. The Group has a dedicated Essentials Strategic Group to manage delivery of this key project.

Flagship has also launched its Values in Practice initiative to refocus how we are 'Relentlessly Improving Performance' on a day-to-day basis, and this value and change management are inherently intertwined.

Strategic
Report

Financial performance review

The sector continues to operate in a challenging environment. The Group, and the wider sector as a whole, have had to respond to some important asset quality challenges, amidst high inflation and increasing interest rates placing pressure on financial performance metrics.

Our Board made some important decisions to maintain asset investment at budgeted levels, invest in reducing the volume of outstanding repairs to enable the Group to complete repairs more quickly and to continue to invest in environmentally sustainable retro fitting of our homes making them more efficient.

We are proud of these decisions because they put our tenants first. We are also proud of our financial controls and our underlying financial viability which has enabled us to navigate additional investment amidst a challenging economic environment.

> “ We are proud of these decisions because they put our tenants first.

Below are a few headlines:

Turnover
£253.0m
(2023: £250.2m)

New Affordable Homes
688
(2023: 634)

Operating Surplus
£90.1m
(2023: £79.6m)

First Tranche Sales
191
(2023: 152)

Net Surplus
£57.1m
(2023: £49.2m)

Open Market Sales
66
(2023: 103)

Liquidity
£234m
(2023: £251m)

Hopestead funding
£1.5m
(2023: £1.0m)

Strategic
Report

Social housing rented homes

The Group's primary trading activity is the provision of affordable housing and 72.7% (2023: 66.7%) of the Group's income was generated from that activity during the year. This remains the Group's primary income stream and the Group is committed to ensuring that its affordable housing remains a truly affordable product for its tenants.

Rent collection continues to be a strength for our housing teams underpinned by targeted local interventions facilitated through our federated model. We ended the year with social housing current rent arrears at 3.7% of rental income for the year, which is equivalent to March 2023, an overall increase in current arrears year on year of £0.2m.

The number of current social housing tenants in arrears has remained broadly stable at c.7,000 in March 2024 when compared to March 2023. Average current tenant debt has increased from £600 per tenant in 2023 to £651 in 2024, demonstrating that our housing teams ongoing targeted interventions to support current tenants has been very successful against the back drop of a rent increase and the cost of living crisis. Former tenant debt has increased to £4.5m (2023: £3.9m).

Operating costs for our social housing lettings have increased to £128.3m in 2024, an increase of £11.3m and 9.7% year-on-year. The primary driver for this increase is an increase in management costs.

Management costs have increased by £7.5m year on year. This is largely due to an increase in salary costs of c.7%. During the year we gave our people salary increases which were commensurate with the cost-of-living pressure they were facing. Furthermore, cost inflation on other management costs has also underpinned the increase in expenditure in the year.

Reassuringly our service charge gap decreased by £1.7m during the year notably linked to energy costs falling faster than expected late last calendar year. A careful focus on performance against budget also delivered an improvement in margins during the year.

Our social housing operating margin has increased from 28.4% in FY23 to 30.3% in FY24. This is underpinned by a rental increase in the year combined with efficient cost-management. Our social housing operating margin remains consistently in the upper quartile of our peer group and c.8% higher than the average of our peer group.

During the year we spent c.£50m on capital improvements to our existing homes, an increase from £47.4m during the year ended 31 March 2023. We have continued to wisely invest in making our homes more energy efficient, but also acknowledge that material price inflation is driving up the cost of improving our homes.

Headline social housing cost per unit has increased year on year from £4,207 in 2023 to £4,397 in 2024. This is largely in relation to inflationary rises. However, given that during the year we disposed of 192 homes which were not economically viable to maintain, and we built 688 affordable new homes, we are managing these a net increase of c.500 with the materially the same average cost per unit.

During the previous year the Group undertook a review of the process for returning void properties back to rent. When a property is void it is not generating any income for the Group but continues to deteriorate and requires maintenance. In the year to 31 March 2023, this process reduced void properties at 31 March by 55. Continuing this momentum in FY24 void properties fell by a further 85. Notably our progress has been to tenant 'void available to let' properties in a timelier manner.

Shared ownership

Shared ownership is an important product because it enables individuals and families to own a share of their own home and allows them to staircase on the property ladder to full ownership when they are able to.

The Group sold 191 first tranches (2023: 152) during the year ended 31 March 2024 generating sales revenue of £17.5m (2023: £16.1m) and profit of £4.2m (2023: £3.7m), a healthy operating margin of 24% for the year (2023: 23%). This equates to revenue per sale of £91,623 (2023: £105,921) and profit per sale of £21,990 (2023: £24,342).

As indicated by the revenue per sale average first tranche sale percentage during the year fell by 5% to 33% (2023: 38%). This broadly reflects the changes in mortgage availability and affordability during the year with purchases able to only afford a smaller share. Management have continued to review the longer-term sales percentage outlook for shared ownership homes and its impact on operating cash flows. A lower percentage has been factored into the 2024 business plan and management estimate that the Group's average first tranche percentage will be c.30% for the foreseeable future.

Case study

Now we have plenty of space for grandchildren to come and stay

Satisfied Shared Ownership customers Peter and Pauline moved into their new Flagship home near Swaffham earlier this year.

Now in their 60s, they had both been homeowners earlier in life when in previous relationships, and had more recently been renting a flat.

Peter said: "As we're both retired and reliant on pensions, there's no way we could have got a mortgage. So this was an ideal opportunity to have some equity, and some pride in ownership. "Within reason, we can do whatever we want to put our own stamp on it, and it's nice to know you're leaving something for the grandchildren."

The couple bought a 15% initial share in the three-bedroom house, which was valued at £275,000.

Pauline said...

"It's really exciting because we used to be in a little one-bedroom flat. Now we have plenty of space for grandchildren to come and stay.

Non-social housing activity

The Group's non-social housing revenue has decreased year-on-year by 24% to £51m, notably as a result of a decrease in open market sales.

Open Market Sales

During the year the Group sold 66 open market sale homes (2023: 103), against its original target of 65. The Group achieved a gross margin of 23% (2023: 22%) on its open market sales during the year as a result of marketing some very high-quality homes in desirable locations.

The open market schemes performed well during the year with gross margins exceeding scheme forecasts. The Lilacs, in Trimley St Martin, has been a particularly successful site. Its collection of two-, three- and four-bedroom homes were completed to a very high specification in rural Suffolk with good local amenities and easy coastal access.

The Group's open market sale programme delivered a return of £4.8m (2023: £8.1m) which the Group has re-invested into developing more homes. A return of £4.8m is equivalent to building c.25 new affordable homes, a fantastic result which will enable us to provide more homes where they are really needed.

"... a fantastic result which will enable us to provide more homes where they are really needed.

Strategic
Report

Gas servicing and installation activity

Our external gas servicing income increased year on year by £1.3m owing to growth in retail renewables and kitchen and bathroom installations for other housing organisations.

We transferred the trade and assets from Blue Flame (Colchester) Limited into Gasway Services Limited to create additional synergies and offer a consolidated heating business service to the Group's customers.

Margins in our gas servicing business are under pressure from material price inflation and material availability and the Group has sought to review contract prices and ensure that they remain appropriately priced.

We know that in the east of England 83% of all homes rely on 'mains gas', 'oil', or 'bottled gas' as their primary source of fuel heating. Whilst a competitive market, heating servicing and installation remains an important market for the Group and for its operating brand Gasway.

Only 2% of homes in 2023 had transitioned to using renewable energy in the east of England, demonstrating that the renewable energy market, whilst still in its infancy regionally, remains a strong proposition for future growth, and the Group intends to position itself strongly to embrace the opportunity for growth when the time is right.

> "Our operating margin (overall) calculated on the value for money metric basis compares very well to our peer group and the overall social housing sector.

Profit and margins

Overall operating margins

Operating margin (including gain on disposal of fixed assets and joint ventures) was 35.6% (2023: 31.8%). Operating margin (excluding gain on disposal of fixed assets and joint ventures) was 27.6% (2023: 24.7%).

Following a period of margin erosion, linked to a programme of targeted investment in our homes and key services, the Group's operating margins has improved year-on-year, a trend we are forecasting in a longer-term business plan, which ultimately underpins our ability to finance additional borrowing to deliver our EPC-C and net-zero investment targets.

Our social housing operating margin has, as highlighted in previous years, fallen from a high of c.40% in 2020, but has recovered in FY24 to 30.3% from 28.4% in FY23.

Our operating margin (overall) calculated on the value for money metric basis compares very well to our peer group and the overall social housing sector. Our operating margin (overall) for FY23 of 24.7% was in the top quartile of our peer group despite margin erosion in that year due to cost inflation.

Historically we have targeted an operating margin (overall) of c.30% for the Group. That target remains, but we acknowledge that in the current climate cost pressure on the Group is likely to result in lower operating margins in the shorter term. For the year ended 31 March 2025 we are targeting an operating margin (overall) of 28.5%.

Interest cover

The Group has a varied lender portfolio with different interest cover definitions across lenders.

The value for money EBITDA MRI (interest cover) metric presents a slight improvement year-on-year from 132.0% in 2023 to 136.2% in 2024. Our peer group reported an EBITDA MRI (interest cover) of 124% in 2023 which demonstrates the strength that underpins Flagship's financial viability and whilst Flagship has experienced operating margin erosion from cost inflation, our exposure could perhaps be seen to be less because of the robustness of our operating model.

The Group has, during the year, been focused on working with lending partners to remove the MRI element from its loan book. At 31 March 24 the Group had two remaining MRI interest cover covenants with plans in place to seek the removal of both in FY25.

Balance sheet

Housing properties

Housing properties, held at depreciated historical cost, are valued at £2.08bn (2023: £1.97bn). During the year the Group invested £107.6m in development of new social housing properties and £50.1m in capital improvements to existing properties. The Group disposed of £9m of housing properties which were uneconomic to maintain and recognised a depreciation charge on assets in use of £29.5m.

Our new supply delivered (social housing units) during the year ended 31 March 2024 was 2.1% which is 0.1% above what we achieved in 2023 and 0.4% above what our peers achieved in 2023. The supply of new affordable homes is important for us because our goal is to solve the housing crisis, and we know that there are over 100,000 people waiting on local authority waiting lists in the east of England for a place they can call home.

Our target for FY24 for new supply delivered (social housing units) was 1.9% and we delivered a reinvestment percentage of 2.1% broadly consistent with our forecast. During the year the Group took a strategic decision to scale back on its new build development programme, reducing new build homes to c.500 per annum. This decision enables us to balance new build development with the investment required in our existing homes to meet our 2030 EPC-C target and the Government's longer-term net zero target by 2050. Our target for 2024/25 is 1.6%.

Reinvestment

Reinvestment is a measure of how an organisation is investing in new build development and improvements to existing homes as a percentage of the net book value of housing properties on the providers balance sheet. An organisation with an established development programme (delivering good new supply metrics) and a good capital improvement programme should score favourably on this metric.

We set ourselves a reinvestment target of 8% for the year ended 31 March 2024 and again materially achieved this with our 7.7% reinvestment metric during the year. Reflecting upon increased expenditure on existing homes in FY25 our target for the year will be 6.8%.

> "The supply of new affordable homes is important for us because our goal is to solve the housing crisis...

Investment properties

The Group's investment properties have seen a £0.8m reduction in value as at 31 March 2024 (2023: uplift £0.2m). Despite continued strong occupancy rates, low levels of voids and arrears and growing rent levels the valuation reflects reduced investor appetite linked to lower free cash availability in a high interest market and with increased energy efficiency costs on the horizon. However, both our student and market rented portfolios continue to deliver healthy returns for the Group and remain attractive investments.

Loans to JV undertakings

Grange Lane (Littleport) LLP ('Grange Lane') was incorporated in November 2022 by four members and is a 50% partner in Littleport Developments LLP. Grange Lane delivered a profit share during the financial year of £79,000.

The Group continues to have an active investment in Lovell Flagship LLP (a 50% share). Lovell Flagship LLP returned £2.1m of its loan facility during the year and generated a profit share of £785,000 for the Group.

The Group considers its investments to be fully performing with forecast future profit and a share of the LLPs net assets, such that the Board is comfortable that no impairment exists at 31 March 2024.

Strategic Report

Treasury

The Group's Treasury Committee is 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 is predominantly financed by loans from debt and capital markets.

The gross amount owed by the Group at 31 March 2024 was £926m (2023: £917m) with £160m (2023: £134m) of term debt held at variable interest rates, £519m (2023: £560m) of term debt held at fixed interest rates, a £250m listed bond held at a fixed rate (2023: £250m). £48m was drawn against the Group's £255m revolving credit facility arrangements (of which £23m is held at fixed interest rates) and the Group had access to a £3m variable overdraft facility which was undrawn.

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 44% at 31 March 2024 (2023: 45%). Gearing has remained relatively stable over the last few years. Our gearing at 31 March 2024 is broadly consistent with our peer group and well within our 60% covenant. Our business plan forecasts gearing to fall over the next 5 years to approx. c.40%.

The Group had c.£234m available liquidity at 31 March 2024 and £102m liquidity headroom after taking into account 2-year development committed spend. The Group had c.£330.6m of uncharged properties, calculated on an EUV-SH only basis, at 31 March 2024 which it could pledge against future debt facilities. As a Group we have a healthy liquidity position underpinning our financial performance, strategic objectives, and business plan for the years ahead.

Cash flows

The Group generated cash of £112.2m from operating activities during the year ended 31 March 2024 (2023: £124.3m). The year-on-year decrease is primarily driven by movement in working capital.

The Group spent £158.6m (2023: £168.3m) on its housing properties during the year ended 31 March 2024. £50m was spent on capital improvements (2023: £47.4m) which demonstrates the Group's intention to continue investing in its existing housing stock notably with increased spend on renewable energy technologies.

The Group made loan repayments during the year of £13.3m (2023: £23.1m), interest payments of £38.4m (2023: £34.1m) and drew down £24.4m on its revolving credit facilities, net of arrangement fees.

The Group finished the year with £39.8m of cash and expects cash holdings for the next c.12-18 months to be maintained at c.£30-50m.

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 £7 (2023: £8). 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 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	2024 Actual	2023 Actual	2023 Peer Group	2024 v Flagship Target	2024 v 2023 Actual	2024 Actual v Peer Group	2023 Actual v Peer Group
Staff engagement score	7.8	8.1	N/A	OK	OK	N/A	N/A
TSM	7.91%	N/A	N/A	N/A	N/A	N/A	N/A
New affordable homes delivered	688	633	545	Good	Good	Good	Good
Void loss (£m)	2.1	1.9	2.4	Good	OK	Good	Good
Current tenant arrears %	3.7%	3.7%	4.5%	Good	Good	Good	Good
Total operating surplus (£m)	90.1	79.6	47.8	Good	Good	Good	Good
Net surplus (£m)	57.1	49.2	28.0	Good	Good	Good	Good
Net surplus per Home (£)	1,732	1,515	871	Good	Good	Good	Good
% of homes at EPC-C	62.0%	58.9%	N/A	OK	Good	N/A	N/A
Reinvestment percentage	7.7%	8.6%	8.1%	Good	OK	OK	Good
New supply delivered (Social housing units)	2.1%	2.0%	1.7%	Good	Good	Good	Good
New supply delivered (Non-social housing units)	0.2%	0.3%	0.1%	Good	OK	Good	Good
Gearing	43.8%	44.7%	46.1%	Good	Good	Good	Good
EBITDA MRI (interest cover)	136.2%	132.0%	124.0%	Good	Good	Good	Good
Headline social housing cost per unit (£)	4,397	4,207	4,190	Good	OK	OK	OK
Operating margin (overall)	27.6%	24.7%	18.7%	Good	Good	Good	Good
Operating margin (social housing lettings only)	30.3%	28.4%	23.1%	Good	Good	Good	Good
Return on capital employed (ROCE)	4.1%	3.7%	3.0%	Good	Good	Good	Good

Strategic
Report

Customers

Our customers are the lifeblood of our organisation.

As we navigate the ongoing challenges of rising living costs, we remain committed to supporting our tenants through these difficult times. This year, we've taken significant steps to deepen our engagement, improve our services, and ensure our tenants' voices are heard.

In October, we introduced seven Visiting Officer roles across the Group, focusing on reconnecting with tenants. To date, these officers have visited 1,652 homes, ensuring we maintain strong, supportive relationships with our community. Reaching out to customers in this way has resulted in us being able to support those who are most vulnerable or reluctant to seek services they would benefit from and giving them access to that vital support.

We have continued to develop our Tenant Voice Framework, 'The INfluencer Network,' offering meaningful and accessible opportunities for tenants to engage and influence our services. We now have 56 involved tenants, referred to as our 'Group INfluencers.' These tenants review, scrutinise, and discuss a variety of topics, policies, strategic priorities, and issues identified through customer insight data or proposed by tenants themselves.

Our INfluencers hold us to account on key services and have participated in in-person scrutiny events focusing on safe communities and neighbourhoods, our customer contact centre, and stigma in social housing. Each event includes a 'you said, we did' update, ensuring participants feel confident their feedback drives positive change.

Our Digital Engagement Group has met regularly, aiding the design of our new customer portal and supporting user testing for WhatsApp as a new communication method, handling 227 tenant requests since its launch in February 2024.

In September 2023, we launched INfluencer hub, an interactive online engagement space enabling tenants to make a difference from the comfort of their own home. To incentivise participation, we ran a prize draw in March 2024 and plan to continue such initiatives to grow this online community.

Since its launch, the INfluencer Hub has attracted 308 tenant members. We have published 66 project pages, offering opportunities to participate in surveys on various service areas such as neighbourhoods, paying your rent, biodiversity, and kitchen upgrades. The INfluencer Hub also highlights Group INfluencer events, summarised on project pages with 'you said, we did' follow-ups, reinforcing our commitment to listening and using tenant feedback to drive positive change.

ED&I efforts have also focused on increasing system accessibility and equitable support for marginalised tenants. This included working alongside the customer experience team at tenant influencer events, consulting on standardising communication adjustment training across systems, and collaborating on a Tenant Vulnerability Strategy.

We also launched a translation hub on our intranet to provide further improve the accessibility of our services for those for whom English isn't their preferred language.

Our overall customer satisfaction score ('CSAT') for the year was 81%. Positive feedback focused on staff conduct and empathy, customer contact and communication, and repair quality. However, there is room for improvement, particularly in reducing the time to complete repairs, which was the most common negative feedback theme.

> **"... these officers have visited 1,652 homes, ensuring we maintain strong, supportive relationships with our community.**

This year, we received a total of 2,407 complaints, with 178 escalated to stage two. While this represents an increase from the previous year, we are working hard to address the underlying issues, particularly around communication and the timeliness of repairs. We have also invested in three new team members to provide quicker resolutions.

We remain dedicated to enhancing tenant involvement and satisfaction. Our new digital platforms and the expanded Visiting Officer programme are just the beginning. As we move forward, we will continue to listen to our tenants, respond to their needs, and strive to create sustainable, supportive communities for everyone.

Together, we can face the challenges ahead with resilience and optimism, building a better future for all our tenants.

Consolidated Financial Statements
for the year ended 31 March 2024

Strategic
Report

People and workplace

Our great people are at the heart of Flagship Group, supporting our tenants and customers and, making a positive impact on the communities we serve.

This financial year, the full time equivalent ('FTE') number of employees within the Group has remained broadly static at c.1,450 FTE, with a consistent split between housing and central services and repairs, maintenance and capital improvement headcount.

Our efforts to better understand and support our people have led to improved demographic data, with clear insights into the diversity across the Group. We saw a staff turnover rate of 17.6%, which is a reduction on last year's 18.8%. This reflects a significant reduction in resignations, contributing to a stable and committed workforce. In the last financial year, we advertised 400 vacancies, and 40% of these were filled by internal candidates, a 7% increase on FY23. This demonstrates our continued commitment to providing strong career development and progression opportunities for our people. Sickness levels, whilst slightly higher than FY23 were in line with national trends remaining consistent with pre-pandemic levels, at around 6.6 days lost per head, or 2.67% of working time lost.

Our commitment to professional development continues too, with 20 employees currently pursuing qualifications through our levy funding. We expanded our apprenticeship programme, bringing on 19 new apprentices this year, which increased our total to 104 currently in apprenticeships within the Group. We're proud to report that 28 apprentices successfully completed their programmes, and our apprenticeship completion rate stands at an impressive 78.5%, well above the national average.

Our commitment to diversity and inclusion has been reinforced with the recruitment of five new diversity networks and plans to add two more soon. We introduced the Health and Wellbeing Line Manager Guide, which provides valuable resources for supporting employees with disabilities, neurodivergence, stress, or menopause symptoms. Currently, c.5% of our staff are from non-white British backgrounds and c.5% have shared a disability with us. A further 3% identify as neurodivergent, and 2% have shared that they have experienced challenges with their mental health.

During the year we launched initiatives such as a Menstrual Health assessment, a reasonable adjustment section on our intranet, and an interactive inclusion calendar. We've also ensured that all new and revised policies undergo an Equality Impact Assessment (EIA) to promote fairness and inclusivity.

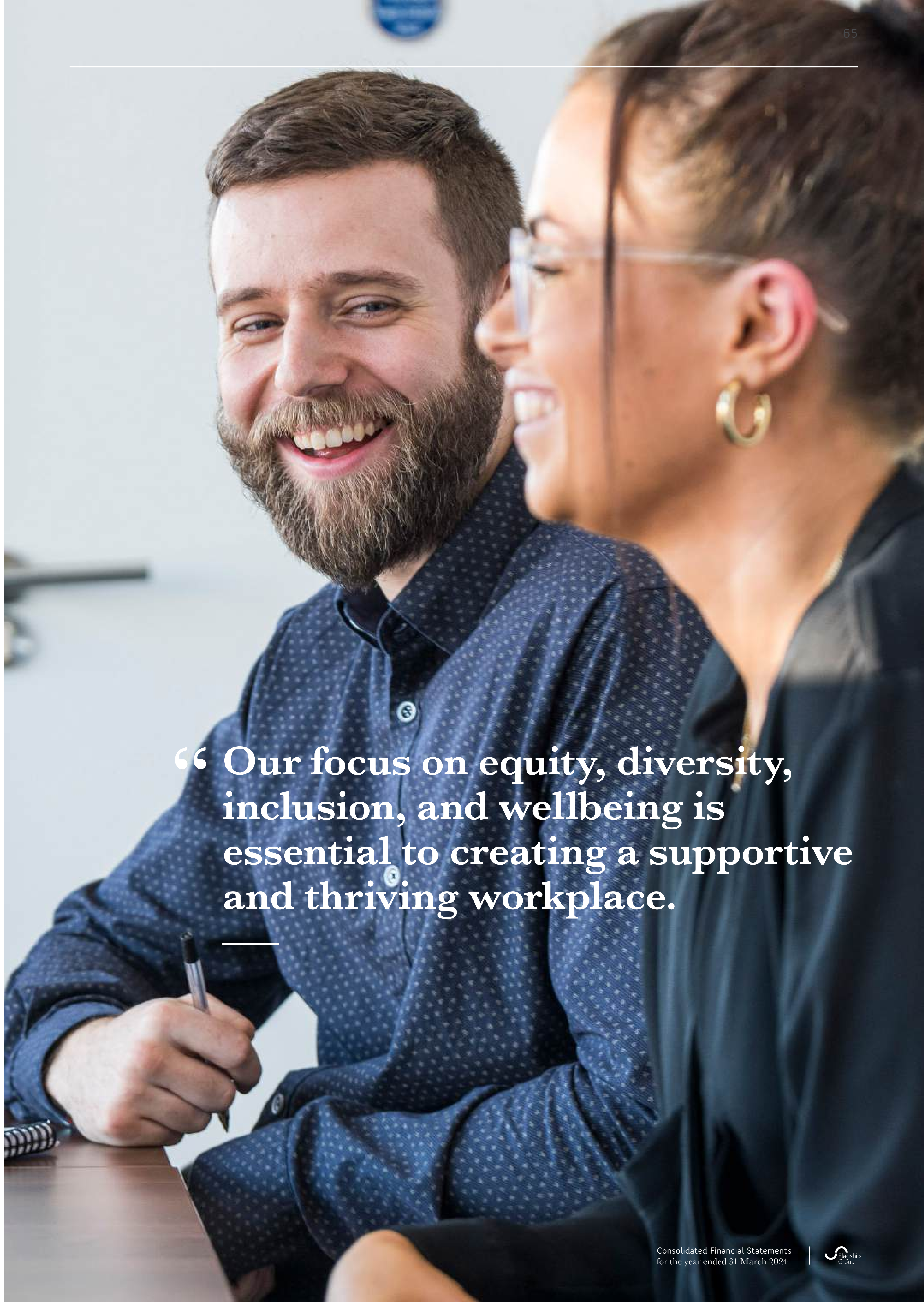
In response to the ongoing cost-of-living crisis, we awarded a 7% pay increase from 1 April 2023 to all eligible staff, ensuring our average wage remains 5% above the UK national average as at 31 March 2024. Our People Team has continuously reviewed and enhanced our support for employee wellbeing, focusing on work/life balance, financial stability, and mental and physical health.

Our 'Thanks to U' platform has been instrumental in acknowledging outstanding employee performance in their day-to-day roles. This year, we issued 1,046 individual rewards, and facilitated 568 peer-to-peer recognition moments through e-Cards.

We digitalised the application process for optional benefits, allowing staff to customise their benefits packages. Our relaunched well-being hub now offers twice-monthly financial advice sessions, yoga classes, book clubs, and the highly popular "Catalyst Counselling" sessions, which continue to see full participation.

In our annual staff engagement survey, employees rated us 7.8 out of 10, slightly down from 8.1 last year. The highest scores were in wellbeing, equality and diversity, management, and work-life balance. We know it's important to listen to staff feedback and make improvements. To address this, we implemented local action plans across the business, including six initiatives led by our senior leadership to increase their visibility and engagement with staff.

We have carried out a comprehensive Employee Wellbeing and Benefits Review Project to benchmark our offerings against other organisations and develop a holistic wellbeing strategy. This strategy aims to foster self-care, equip leaders with knowledge of workplace wellbeing initiatives, and embed these practices in our culture over the next three years. As we look ahead, we are sticking to our commitment to developing our people. Our focus on equity, diversity, inclusion, and wellbeing is essential to creating a supportive and thriving workplace. Together, we will continue to tackle challenges with resilience and optimism, building a better future for our people and the communities we serve.



Strategic
Report

Housing

The cost-of-living crisis and high energy bills last winter left many of our tenants under significant financial strain with some very difficult choices around whether to prioritise heating, food or rent for example. We are committed to supporting our tenants and, this year, we believe we have gone beyond providing just a home. It is often the unexpected expenses which really impact the health and wellbeing of our tenants and we have introduced initiatives this year to support our tenants when those unexpected costs hit.

We successfully let 1,962 homes this year, with an average relet time of 48 days. We pride ourselves in trying to relet our homes as quickly as possible because the list of those in need of a home is continually growing regionally. That said we also want our homes to be the best they can be for our tenants, and it is better for us and less disruption for our tenants if we improve a vacant home rather than a tenanted one.

Our efforts to support tenants in managing their rent have seen positive results, with current tenant debt remaining broadly consistent year on year at .3.7%. Notably, the number of tenants in debt at 31 March 24 also reduced to 10,087 from 10,851, and those paying by direct debit increased to 52%, up from 49% in March 2023.

“ **Our efforts to support tenants in managing their rent have seen positive results.**

We believe that our homes should be affordable for all of our tenants. In FY24 we made £0.2m available in our Affordable for All fund to support those tenants who required some additional financial support. We have increased this fund to £0.4m for FY25.

In August 2023, we streamlined our operations by merging grounds maintenance, cleaning, and neighbourhood teams, resulting in more efficient service delivery and resource flexibility to target where it is most needed. This integration aims to create better neighbourhoods for our tenants to live and enjoy.

Our neighbourhood teams completed 5,932 neighbourhood inspections, conducted 521 play area inspections, and 3,405 inspections of communal facilities and achieved a CSAT score of 4.2 out of 5 from 6,207 pieces of feedback. The neighbourhoods team also supported individual tenants with 1,435 tasks, ranging from garden clearances to installing security measures and delivering food parcels, totalling over 1,850 hours of dedicated support.

Our housing teams handled a total of 3,968 safeguarding concerns throughout the year. Of these, 1,166 concerned domestic abuse, and 959 included concerns about a child or children. There were 629 concerns reported where the tenants were living in neglectful conditions, and 306 concerns where tenants said they felt suicidal or would self-harm. We supported 1,499 tenants with their mental health during the year.

Our Safe Communities Team supported 94 tenants who had experienced hate crime incidents, and 865 tenants who had experienced either ASB noise or excessive noise transference between homes. The team also supported tenants in 639 cases involving drugs. A total of 178 cases were handled involving youth / gang disorder, county lines drug distribution networks and cuckooing – where someone vulnerable has their property taken over, often by drug dealers. Robust safeguarding action was taken for those being exploited.

There were 1,171 anti-social behaviour (‘ASB’) cases handled across the group, and legal action was taken in 63 ASB cases. Our CSAT for our safeguarding teams was consistently around 4.5 out of 5 across Group, and for our domestic abuse service, our CSAT score was 5 out of 5, demonstrating how seriously we take safeguarding our tenants and our people.

This is the real beating heart of our social housing service and reflects the selfless effort and dedication that our housing teams demonstrate every day to support the lives of our tenants and support the creation of sustainable communities.

Hopestead

During the year, Hopestead ran a competitive tender exercise for new white goods, furniture, and flooring in order to procure these items at the best value for money, both in terms of price and service provided. Having a supplier that understands the needs of Hopestead and the tenants it is supporting is key to the success of the Hope at Home project. Hopestead was inundated with responses to the tender, with 19 completed bid applications, demonstrating the reach of the Hopestead brand. Following the tender process, Hopestead has been able to save an average of £600 for a typical referral which includes white goods and a full furniture package. This saving means Hopestead can support an additional 79 single-person households from the annual project budget.

Strategic
Report

Asset management

Asset disposals

It was a busy year for the asset management sales team with 163 property sales completed in FY24 and 22 sold subject to contract to complete early in FY25. The Group generated £24.6m of cash from these sales with an average sales price of c.£150,000 and saved c.£3.7m in required repair and improvement expenditure.

In addition, 23 garage sites (136 garages) were sold during the year at an average sale price of c.£6,000 generating c.£800,000 of additional cash for the Group.

Wherever possible we seek to dispose of properties which have become void to reduce the impact on our tenants. However, through the use of our Assisted Move programme, 23 tenants were moved into more suitable homes, enabling us to dispose of the property they were living in.

The cash generated from property sales is reinvested to build new homes and make our remaining homes more efficient. By investing in our existing homes, and selling those that are no longer suitable, we aim to provide our tenants with secure and comfortable homes that they can be proud of, alleviating the burdens associated with the cost-of-living crisis and contributing to their overall well-being.

Investment in our existing homes

This year has seen the procurement of two major new contracts to protect our homes from fire. One contract, worth £900,000, is for fire door replacements, while the other, a £1.2m contract, will fund a range of other fire remedial actions. This economy of scale enables Flagship to procure these works more cost effectively. Residents can now also have their say on fire door colours and design helping bring character to the spaces they live in.

We have reprogrammed our fire safety inspections and fire risk assessments to increase efficiency and reduce fuel miles.

We have invested £300,000 in new water mains, which has removed expenditure on water hygiene testing, and reduced demand for ongoing repairs. We have also benefitted from upgrades to our rural treatment plants, which have significantly reduced reactive wastewater tankering, therefore reducing service charges, repair costs and cutting emissions.

Our access process for gas servicing has been improved to give tenants more choice and time to make appointments. Tenants are now able to book the next service directly with the engineer.

This year, we invested over £50m in improvements to our housing stock, and this included over £25m of investments to improve the energy efficiency of our homes.

We delivered over 1,800 new, efficient heating systems including over 200 air source heat pumps. This was complemented by over 140 new solar PV panels. We also invested £4.2m in insulating our homes to make them warmer and easier to heat.

To support us with the above investment, we received the first tranche of our funding from the second wave of the Social Housing Decarbonisation Fund (SHDF), issued by the Department for Energy Security and Net Zero which amounted to over £1.9m. This is in addition to over £1m of other grant income relating to previous works delivered through the renewable heat incentive (RHI) scheme.

Delivery of repairs and maintenance and capital improvements

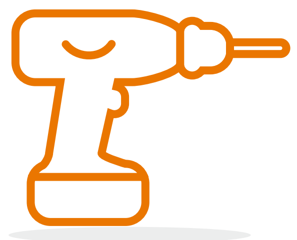
We have entered a new partnership with IT field service management provider Totalmobile, to streamline our maintenance and repairs operations. Our new systems for work order management, mobile working, and field service intelligence have allowed us to start dynamically scheduling appointments. We have seen an increase in productivity enabling us to complete more repairs while also lowering our carbon footprint.

We have also introduced a new waste management system, meaning that a third-party company now handles waste collection from our sites. This eliminates the need for our staff to transport waste to the tip themselves allowing us to spend more time working on-site.

We successfully completed our FY24 capital works programme. We completed 6,571 capital improvements during the year, which included over 1,000 kitchens and doors, as well bathrooms, rewires, fire doors, windows, roofs and rooflines, consumer units and communal entrances. We also successfully completed our external redecoration programme.

We have continued to see a rise in the number of repair requests related to damp and mould. This surge is partly due to our enhanced communication on damp and mould issues and the government's increased focus on social housing quality following the tragic death of Awaab Ishak in 2020. We recognised 4,770 damp and mould jobs during the year.

During each visit, we begin by cleaning the mould and assessing the required steps to fully remediate the damp and mould issue. Where the cause of the issue is unclear, we procure a full survey of the issue to ensure that our actions target the issue. In some cases additional works are required to reduce condensation or stop water ingress and in these instances we have been installing extraction fans, repairing windows and doors, clearing gutters and resolving roof repair issues.



Strategic Report

Concluding remark

2023/24 continued to be a challenging year both operationally and financially. The cost-of-living crisis has significantly impacted our tenants, high cost inflation has driven increases in operational cash outflows, and social housing regulation is driving customer focused change in our sector requiring landlords to change and improve how they deliver their services.

Throughout FY24 we maintained our strategic focus to prioritise capital improvements in our existing homes. This commitment aligns with our long-term sustainability goals, including achieving EPC-C for all of our homes by 2030. Furthermore, our FY25 repairs transformation plan priority will directly address key concerns identified through tenant feedback.

We achieved a lot this year! These successes are a direct testament to the unwavering commitment and dedication of our exceptional people.

We have a clear strategic plan to enable us to achieve our ambitions for 2025 and beyond.

By order of the Board

E Marcus, Company Secretary
7 August 2024

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

Consolidated Financial Statements
for the year ended 31 March 2024

Report of the Board

for the year ended 31 March 2024

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 2024.

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.

On 26 June 2024 the Group announced that it was holding business combination talks with Bromford Housing Group. The proposal would create Bromford Flagship, an organisation that owns and manages c.80,000 homes. For more information see note 40.

Group structure

At 31 March 2024 the Group consisted of five 'trading' entities:

- Flagship Housing Group Limited
- Flagship Housing Developments Limited
- Flagship Finance PLC
- Gasway Services Limited
- Hopestead CIO

Further details of all of the companies within the Flagship Group can be found in note 20 of the financial statements.

Report
of the Board

Community initiatives and charitable donations

During the year the Group paid £890,325 (2023: £772,767) towards community initiatives. In addition, £202,244 of charitable donations were made (2023: £245,925), of which £200,694 (2023: £245,085) 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 has adopted the National Housing Federation Code of Governance 2020 (the 'Code'). We certify that Flagship Housing Group Limited was materially compliant with the Code for the financial year ending 31 March 2024.

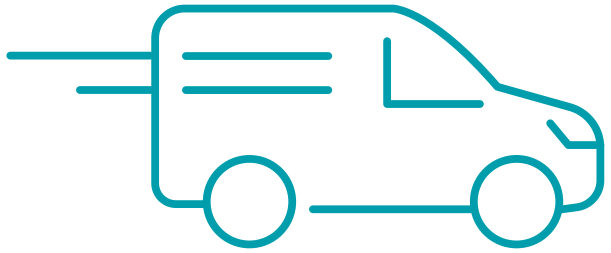
The Board of Management and the executive team who served the company in office at 31 March 2024 are detailed on page 96 of the annual report. At 31 March 2024 the Board was comprised of seven non-executive directors (58%), one co-optee to the Board (to be appointed a non-executive director at the Company's AGM) (9%) and four executive directors (33%). All 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:

	2024	2023
Women	25%	18%
Ethnic minority	0%	9%
Average age	60 years	63 years
Average tenure (NEDs only)	4 years	8 years

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 policy 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 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 Board actively prepares for forthcoming non-executive director retirements through co-ordination of a succession plan overseen by the Remuneration and Nominations Committee. At 31 March 2024, one non-executive director was approaching their nine-year maximum tenure period (30 April 24) but will remain on the Board for continuity whilst the Group works closely with the regulator on its action plan to return to being a G1 rated provider. This is a temporary arrangement, and plans are in place for a succession handover by the end of FY25.

The Group was compliant in respect of the number of members of Flagship Housing Group Limited's Board (i.e. a maximum of twelve Board members) during the financial year.

The Code includes 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 Board's 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 the Group's Audit and Risk Committee (GARC). Flagship's standing orders provide 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.

"The company has an open recruitment and selection policy for non-executive directors.

Report of the Board

Executive team

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

The executive team has created a Flagship leadership team ('FLT'), 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 Operating Officer
Jonathan McManus *(appointed 1 October 2023)*	Chief Financial Officer

A biography of all key management personnel can be obtained by contacting commsteam@flagship-group.co.uk.

Report
of the Board

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. Regarding individuals who become disabled, the Group's policy is to take all reasonable steps, including retraining, to ensure that they can remain in employment wherever practicable.

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

Employee remuneration

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

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 (for example through 'The Brew'; 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.

> **"The Group remains committed to equality of opportunity in all its employment policies, practices, and procedures.**

Report
of the Board

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

Suppliers

The Group 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. The Group maintains a clear procurement policy to govern major contract negotiations and strategy with key suppliers.

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.

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 Chief Financial Officer (CFO) provides regular updates to Board on tax matters.

Debt capital / credit facility providers and credit reference agencies

The CFO 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 Treasury team provides regular reports to the Treasury Committee and Flagship Group Board 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.

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.

Report
of the Board

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 strategic risk, alongside an evaluation of the likelihood of occurrence and the impact on delivering the Group's vision. 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 strategic risk map 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 is carried out by an external independent auditor who undertakes an agreed audit plan for each financial year to appraise the effectiveness and robustness of the Group's control environment. The Groups internal audit function is supported by an in-house Business Assurance Team. 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 through regular review of the consolidated risk register by the Board...

Board Committees

The Board delegates responsibility for specific areas of operation to the committees listed on the following pages 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.

Group Audit and Risk Committee (GARC)

(formerly Governance, Audit and Risk Committee)

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 (at date of signing financial statements):

Three non-executive directors excluding the chair of the Board.

Experience:

Audit committee members have considerable experience which they bring to the committee. This includes an individual with a big-4 accountancy firm background with extensive public sector audit experience, an individual with a social housing corporate banking background with previous experience working for a large investor in the sector, and a qualified accountant with a background in financial management and current experience of working for a co-operative and community benefit society which delivers charitable activities in a localised sustainable community.

Treasury Committee (TC)

(formerly Finance and Treasury Committee)

Purpose:

To oversee the principal treasury activities across the group. The committee focuses on cash and cash equivalents, borrowings, hedging and other financial risk management tools, asset security and the Group's treasury related investment strategy.

Members (at date of signing financial statements):

Three non-executive directors and the Chief Financial Officer.

Experience:

Finance and Treasury committee members have considerable experience which they bring to the committee. This includes an individual with over 30 years banking and finance experience holding senior roles with Santander UK plc and NatWest Bank with a focus on risk management in the social housing sector, an individual with 15 years of international experience in mergers and acquisitions, business development and corporate strategy holding senior leadership roles in the pharmaceutical industry and a qualified accountant with senior finance experience in the social housing sector.

“ Finance and Treasury committee members have considerable experience which they bring to the committee.

Consolidated Financial Statements
for the year ended 31 March 2024

Report
of the Board

Assets Committee (AC) (formerly Asset Management Committee)

Purpose:

To oversee the development, implementation, and review of the Flagship Group asset management strategy. To oversee landlord compliance performance, compliance with the Decent Homes standard, repairs performance, asset investment programmes, portfolio management policies, stock condition data strategic decision making, and to monitor and respond to key risks in the Flagship Group risk register in respect of asset management.

Members (at date of signing financial statements):

Two non-executive directors (or board co-optees) and the Chief Operating Officer.

Remuneration and Nominations Committee (RNC)

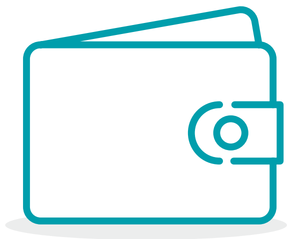
(formerly People and Culture Committee)

Purpose:

Review and recommend appointments to board/committees, board remuneration and succession. Oversee board/committee development and training.

Members (at date of signing financial statements):

Three non-executive directors.



> “ **The company has a zero-tolerance approach to fraud and bribery.**

Compliance

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

As reported last year, the Group needed to retender a number of work streams as supplier spend approached the Procurement Contracts Regulations threshold. During the year, all of these work streams have been through a tender process and therefore full compliance with the regulations was achieved.

The Group certifies that it has complied with the requirements of the Regulator of Social Housing's Governance and Viability Standard during the year ended 31 March 2024.

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.

Flagship Housing Group has self-assessed against the Housing Ombudsman's Complaint Handling Code 2024 and have produced a complaints performance and service improvement report. We confirm our complaint handling remains in line with the requirements set out by the Code and you can read both reports at **flagship-group.co.uk/contact-us/complaints/**

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.

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

PFK Littlejohn LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at Flagship Housing Group Limited's Annual General Meeting.

By order of the Board

E Marcus, Company Secretary
7 August 2024

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

Board of Management and Executive Team

The company's non-executive and executive management team are detailed below. Membership of Board committees is presented in the table below as at the date of signing these financial statements. Page 96 presents changes to Board committees during the financial year and up to the date of signing these accounts.

Member		Board	GARC	TC	AC	RNC
Hawes, P.	N	Chair				
Burton, P. (resigned 1 April 2023)	N					
Baynham, P. (resigned 1 April 2023)	N					
Bennett, R. (Senior Independent Member ceased 1 May 2024)	N	✓	Chair			✓
Cook, S.	N	✓			✓	
Jamieson, D. (resigned 12 February 2024)	N					
Peak, M.	N	✓	✓	Chair		
Remington, P. (resigned 1 April 2023)	N					
Barton, E. (Co-optee until 17 August 23)	N	✓		✓		Chair
Tredget, C. (Co-optee until 17 August 23) (Senior Independent Member from 1 May 2024)	N	✓				✓
Lee, D. (Co-optee until 17 August 23)	N	✓	✓	✓		
Barford, S. (appointed co-optee 13 February 2024)	C	✓			Chair	
McQuade, D. (Chief Executive Officer)	E	✓				
Walsham, H. (Deputy Chief Executive Officer)	E	✓				
Armstrong, D. (Chief Operating Officer)	E	✓			✓	
McManus, J.* (appointed Chief Financial Officer 1 October 2023)	E	✓		✓		
Cook, P. (resigned 1 April 2023)	A					
Marcus, E.	S					

*McManus, J. joined the Executive Team with effect from 1 October 2023. He held the post of Interim Chief Financial Officer from 1 December 2022.

Key:

N – Non-Executive Director
C – Co-optee to the Board
E – Executive Director
S – Company Secretary
A – Board Adviser

GARC – Group Audit & Risk Committee (effective 25 June 2024, formerly Governance, Audit & Risk Committee)
TC – Treasury Committee (effective 25 June 2024, formerly Finance & Treasury Committee)
AC – Assets Committee (effective 25 June 2024 – formerly Asset Management Committee)
RNC – Remuneration & Nominations Committee (effective 25 June 2024, formerly People & Culture Committee)

Board of Management and Executive Team

Group Audit & Risk Committee

Name	Role	
Bennett, R.	Chair *(incumbent)*	
Jamieson, D.	Member	*Resigned 12 February 2024*
Cook, P.	Member	*Resigned 1 April 2023*
Lee, D.	Member	*Appointed 1 April 2023*
Newtide Homes Representative*	Member	*25 May 2023 - 15 March 2024*
Samphire Homes Representative*	Member	*25 May 2023 - 15 March 2024*
Victory Homes Representative*	Member	*25 May 2023 - 15 March 2024*
Peak, M.	Member	*Appointed 13 February 2024*

Treasury Committee

Name	Role	
Baynham, P.	Chair	*Resigned 1 April 2023*
Remington, P.	Member	*Resigned 1 April 2023*
Armstrong, D.	Member	*Resigned 1 April 2023*
Blackmore, L	Member	*Resigned 1 April 2023*
Lee, D.	Member	
Jamieson, D.	Chair *(outgoing)*	*1 April 2023 – 12 February 2024*
Barton, E.	Member	*Appointed 1 April 2023*
McManus, J.	Member	
Peak, M.	Chair *(incumbent)*	*Appointed 13 February 2024*

Assets Committee

Name	Role	
Cook, S.	Member	*Chair until 12 February 2024*
Armstrong, D.	Member	
McManus, J.	Member	*Resigned 1 April 2023*
Newtide Homes Representative	Member	*Resigned 15 March 2024*
Victory Homes Representative	Member	*Resigned 15 March 2024*
Barford, S.	Chair *(incumbent)*	*Appointed 13 February 2024*
Yuhill, A	Member	*Resigned 31 May 2023*
Knights, G	Member	*Appointed 1 December 2023 and Resigned 25 June 2024*

Remuneration & Nominations Committee

Name	Role	
Remington, P.	Chair *(outgoing)*	*Resigned 1 April 2023*
Burton, P.	Member	*Resigned 1 April 2023*
Cook, P.	Member	*Resigned 1 April 2023*
Barton, E.	Chair *(incumbent)*	*Appointed 1 April 2023*
Bennett, R.	Member	*Appointed 1 April 2023*
Tredget, C.	Member	*Appointed 1 April 2023*

*The Group has simplified its governance structure as part of its work with the Regulator and sector experts to return to a G1 regulatory grading. As such the local housing Boards were disbanded and these committee roles ceased to exist. Local Housing Boards are to be replaced by a Customer Committee in FY25 with tenant involvement on the committee.

Registered Office and Advisers

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

Internal Auditors: RSM UK Risk Assurance Services LLP, 6th Floor, 25 Farringdon Street, London, EC4A 4AB (appointed: 1 April 2024)

KPMG LLP, Dragonfly House, 2 Gilders Way, Norwich, NR3 1UB (ceased: 31 March 2024)

External Auditor: PKF Littlejohn LLP, 15 Westferry Circus, London E14 4HD

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, MUFG

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 association') and its subsidiaries (the 'group') for the year ended 31 March 2024 which comprise the Consolidated and Parent Association Statements of Comprehensive Income, the Consolidated and Parent Association Balance Sheets, the Consolidated and Parent Associations Statements of Changes in Reserves, the Consolidated Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 association's affairs as at 31 March 2024 and of the group's and parent association's income and expenditure 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 Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Independent auditor's report

Basis for 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 group and parent association 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 board's 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 group's or parent association'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 board 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 board is responsible for the other information contained within the annual report. Our opinion on the group and parent association financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- proper accounting records have not been kept by the parent association; or
- the parent association's financial statements are not in agreement with the books of account; or
- we have not obtained all the information and explanations we required for our audit.

Independent auditor's report

Responsibilities of the board

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

In preparing the Group and parent association financial statements, the board is responsible for assessing the group's and the parent association'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 board either intend to liquidate the Group or the parent association 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent association and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, sector research, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent association in this regard to be those arising from the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, employee legislation, tax legislation, and health and safety laws and regulations.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent association with those laws and regulations. These procedures included, but were not limited to inquiries of management, review of minutes, review of legal correspondence and communications with the Regulator.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to indicators of impairment of tangible assets; allocation of costs between first and subsequent shared ownership tranches sales; useful economic lives of assets; valuation of provisions and assumptions within the calculation of pension liabilities.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission, or misrepresentation.

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 our report

This report is made solely to the association's members as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association'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 association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alastair S Duke (Senior Statutory Auditor)
8 August 2024

For and on behalf of PKF Littlejohn LLP Statutory Auditor
15 Westferry Circus | Canary Wharf | London | E14 4HD

Financial statements

Statement of Comprehensive Income

for the year ended 31 March 2024

	Note	Group 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Turnover	5 / 8	252,971	250,223	217,088	199,401
Operating costs	5 / 6	(183,040)	(189,458)	(150,420)	(146,738)
Gain on disposal of housing properties and other property, plant and equipment	9	19,339	17,773	19,091	17,544
Share of operating profit in joint ventures	21	864	1,105	-	-
Operating surplus	10	90,134	79,643	85,759	70,207
Interest receivable	28	2,982	1,717	8,602	3,342
Interest and financing costs	27	(37,137)	(32,279)	(36,534)	(31,580)
Movement in fair value of investment properties	16	(803)	158	(803)	158
Gain on shared equity loans	22	1,906	-	1,906	-
Surplus for the year before taxation		57,082	49,239	58,930	42,127
Taxation	14	19	(17)	-	(22)
Surplus for the year		57,101	49,222	58,930	42,105
Actuarial gain in respect of pension schemes	33	375	5,090	375	5,090
Total comprehensive income for the year		57,476	54,312	59,305	47,195

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 111 to 160 form an integral part of the financial statements.

Balance sheet

as at 31 March 2024

	Note	Group 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Fixed assets					
Intangible fixed assets	18	5,089	6,727	2,519	3,330
Tangible fixed assets - Housing properties	15	2,077,241	1,966,138	2,096,996	1,981,809
Other tangible fixed assets	19	19,332	17,307	19,140	17,029
Investment properties	16	77,827	78,690	77,827	78,690
Investments in subsidiaries and other investments	20	13,775	13,517	75,602	85,344
Investments in joint ventures	21	12,453	11,998	-	-
Shared equity loans	22	1,995	-	1,995	-
Non-current other debtors	23	90	90	-	-
		2,207,802	2,094,467	2,274,079	2,166,202
Current assets					
Stock	11	34,504	34,219	6,729	7,190
Trade and other debtors	23	25,460	27,198	16,340	20,909
Cash and cash equivalents		39,812	60,228	28,748	42,493
		99,776	121,645	51,817	70,592
Creditors: amounts falling due within one year	24	(86,360)	(73,443)	(88,033)	(78,757)
Net current assets / (liabilities)		13,416	48,202	(36,216)	(8,165)
Total assets less current liabilities		2,221,218	2,142,669	2,237,863	2,158,037
Creditors: amounts falling due after one year	25	(1,172,070)	(1,150,231)	(1,173,077)	(1,151,813)
Provision for liabilities					
Defined benefit pension liability	33	527	(2,066)	527	(2,066)
Other provisions	31	(5,380)	(3,553)	(5,333)	(3,483)
Net assets		1,044,295	986,819	1,059,980	1,000,675
Reserves					
Income and expenditure reserve		670,465	606,020	686,150	619,876
Revaluation reserves		373,830	380,799	373,830	380,799
Total reserves		1,044,295	986,819	1,059,980	1,000,675

The notes on pages 111 to 160 form an integral part of the financial statements.

The financial statements were authorised for issue by the board of directors on 7 August 2024 and signed on its behalf by:

P Hawes
Chairman

R Bennett
Board Member

D Armstrong
Chief Operating Officer

Statement of changes in reserves

for the year ended 31 March 2024

(a) Group

	Income and expenditure reserve	Revaluation reserve	Total reserves
	£'000	£'000	£'000
Opening balance at 1 April 2022	545,561	392,458	932,507
Surplus for the year	49,222	-	49,222
Other comprehensive income for the year	5,090	-	5,090
Total comprehensive income for the financial year	**54,312**	**-**	**54,312**
Transfer from revaluation reserve to revenue reserve	6,147	(6,147)	-
Total transactions recognised directly in equity	**6,147**	**(6,147)**	**-**
Closing balance at 31 March 2023	**606,020**	**380,799**	**986,819**

	Income and expenditure reserve	Revaluation reserve	Total reserves
	£'000	£'000	£'000
Opening balance at 1 April 2023	606,020	380,799	986,819
Surplus for the year	57,101	-	57,101
Other comprehensive income for the year	375	-	375
Total comprehensive income for the financial year	**57,476**	**-**	**57,476**
Transfer from revaluation reserve to revenue reserve	6,969	(6,969)	-
Total transactions recognised directly in equity	**6,969**	**(6,969)**	**-**
Closing balance at 31 March 2024	**670,465**	**373,830**	**1,044,295**

The notes on pages 111 to 160 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 2022	566,534	386,946	953,480
Surplus for the year	42,105	-	42,105
Other comprehensive income for the year	5,090	-	5,090
Total comprehensive income for the financial year	**47,195**	**-**	**47,195**
Transfer from revaluation reserve to revenue reserve	6,147	(6,147)	-
Total transactions recognised directly in equity	**6,147**	**(6,147)**	**-**
Closing balance at 31 March 2023	**619,876**	**380,799**	**1,000,675**

	Income and expenditure reserve	Revaluation reserve	Total reserves
	£'000	£'000	£'000
Opening balance at 1 April 2023	619,876	380,799	1,000,675
Surplus for the year	58,930	-	58,930
Other comprehensive income for the year	375	-	375
Total comprehensive income for the financial year	59,305	-	59,305
Transfer from revaluation reserve to revenue reserve	6,969	(6,969)	-
Total transactions recognised directly in equity	**6,969**	**(6,969)**	**-**
Closing balance at 31 March 2024	**686,150**	**373,830**	**1,059,980**

The notes on pages 111 to 160 form an integral part of the financial statements.

Statement of cash flows

for the year ended 31 March 2024

	Note	Group 2024 £'000	Group 2023 £'000
Net cash generated from operating activities	34	112,193	124,251
Taxation		(3)	-
Net cash generated from operating activities		112,190	124,251
Cash flows from investing activities			
Purchase of and works to housing properties	15	(158,596)	(168,256)
Purchase of other assets		(3,093)	(3,304)
Proceeds from the sale of housing properties	9	27,574	26,856
Proceeds from the sale of other fixed assets		2,150	1,352
Purchase of investments	16	(180)	-
Proceeds from sale of investments		73	206
Grant received	29	27,189	18,142
Loans repaid by / (made to) joint venture undertakings	21	409	2,173
Interest received		2,724	1,632
Net cash from investing activities		(101,750)	(121,199)
Cash flows from financing activities			
Proceeds from issue of bank borrowings		25,000	-
Repayment of bank borrowings		(13,281)	(23,087)
Capital element of finance lease rental payments		(4,220)	(3,332)
Interest paid		(38,355)	(34,105)
Net cash from financing activities		(30,856)	(60,524)
Net change in cash and cash equivalents		(20,416)	(56,373)
Cash and cash equivalents at beginning of year		60,228	116,601
Cash and cash equivalents at end of year		39,812	60,228

The notes on pages 111 to 160 form an integral part of the financial statements.

Notes to the Financial Statements

for the year ended 31 March 2024

Notes to the financial statements

for the year ended 31 March 2024

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 Group also includes Hopestead, a registered charity focused on the eradication of homelessness in the east of England.

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 to 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.

2024 has continued to be a challenging year operationally. Cost inflation has remained high whilst rental income growth was capped at 7%. We have sought to drive efficiency in our operating model to absorb the impact of inflation whilst continuing to invest in our existing homes and build new homes, as we know there are many more families waiting for a place to call home. We have supported our people through an inflationary pay-increase and reduced non-committal development spend to instead focus our efforts on repairing and improving existing properties.

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; (f) source availability and price instability of materials; (g) the cost impact on registered providers of changes to social housing regulation.

On 26 June 2024 the Group announced that it was holding business combination talks with Bromford Housing Group. The proposal would result in Flagship Housing Group Limited becoming a subsidiary of Bromford Housing Group Limited, renamed 'Bromford Flagship'.

If business combination talks are successful, the Group would cease to exist in its current form. However, 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 2024.

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. 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.

Notes to the financial statements

for the year ended 31 March 2024

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.

g. 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.

h. 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.

i. 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.

j. 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

k. 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.

l. Shared equity loans

Shared equity loans are treated as concessionary loans. They are initially recognised as a loan at the value of the equity retained by Flagship and are subsequently updated to reflect any impairment. Any impairment loss is recognised in income and expenditure to the extent that it cannot be offset against the shared equity loan. The loan is redeemed upon sale of the property or through purchaser repayment based on the market value at that point in time.

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.

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

Notes to the financial statements

for the year ended 31 March 2024

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 / fascia)	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 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:

Category	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)'.

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.

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for the year ended 31 March 2024

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.

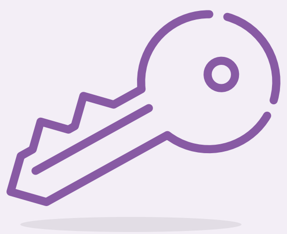
Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing 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 companies are held at cost less accumulated impairment losses.

Investment in jointly controlled entities are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Member distributions from joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment annually.

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.

Notes to the financial statements

for the year ended 31 March 2024

ii. Financial liabilities

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

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that this is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services, deducted from the liability recognised 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 (2023: none).

iii. Capitalisation of development and property enhancement spend

The company capitalises expenditure on its housing properties in accordance with its policy in 3(o). 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 33.

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. Maintenance expenditure and management costs have increased during the year due to inflation, but occupancy rates remain high. However, property energy efficiency requirements, and investor spend has impacted the vacant possession value of investment properties resulting in a valuation fall during the year.

The Group's student accommodation portfolio is valued on a discounted cash flow basis. The Group continues to see demand for its student accommodation outstrip its availability, with education providers seeking longer term leases. The Group is incurring fire compartmentalisation expenditure at Tripos Court which is required given the nature of the buildings. Similarly in a high inflation economy maintenance expenditure has increased and the discounted cash flow forecasts c.3.5% inflation 2024-25.

The Group has recognised a £757k valuation decrease in its investment properties during the year ended 31 March 24. The Group considers this to be reasonable given the future expected trading performance of its investments in challenging economic conditions.

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 economic pressures on purchasers the Group has seen its average first tranche disposal percentage fall. At 31 March 2024 management have determined that 30% is a suitable estimate based on the Group's experience in the year. 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 23 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 considers 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.

viii. Valuation of unencumbered assets

Unencumbered assets have been calculated using the Existing Use Value for Social Housing (EUV-SH) definition. EUV-SH uses market value and a hypothetical sale to another registered provider on strict assumptions that; the stock will continue to be let at affordable rents in perpetuity; will be managed in accordance with the regulator's requirements; and that any void properties will be re-let and not sold with vacant possession. The group has identified an average EUV-SH based on property characteristics and applied this to the unencumbered population to determine a reasonable estimated value for those homes.

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for the year ended 31 March 2024

5. Group segmental reporting

Year ended 31 March 2024

	Newtide (Housing)	Samphire (Housing)	Victory (Housing)	Flagship Homes	Repairs and Gas servicing	Group and finance	Total
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Turnover	49,367	51,735	59,199	70,175	21,019	1,476	**252,971**
Operating Costs	(38,464)	(38,922)	(44,010)	(12,289)	(6,440)	(946)	**(141,071)**
Cost of sales	-	-	-	(27,744)	(14,225)	-	**(41,969)**
Gain on JV	-	-	-	864	-	-	**864**
Gain on disposal of assets	-	-	-	-	69	19,270	**19,339**
Operating surplus	**10,903**	**12,813**	**15,189**	**31,006**	**423**	**19,800**	**90,134**
Net finance costs	-	-	-	-	-	(34,155)	**(34,155)**
Investment properties valuation	-	-	-	-	-	(803)	**(803)**
Gain on shared equity properties	-	-	-	-	-	1,906	**1,906**
Taxation	-	-	-	-	22	(3)	**19**
Total surplus / (deficit)	**10,903**	**12,813**	**15,189**	**31,006**	**445**	**(13,255)**	**57,101**

Year ended 31 March 2023

	Newtide (Housing)	Samphire (Housing)	Victory (Housing)	Flagship Homes	Repairs and Gas servicing	Group and finance	Total
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Turnover	47,861	49,731	54,873	75,655	20,055	2,048	**250,223**
Operating Costs	(38,499)	(37,222)	(41,629)	(11,715)	(3,129)	(967)	**(133,161)**
Cost of sales	-	-	-	(39,561)	(16,736)	-	**(56,297)**
Gain on JV	-	-	-	1,105	-	-	**1,105**
Gain on disposal of assets	-	-	-	-	23	17,750	**17,773**
Operating surplus	**9,362**	**12,509**	**13,244**	**25,484**	**213**	**18,831**	**79,643**
Net finance costs	-	-	-	-	-	(30,562)	**(30,562)**
Investment properties valuation	-	-	-	-	-	158	**158**
Taxation	-	-	-	-	(17)	-	**(17)**
Total surplus / (deficit)	**9,362**	**12,509**	**13,244**	**25,484**	**196**	**(11,573)**	**49,222**

	Newtide	Samphire	Victory	Flagship Homes	Flagship for Profit	Total
Housing units owned and managed	9,157	9,680	11,166	2,986	383	**33,372**

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 housing divisions / brands – Newtide Homes, Samphire Homes and Victory Homes); Flagship Homes (which includes our new build residential development); repairs and gas servicing; and group services and financing costs. 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 2024

	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	183,965	-	(128,303)	-	55,662
Other social housing activities					
- *Shared ownership property first tranche sales*	17,465	(10,659)	(2,641)	-	4,165
- *Gain on disposal of housing properties*	-	-	-	18,938	18,938
- *Other*	433	-	(346)	-	87
	201,863	**(10,659)**	**(131,290)**	**18,938**	**78,852**
Activities other than Social Housing	51,108	(31,310)	(9,781)	-	10,017
Gain on disposal of other fixed assets	-	-	-	401	401
Share of operating profits in joint ventures	-	-	-	864	864
Total	**252,971**	**(41,969)**	**(141,071)**	**20,203**	**90,134**

Year ended 31 March 2023

	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	166,873	-	(117,009)	-	49,864
Other social housing activities					
- *Shared ownership property first tranche sales*	16,100	(9,946)	(2,415)	-	3,739
- *Gain on disposal of housing properties*	-	-	-	17,750	17,750
- *Other*	112	-	(90)	-	22
	183,085	**(9,946)**	**(119,514)**	**17,750**	**71,375**
Activities other than Social Housing	67,138	(46,351)	(13,647)	-	7,140
Gain on disposal of other fixed assets	-	-	-	23	23
Share of operating profits in joint ventures	-	-	-	1,105	1,105
Total	**250,223**	**(56,297)**	**(133,161)**	**18,878**	**79,643**

Notes to the financial statements

for the year ended 31 March 2024

6. Particulars of turnover, operating costs and operating surplus (continued)

6(b) Company

	Year ended 31 March 2024				
	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	183,938	-	(128,839)	-	55,099
Other social housing activities					
- *Shared ownership property first tranche sales*	17,465	(10,659)	(2,641)	-	4,165
- *Gain on disposal of housing properties*	-	-	-	18,759	18,759
- *Other*	433	-	(346)	-	87
	201,836	(10,659)	(131,826)	18,759	78,110
Activities other than Social Housing	15,252	(1,258)	(6,677)	-	7,317
Gain on disposal of other fixed assets	-	-	-	332	332
Total	217,088	(11,917)	(138,503)	19,091	85,759

	Year ended 31 March 2023				
	Turnover	Cost of Sales	Operating costs	Other operating activities	Operating surplus
	£'000	£'000	£'000	£'000	£'000
Social housing lettings	166,846	-	(118,018)	-	48,828
Other social housing activities					
- *Shared ownership property first tranche sales*	16,100	(9,946)	(2,415)	-	3,739
- *Gain on disposal of housing properties*	-	-	-	17,547	17,547
- *Other*	111	-	(90)	-	21
	183,057	(9,946)	(120,523)	17,547	70,135
Activities other than Social Housing	16,344	-	(16,269)	-	75
Loss on disposal of other fixed assets	-	-	-	(3)	(3)
Total	199,401	(9,946)	(136,792)	17,544	70,207

7. Income and expenditure from social housing lettings

7(a) Group

	General needs housing	Supported Housing	Keyworker housing	Shared ownership	Total 2024	Total 2023
	£'000	£'000	£'000	£'000	**£'000**	£'000
Rents receivable net of identifiable service charges	155,387	9,144	123	7,705	**172,359**	158,639
Service charge income	4,317	3,277	5	534	**8,133**	5,842
Amortised government grants (note 29)	2,449	-	-	-	**2,449**	2,392
Other grants receivable	1,024	-	-	-	**1,024**	-
Turnover from social housing lettings	**163,177**	**12,421**	**128**	**8,239**	**183,965**	166,873
Management	33,832	1,192	20	2,908	**37,952**	30,450
Service charge costs	6,960	2,934	3	805	**10,702**	9,952
Routine maintenance	34,584	749	20	-	**35,353**	37,088
Cyclical maintenance	7,676	163	4	-	**7,843**	6,662
Bad debts	581	67	4	38	**690**	153
Depreciation of housing properties (including loss on replacement of components (note 10)	28,059	70	2	1,340	**29,471**	27,540
Depreciation / amortisation of other tangible and intangible assets	5,689	133	3	467	**6,292**	5,164
Operating expenditure on social housing lettings	**117,381**	**5,308**	**56**	**5,558**	**128,303**	117,009
Operating surplus on lettings	**45,796**	**7,113**	**72**	**2,681**	**55,662**	49,864
Rent losses from voids	*(2,006)*	*(135)*	*(1)*	*(6)*	*(2,148)*	*(1,891)*

Notes to the financial statements

for the year ended 31 March 2024

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

7(b) Company

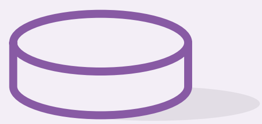
	General needs housing	Supported Housing	Keyworker housing	Shared ownership	Total 2024	Total 2023
	£'000	£'000	£'000	£'000	**£'000**	£'000
Rents receivable net of identifiable service charges	155,387	9,144	123	7,705	**172,359**	158,639
Service charge income	4,317	3,277	5	534	**8,133**	5,842
Amortised government grants (note 29)	2,422	-	-	-	**2,422**	2,365
Other grants receivable	1,024	-	-	-	**1,024**	-
Turnover from social housing lettings	**163,150**	**12,421**	**128**	**8,239**	**183,938**	166,846
Management	33,169	1,192	20	2,908	**37,289**	29,730
Service charge costs	6,957	2,937	3	805	**10,702**	9,952
Routine maintenance	35,278	727	20	-	**36,025**	38,308
Cyclical maintenance	7,680	159	4	-	**7,843**	6,662
Bad debts	581	67	4	38	**690**	153
Depreciation of housing properties (including loss on disposal of components) (note 10)	28,591	70	2	1,335	**29,998**	28,049
Depreciation / amortisation of other tangible fixed assets and intangible assets	5,689	133	3	467	**6,292**	5,164
Operating expenditure on social housing lettings	**117,945**	**5,285**	**56**	**5,553**	**128,839**	118,018
Operating surplus on lettings	**45,205**	**7,136**	**72**	**2,686**	**55,099**	48,828
Rent losses from voids	*(2,006)*	*(135)*	*(1)*	*(6)*	*(2,148)*	*(1,891)*

8. Particulars of turnover from non-social housing lettings

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	**£'000**	£'000
Lettings				
Market rented property	**3,665**	3,453	**3,665**	3,453
Student accommodation	**4,127**	3,938	**4,127**	3,938
Private garages	**718**	664	**718**	664
Commercial property	**56**	65	**56**	65
Other				
Management charges	**-**	-	**3,430**	3,982
Property sales	**20,675**	36,706	**-**	-
Gas servicing / Flagship Services External	**20,602**	19,297	**2,025**	1,268
Other income	**1,265**	3,015	**1,231**	2,974
	51,108	67,138	**15,252**	16,344

9. Gain on disposal of housing properties

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	**£'000**	£'000
Disposal proceeds	**29,350**	26,856	**29,350**	26,856
Costs incurred (including carrying value of asset)	**(10,169)**	(8,923)	**(10,348)**	(9,126)
	19,181	17,933	**19,002**	17,730
Capital grant recycled (note 29)	**(243)**	(183)	**(243)**	(183)
	18,938	17,750	**18,759**	17,547



Notes to the financial statements

for the year ended 31 March 2024

10. Operating surplus

Operating surplus is stated after charging:

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Depreciation of housing properties	27,805	25,788	28,332	26,297
Loss on replacement of components	1,666	1,752	1,666	1,752
Depreciation of other assets	3,892	3,073	3,785	2,918
Amortisation of intangible assets	3,087	2,528	2,245	1,683
Repairs and maintenance expenditure	45,687	46,282	46,359	47,502
One-off provision for property remedial work	1,850	3,250	1,850	3,250
Operating lease rentals:				
Rent of office buildings	813	811	811	682
Hire of plant and machinery	1,629	1,326	85	40
Gain / (loss) on disposal of other fixed assets	401	23	332	(3)

Auditors' remuneration (excluding VAT):	Group 2024	Group 2023	Company 2024	Company 2023
- Fees payable to the company's auditors for the audit of the parent and group financial statements	67	64	67	64
- Audit of the accounts of subsidiaries	55	46	-	-
- Other services	2	3	2	3
Bad debt expense	675	44	671	44
Inventory provision	(67)	67	-	-

11. Stock

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Raw materials and consumables	1,782	1,740	770	718
Completed properties for sale	9,888	17,240	5,959	6,472
Work in progress	22,834	15,239	-	-
	34,504	34,219	6,729	7,190

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 (2023: £nil).
Following a reduction to the estimation basis in note 4(b)(iv) the impact on completed properties for sale is £3m.

12. Employees

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

	Group 2024	Group 2023	Company 2024	Company 2023
	Number	Number	Number	Number
Housing and central services	569	564	550	493
Repairs, maintenance and capital improvement services	898	870	569	582
	1,467	1,434	1,119	1,075

Employee costs:

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Wages and salaries	51,525	50,482	38,787	36,760
Social security costs	5,553	5,271	4,220	4,026
Pension costs	4,933	4,602	4,610	4,272
Total staff costs	62,011	60,355	47,617	45,058

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 2024	31 March 2023
£60,000 to £70,000	20	16
£70,001 to £80,000	13	11
£80,001 to £90,000	9	8
£90,001 to £100,000	5	7
£100,001 to £110,000	4	2
£110,001 to £120,000	1	3
£120,001 to £130,000	4	7
£130,001 to £140,000	2	1
£140,001 to £150,000	2	2
£150,001 to £160,000	1	-

	31 March 2024	31 March 2023
£160,001 to £170,000	-	1
£170,001 to £180,000	2	-
£190,001 to £200,000	-	1
£200,001 to £210,000	1	-
£210,001 to £220,000	-	1
£230,001 to £240,000	1	-
£240,001 to £250,000	-	1
£301,001 to £310,000	-	1
£320,001 to £330,000	1	-

Notes to the financial statements

for the year ended 31 March 2024

13. Board members and Executive Directors

Directors are defined as the eight (2023: nine) non-executive/co-optee members of the Flagship Housing Group Limited Board together with the four executive members of the Board (2023: three) 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 45 members (2023: 52). Board member remuneration during the year was:

	2024	2023
	£'000	£'000
Peter Hawes	33	31
Philip Burton (retired 1 April 2023)	-	22
Peter Baynham (retired 1 April 2023)	-	18
Robert Bennett	23	19
Stephen Cook	20	19
Doris Jamieson (retired 12 February 2024)	17	18
Matthew Peak	20	14
Paul Remington (retired 1 April 2023)	-	19
David Lee	15	6
Emma Barton	20	-
Cecilia Tredget	20	-
Steven Barford	3	-
Total emoluments – non-executive	**171**	**166**
Emoluments (including social security costs of £135,000 (2023: £129,000) – executive	1,076	1,097
Pension scheme contributions – executive	36	24
Emoluments (including social security costs of £390,000 (2023: £346,000) – Operational directors	3,000	3,409
Pension scheme contributions – Operational directors	216	247
Total Key Management compensation – 51 directors (2023: 56)	**4,328**	**4,777**
Emoluments of the highest paid director	327	306
Pension contributions of the highest paid director	-	-
	327	**306**

Retirement benefits are accruing to 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 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Current tax:				
Corporation tax charge on profit in the year	-	22	-	22
Adjustments in respect of prior periods	3	-	-	-
Total current tax charge	**3**	**22**	**-**	**22**
Deferred tax:				
Origination of temporary differences	(22)	(5)	-	-
Total deferred tax credit	**(22)**	**(5)**	**-**	**-**
Tax (credit) / charge on profit on ordinary activities	**(19)**	**17**	**-**	**22**

b. Reconciliation of tax charge

Tax assessed for the year is lower (year ended 31 March 2023: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2024 of 25% (year ended 31 March 2023: 19%). The differences are explained below:

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Surplus for the year before taxation	57,488	49,239	59,336	42,127
Profit multiplied by the standard rate of corporation tax in the UK of 25% (year ended 31 March 2023: 19%)	14,372	9,355	14,834	8,004
Effects of:				
- Charitable non-taxable income	(14,372)	(9,333)	(14,834)	(7,982)
- Adjustments to tax charge in respect of prior years	(19)	(5)	-	-
Tax (credit) / charge for the year	**(19)**	**17**	**-**	**22**

c. Tax rate changes

The Finance Act 2024 (which received Royal Assent on 22 February 2024) set the corporation tax rate at 25% from 1 April 2023 for companies with profits over £250,000, with a marginal tax rate returning for profits between £50,000 and £250,000.

d. Provision for deferred tax

The deferred tax provision on the balance sheet relates to accelerated capital allowances. At 31 March 2024 the Group has a future liability of £47,000 (2023: £70,000).

Notes to the financial statements

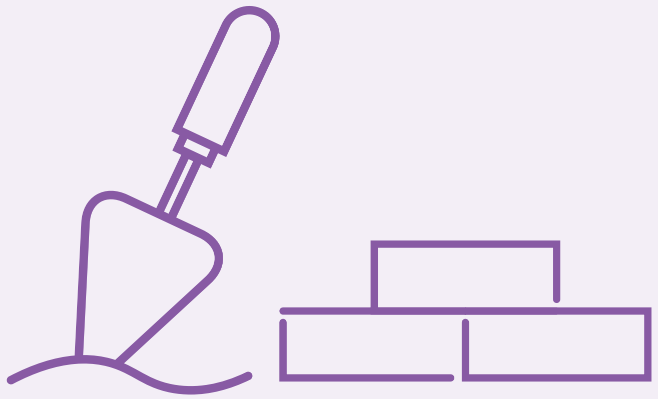
for the year ended 31 March 2024

15. Tangible fixed assets – Housing properties

15(a) Housing property net book value – Group

	Housing properties	Shared ownership properties	Property under construction	Total
At 1 April 2023	**£'000**	**£'000**	**£'000**	**£'000**
Cost	1,985,491	142,411	86,148	2,214,050
Accumulated depreciation	(236,067)	(11,845)	-	(247,912)
Net book amount	**1,749,424**	**130,566**	**86,148**	**1,966,138**
Year ended 31 March 2024				
Opening net book amount	1,749,424	130,566	86,148	1,966,138
Additions	68	-	107,627	107,695
Interest capitalised	-	-	1,597	1,597
Completed property additions	80,967	32,682	(113,649)	-
Improvement works to existing properties	50,058	-	-	50,058
Transfer of shared ownership properties to inventories	(100)	-	(9,605)	(9,705)
Converted from investment properties	168	-	-	168
Depreciation	(28,131)	(1,340)	-	(29,471)
Disposals	(8,046)	(1,193)	-	(9,239)
Closing net book amount	**1,844,408**	**160,715**	**72,118**	**2,077,241**
At 31 March 2024				
Cost	2,108,307	173,900	72,118	2,354,325
Accumulated depreciation	(263,899)	(13,185)	-	(277,084)
Net book amount	**1,844,408**	**160,715**	**72,118**	**2,077,241**

£0.6m of Social Housing Decarbonisation Funding has been transferred from opening net book value to creditors due in more than one year (note 25).



15(b) Housing property net book value – Company

	Housing properties	Shared ownership properties	Property under construction	Total
	£'000	**£'000**	**£'000**	**£'000**
At 1 April 2023				
Cost	2,033,508	144,665	73,530	2,251,703
Accumulated depreciation	(258,873)	(11,021)	-	(269,894)
Net book amount	**1,774,635**	**133,644**	**73,530**	**1,981,809**
Year ended 31 March 2024				
Opening net book amount	1,774,635	133,644	73,530	1,981,809
Additions	68	-	112,416	112,484
Interest capitalised	-	-	1,597	1,597
Completed property additions	82,474	32,682	(115,156)	-
Improvement works to existing properties	50,058	-	-	50,058
Transfer of shared ownership properties to inventories	(100)	-	(9,605)	(9,705)
Converted from investment properties	168	-	-	168
Depreciation	(28,661)	(1,337)	-	(29,998)
Disposals	(8,230)	(1,187)	-	(9,417)
Closing net book amount	**1,870,412**	**163,802**	**62,782**	**2,096,996**
At 31 March 2024				
Cost	2,156,181	175,986	62,782	2,394,949
Accumulated depreciation	(285,769)	(12,184)	-	(297,953)
Net book amount	**1,870,412**	**163,802**	**62,782**	**2,096,996**

£0.6m of Social Housing Decarbonisation Funding has been transferred from opening net book value to creditors due in more than one year (note 25).

Notes to the financial statements

for the year ended 31 March 2024

15. Tangible fixed assets – Housing properties (continued)

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 2024	Group 2023	Company 2024	Company 2023
	£'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	**21,347**	18,898	**21,216**	18,794
Held as deferred income	**248,893**	230,314	**246,838**	228,232
	270,240	249,212	**268,054**	247,026

15(d) Unencumbered value

At 31 March 2024 Flagship held unencumbered properties with an Existing Use Value for Social Housing (EUV-SH) of £348,854,000.

15(e) Impairment

No impairment charge has been made for the year ended 31 March 2024 (31 March 2023: £nil).

16. Investment properties

Investment properties were valued at 31 March 2024 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	
	2024	2023	**2024**	2023
Assumptions				
Discount rate	**5.00%**	4.80%	**8.00%**	9.00%
Annual rate of inflation:				
- Year 1	**2.50%**	4.60%	**3.14%**	8.90%
- Year 2	**2.70%**	3.10%	**2.99%**	2.90%
- Year 3 onwards	**3.20%**	2.40%	**2.99%**	2.90%
Level of long-term rent increase:				
- Year 1	**6.00%**	6.50%	**3.00%**	3.50%
- Year 2	**3.50%**	4.00%	**3.00%**	3.50%
- Year 3 onwards	**2.50%**	2.20%	**3.00%**	3.50%
Vacant Possession Discount	**22.00%**	20.00%	**-**	-

Notes to the financial statements

for the year ended 31 March 2024

16. Investment properties (continued)

	Group 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Valuation				
At 1 April	78,690	78,588	78,690	78,588
Additions	180	-	180	-
Disposal	(72)	(56)	(72)	(56)
Converted to Social Rent	(168)	-	(168)	-
Revaluation	(803)	158	(803)	158
At 31 March	77,827	78,690	77,827	78,690

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 2024 to be a reasonable approximation of market valuation at that date.

The Group student accommodation portfolio is valued on a discounted cash flow basis. Management have reviewed the assumptions used in the valuation and conclude that they are 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 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Not later than one year	4,025	3,021	4,025	3,021
Later than one year and not later than five years	3,321	2,331	3,321	2,331
	7,346	5,352	7,346	5,352

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

17. Housing Stock

Group and Company

	No. of properties				
	2023	Additions	Converted / Reclassified	Disposals	2024
Social housing					
General housing:					
- Social rent	24,782	77	19	(170)	24,708
- Affordable rent	3,064	344	(1)	(1)	3,406
Sheltered housing:					
- Social rent	422	1	-	-	423
- Affordable rent	-	-	-	-	-
Supported housing and housing for older people:					
- Social rent	244	-	(19)	(4)	221
- Care homes	22	-	-	-	22
Intermediate rented properties	1,180	43	-	-	1,223
Shared ownership	1,836	223	-	(17)	2,042
Total owned	31,550	688	(1)	(192)	32,045
Accommodation managed for others	224	159	-	-	383
Total managed	224	159	-	-	383
Non-social housing					
Market rented accommodation	347	1	(2)	(2)	344
Student accommodation	600	-	-	-	600
Total non-social housing	947	1	(2)	(2)	944
Total owned and managed	32,721	849	(4)	(194)	33,372

The Group manages 9 properties for Peal Community Housing Limited, a registered social landlord operating in Suffolk. The company manages 362 properties for Legal & General Affordable Homes and 12 for NewArch, a social housing provider.

Notes to the financial statements

for the year ended 31 March 2024

18. Intangible fixed assets

Group

	Goodwill	IT Software	Group Total
	£'000	£'000	£'000
At 1 April 2023			
Cost	8,346	7,703	16,049
Accumulated amortisation	(4,995)	(4,327)	(9,322)
Net book amount	3,351	3,376	6,727
Year ended 31 March 2024			
Opening net book amount	3,351	3,376	6,727
Additions	-	1,510	1,510
Disposals	-	(61)	(61)
Amortisation	(839)	(2,248)	(3,087)
Closing net book amount	2,512	2,577	5,089
At 31 March 2024			
Cost	8,346	9,152	17,498
Accumulated amortisation	(5,834)	(6,575)	(12,409)
Net book amount	2,512	2,577	5,089

Company

	IT Software	Company Total
	£'000	£'000
At 1 April 2023		
Cost	7,591	7,591
Accumulated depreciation	(4,261)	(4,261)
Net book amount	3,330	3,330
Year ended 31 March 2024		
Opening net book amount	3,330	3,330
Additions	1,495	1,495
Disposals	(61)	(61)
Amortisation	(2,245)	(2,245)
Closing net book amount	2,519	2,519
At 31 March 2024		
Cost	9,025	9,025
Accumulated depreciation	(6,506)	(6,506)
Net book amount	2,519	2,519

Notes to the financial statements

for the year ended 31 March 2024

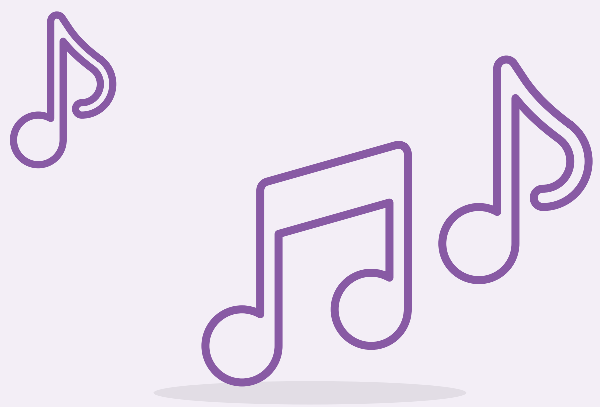
19. Other tangible assets

Group

	Office buildings and leasehold improvements £'000	Plant and equipment £'000	Total £'000
At 1 April 2023			
Cost	5,736	27,692	33,428
Accumulated depreciation	(2,813)	(13,308)	(16,121)
Net book amount	2,923	14,384	17,307
Year ended 31 March 2024			
Opening net book amount	2,923	14,384	17,307
Additions	-	7,603	7,603
Depreciation	(107)	(3,785)	(3,892)
Disposals	(2)	(1,684)	(1,686)
Closing net book amount	2,814	16,518	19,332
At 31 March 2024			
Cost	5,590	26,763	32,353
Accumulated depreciation	(2,776)	(10,245)	(13,021)
Net book amount	2,814	16,518	19,332

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 £13,726,000 (2023: £11,144,000).



Company

	Office buildings and leasehold improvements £'000	Plant and equipment £'000	Total £'000
At 1 April 2023			
Cost	4,964	23,464	28,428
Accumulated depreciation	(2,478)	(8,921)	(11,399)
Net book amount	2,486	14,543	17,029
Year ended 31 March 2024			
Opening net book amount	2,486	14,543	17,029
Additions	-	7,578	7,578
Depreciation	(95)	(3,690)	(3,785)
Disposals	(2)	(1,680)	(1,682)
Closing net book amount	2,389	16,751	19,140
At 31 March 2024			
Cost	4,962	26,753	31,715
Accumulated depreciation	(2,573)	(10,002)	(12,575)
Net book amount	2,389	16,751	19,140

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 £13,726,000 (2023: £11,144,000).

Notes to the financial statements

for the year ended 31 March 2024

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
Gasway Services Limited	04158628	100%	Gas servicing
Blue Flame (Colchester) Limited*	05086439	100%	Non-trading
Hopestead CIO	1190324	N/A	Registered Charity
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 2024, are consolidated into the Group. The company's investment is direct ownership unless otherwise stated and the cost of investment is presented below:

Cost of investment:	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
At 1 April	13,517	13,440	85,344	85,267
Additions	258	77	258	77
Disposals	-	-	(10,000)	-
At 31 March	13,775	13,517	75,602	85,344
Group companies	-	-	61,827	71,827
Liquidity deposit reserve	13,773	13,515	13,773	13,515
Other investments	2	2	2	2
	13,775	13,517	75,602	85,344

21. Investments in joint ventures

At the beginning of the previous financial year the Group had a direct interest in two joint venture undertakings, Lovell Flagship LLP (50% share) and Evera Homes LLP ('Evera') (25% share), structured as limited liability partnerships.

Following a change in strategic direction of Evera the Group, through Flagship Housing Developments Limited's membership, chose to retire from Evera in January 2023. Prior to retirement, Evera's investment in Littleport Developments LLP was transferred to Grange Lane (Littleport) LLP. Grange Lane (Littleport) LLP was incorporated in November 2022 by the four members of Evera to hold the members investment in Littleport Developments LLP.

Grange Lane (Littleport) LLP through its 50% investment in Littleport Developments LLP has one active development to deliver 680 new homes, both for open market sale and as affordable housing, over a 10-year horizon.

Consequently, at 31 March 2024 the Group had a direct interest in Lovell Flagship LLP (50% share) and Grange Lane (Littleport) LLP (50% share). Indirectly through its investment in Grange Lane (Littleport) LLP, the Group has a 12.5% share in Littleport Developments LLP. The Group structures its joint ventures 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 had the following joint venture investments at 31 March 2024:

Name	Company registration number	Ownership	Nature of business
Lovell Flagship LLP	OC427790	50%	Development
Grange Lane (Littleport) LLP	OC444733	25%	Development
Littleport Developments LLP*	OC435041	12.5%	Development

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

The registered address of Lovell Flagship LLP is Kent House, 14-17 Market Place, London. W1W 8AJ. The registered address of Grange Lane (Littleport) LLP is 1 Crown Court, Crown Way, Rushden, NN10 6BS. The registered address of Littleport Developments LLP is 11 Tower View Kings Hill, West Malling, ME19 4UY.

Lovell Flagship LLP has a 31 December year-end. Grange Lane (Littleport) LLP has a coterminous year-end with the Group.

The Group has Member's capital in Grange Lane (Littleport) 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 2024:

	31 March 2024	31 March 2023
	£'000	£'000
Opening balance at start of period	11,998	13,066
Additional member loan paid to JV	2,768	2,372
Loan repayment from JV	(3,177)	(4,545)
Share of profits / (losses) for the period	864	1,105
Closing balance at end of period	12,453	11,998

Notes to the financial statements
for the year ended 31 March 2024

21. Investments in joint ventures (continued)

	Lovell Flagship LLP		Grange Lane (Littleport) LLP	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£'000	£'000	£'000	£'000
Non-current loan receivable*	6,705	6,633	2,898	3,379
Share of profits included in Members interests	2,635	1,850	215	136
	9,340	8,483	3,113	3,515

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 loan receivable from Lovell Flagship LLP includes accrued interest of £1,274,835 (2023: £726,080).
The loan receivable from Grange Lane (Littleport) LLP includes accrued interest of £467,374 (2023: £220,253).

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

	31 March 2024	31 March 2023
	£'000	£'000
Current assets	13,880	15,244
Non-current assets	-	-
Current liabilities	(1,357)	(3,737)
Non-current liabilities (or Members loans)	(9,690)	(10,012)
Net assets at balance sheet date	2,833	1,495

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

Revenue	12,137	9,533
Expenses	(11,273)	(8,428)
Share of profit for the period	864	1,105

22. Shared equity loans

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
At 1 April	-	-	-	-
New loans issued	1,906	-	1,906	-
Redeemed in the year	(71)	-	(71)	-
Loans transferred from other assets	160		160	
Loan provided against	-	-	-	-
	1,995	-	1,995	-

These loans are secured on the properties and are to be repaid in line with the terms of the scheme. There is no interest charged.

23. Trade and other debtors

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Rent arrears				
- Amounts due from tenants	11,196	10,607	11,196	10,607
- Bad and doubtful debt provision	(6,601)	(5,784)	(6,601)	(5,784)
Other trade debtors				
- Amounts due from other trade debtors	4,640	6,173	1,165	1,531
Other debtors	718	640	614	542
Amounts owed by Group undertakings	-	-	674	1,892
VAT and other taxes	83	112	-	14
Prepayments and accrued income	15,514	15,540	9,292	12,107
	25,550	27,288	16,340	20,909

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 2023: £90,000) relating to a security for a trade body membership, which would become repayable upon cessation of trade body membership.

24. Creditors: amounts falling due within one year

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Trade creditors	14,676	15,498	10,751	10,846
Amounts due to Group undertakings	-	-	18,569	21,410
Other creditors	4,290	4,773	4,147	4,690
Other taxes and social security costs	833	1,640	557	1,335
Accruals and deferred income	36,003	31,678	22,877	20,047
Bank loans and overdrafts (note 26)	23,775	14,138	24,376	14,740
Obligations under finance leases and hire purchase contracts (note 26)	3,322	2,345	3,322	2,345
Deferred capital grant (note 29)	2,594	2,447	2,567	2,420
Recycled Capital Grant Fund (note 30)	867	924	867	924
	86,360	73,443	88,033	78,757

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

Notes to the financial statements

for the year ended 31 March 2024

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

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (note 26)	901,345	900,669	714,092	713,492
Amounts due to Group undertakings (note 38)	-	-	190,288	190,814
Obligation under finance leases and hire purchase contracts (note 26)	21,542	20,720	21,542	20,720
Accruals and deferred income	323	364	323	364
Deferred Capital Grant (note 29)	246,299	227,867	244,271	225,812
Other grant	2,561	611	2,561	611
	1,172,070	1,150,231	1,173,077	1,151,813

Other grant of £2.6m (2023:£0.6m) relates to grant received from the Social Housing Decarbonisation Fund. £0.6m of Social Housing Decarbonisation Funding has been transferred from housing property opening net book value (note 15) to creditors due in more than one year.

26. Loans and other borrowings

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

The Group's debt portfolio at 31 March 2024 consisted of £255m (2023: £205m) of revolving credit facilities, £160m (2023: £134m) of term debt held at variable interest rates, £519m (2023: £560m) of term loans held at fixed interest rates, a £250m listed bond held at a fixed rate (2023: £250m) and £3m overdraft facility held at a variable interest rate. Undrawn facilities at 31 March 2024 consist of £207m (2023: £182m) revolving credit facilities, £50m retained bonds (2023: £50m) and £3m overdraft facility (2023: £3m).

The Group's borrowing facilities have variable interest rates ranging between SONIA+0.7% and SONIA+1.7% and fixed interest rates ranging from 0.7% to 6.6%.

The final instalments fall to be repaid in 2061.

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Due within one year				
Loans repayable by instalments	23,075	13,376	23,075	13,376
Fair value adjustment on bank loans	1,293	1,186	1,894	1,788
Less: debt issue costs	(593)	(424)	(593)	(424)
	23,775	14,138	24,376	14,740
Due after more than one year				
Loans repayable by instalments	573,649	609,460	573,649	609,460
Loans repayable other than by instalments	329,715	294,235	329,715	294,235
Fair value adjustment on bank loans	(188)	(1,043)	2,847	2,594
Less: debt issues costs	(1,831)	(1,983)	(1,831)	(1,983)
	901,345	900,669	904,380	904,306

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

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Within one year or on demand	23,075	13,376	23,075	13,376
One year or more but less than two years	23,849	36,537	23,849	36,537
Two years or more but less than five years	127,226	77,711	127,226	77,711
Five years or more	752,289	789,447	752,289	789,447
	926,439	917,071	926,439	917,071

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

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Within one year or on demand	43,761	35,927	43,761	35,927
One year or more but less than two years	37,753	35,098	37,753	35,098
Two years or more but less than five years	64,098	99,503	64,098	99,503
Five years or more	305,290	321,955	305,290	321,955
	450,902	492,483	450,902	492,483

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

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Net finance lease obligations:				
Not later than one year	3,322	2,345	3,322	2,345
Later than one year and not later than five years	14,236	12,556	14,236	12,556
Later than five years	7,306	8,164	7,306	8,164
	24,864	23,065	24,864	23,065

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.

Notes to the financial statements

for the year ended 31 March 2024

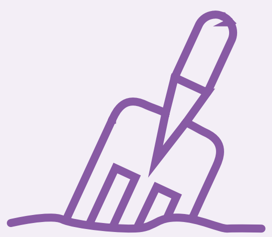
27. Interest and financing costs

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
On loans wholly or partly repayable in more than five years	37,328	32,417	36,726	31,718
Amortisation of debt issue costs	615	425	615	425
Interest accrued on RCGF balance	45	27	45	27
Finance leases	160	131	160	131
Net interest cost on defined benefit deficit	49	224	49	224
Unwinding of discounts on provisions	537	566	536	566
	38,734	33,790	38,131	33,091
Less: Interest capitalised (note 15)	(1,597)	(1,511)	(1,597)	(1,511)
	37,137	32,279	36,534	31,580

The weighted average interest on borrowings of 4.3% (2023: 3.6%) was used for calculating capitalised interest.

28. Interest receivable

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Bank interest receivable	2,017	1,149	1,989	1,149
Interest from joint venue non-current loan receivables	965	568	-	-
Gift aid receipts	-	-	6,613	2,193
	2,982	1,717	8,602	3,342



29. Deferred capital grant

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
As at 1 April	230,314	207,219	228,232	205,110
Grant received in the year	21,285	25,842	21,285	25,842
Grant Recycled in the year	345	560	345	560
Released to income in the year	(2,449)	(2,392)	(2,422)	(2,365)
Grant released on disposals	(602)	(915)	(602)	(915)
As at 31 March	248,893	230,314	246,838	228,232
Amount due to be released in less than one year	2,594	2,447	2,567	2,420
Amount due to be released after more than one year	246,299	227,867	244,271	225,812
	248,893	230,314	246,838	228,232

30. Recycled capital grant

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
As at 1 April	924	1,274	924	1,274
Grant to be recycled on disposals	243	183	243	183
Interest accrued on recycled grant	45	27	45	27
Grant recycled in the year on new properties	(345)	(560)	(345)	(560)
As at 31 March	867	924	867	924

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 2024

31. Provisions

Group	Deferred tax	Dilapidations	Property remedial work	Group total
	£'000	£'000	£'000	£'000
At 1 April 2023	70	233	3,250	3,553
Amounts provided for in the year	-	-	1,850	1,850
Less: Provision released in the year	(23)	-	-	(23)
At 31 March 2024	47	233	5,100	5,380
Company				
At 1 April 2023	-	233	3,250	3,483
Amounts provided for in the year	-	-	1,850	1,850
At 31 March 2024	-	233	5,100	5,333

At 31 March 2024 the Company held a provision of £233,000 (2023: £233,000) for dilapidations for the leased office estate used by the Group.

The Company also holds a provision for £5.1m (2023: £3.25m) for remedial works that the company has a constructive obligation to delivery at a property it owns in Suffolk. A detailed intrusive survey was undertaken during the year resulting in a £1.85m increase in provision required.

32. Capital and other commitments

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Development capital expenditure contracted for but not provided in the financial statements	177,197	182,365	88,197	108,549
Hopestead committed donations without contractual agreement	200	-	-	-
	177,397	182,365	88,197	108,549

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

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Not later than one year	1,678	1,242	498	362
Later than one year and not later than five years	3,313	2,136	1,586	780
Later than five years	918	969	909	969
	5,909	4,347	2,993	2,111

The Group had no other off balance sheet arrangements.

33. 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 Pensions Trust – Flagship Housing Group ex-SHPS Scheme – ('FHGS'). The Group also participates in various defined contribution schemes and the amount recognised in the statement of comprehensive income is as follows:

	Group 2024	Group 2023	Company 2024	Company 2023
	£'000	£'000	£'000	£'000
Defined benefit schemes				
- Current service costs	296	446	296	446
Defined contribution schemes	4,637	4,156	4,314	3,826
Total charge in operating profit	4,933	4,602	4,610	4,272
Defined benefit schemes				
- Net interest expense	49	224	49	224
Total charge to profit and loss	4,982	4,826	4,659	4,496

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 has not incurred a significant increase in contributions at the latest 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 2024 by Hymans Robertson LLP, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	LGPSN 2024	LGPSN 2023	LGPSS 2024	LGPSS 2023
Expected rate of increase of pensions in payment	2.80%	3.00%	2.80%	3.00%
Expected rate of salary increases	3.50%	3.70%	3.80%	4.20%
Discount rate	4.80%	4.75%	4.80%	4.75%

Notes to the financial statements

for the year ended 31 March 2024

33. Defined benefit pension liability (continued)

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

The mortality assumptions used were as follows:

	LGPSN 2024	LGPSN 2023	LGPSS 2024	LGPSS 2023
Longevity at age 65 for current pensioners				
- Men (years)	21.9	22.0	22.0	22.5
- Women (years)	24.3	24.5	23.0	22.9
Longevity at age 65 for future pensioners				
- Men (years)	23.4	23.5	22.2	22.6
- Women (years)	26.0	26.2	25.4	25.1

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 2023	17,682	(15,516)	2,166	5,754	(4,429)	1,325
Benefits paid	(766)	770	4	(221)	221	-
Participant contributions	16	(16)	-	3	(3)	-
Employer contributions	261	-	261	40	-	40
Current service cost	-	(64)	(64)	-	(12)	(12)
Interest income / (expense)	829	(721)	108	269	(206)	63
Re-measurement gains/(losses)						
- Actuarial (losses) / gains	-	102	102	-	38	38
- Return on plan assets excluding interest income	497	-	497	463	-	463
At 31 March 2024	18,519	(15,445)	3,074	6,308	(4,391)	1,917

Total cost recognised as an expense:

	LGPSN 2024	LGPSN 2023	LGPSS 2024	LGPSS 2023
Current service cost	64	98	12	22
Interest cost	721	532	206	154
	785	630	218	176

No amounts (2023: £nil) were included in the cost of assets.

The fair value of the plan assets was:

	LGPSN 2024 £'000	LGPSN 2023 £'000	LGPSS 2024 £'000	LGPSS 2023 £'000
Equities	5,740	5,658	4,037	3,855
Bonds	9,260	8,841	1,703	1,323
Property	2,778	2,829	505	518
Cash	741	354	63	58
	18,519	17,682	6,308	5,754

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 2024 £'000	LGPSN 2023 £'000	LGPSS 2024 £'000	LGPSS 2023 £'000
Interest income	829	496	269	162
Return on plan assets less interest income	497	(1,033)	463	(336)
Total return on plan assets	1,326	(537)	732	(174)

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 2024				
0.1% decrease in Real Discount Rate	1%	1%	208	60
One year increase in member life expectancy	4%	4%	618	176
0.1% increase in the Salary Increase Rate	0%	0%	6	1
0.1% increase in the Pension Increase Rate (CPI)	1%	1%	205	60

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 2024

33. Defined benefit pension liability (continued)

ii. The Pensions Trust – Flagship Housing Group ex-SHPS Scheme - FHGS

During the year the Group participated in a single employer defined benefit pension scheme The Pensions Trust – Flagship Housing Group ex-SHPS Scheme ('FHGS') administered by The Pensions Trust. The Group is solely responsible for schemes assets and liabilities.

A comprehensive actuarial valuation of the FHGS scheme, using the projected unit credit method, was carried out at 30 September 2022, by independent consulting actuaries. These results have been updated based on the following assumptions:

	31 March 2024	31 March 2023
Expected rate of increase of pensions in payment (CPI)	2.93%	2.96%
Expected rate of salary increases	2.93%	2.96%
Discount rate	4.90%	4.83%
Rate of inflation (RPI)	3.11%	3.17%

The mortality assumptions used were as follows:

	31 March 2024	31 March 2023
	Years	Years
Longevity at age 65 for current pensioners		
- Men	22.1	22.2
- Women	24.4	24.5
Longevity at age 65 for future pensioners		
- Men	23.7	23.9
- Women	25.8	25.9

Reconciliation of scheme assets and liabilities:

	Assets £'000	Liabilities £'000	Total £'000
At 1 April 2023	31,518	(37,075)	(5,557)
Benefits paid	(1,090)	1,090	-
Member contributions	29	(29)	-
Employer contributions	2,258	-	2,258
Current service cost	(103)	(117)	(220)
Interest income / (expense)	1,548	(1,768)	(220)
Re-measurement gains / (losses)	-	-	-
- Actuarial gains / (losses)	-	451	451
- Experience Return on plan assets excluding interest income	(1,176)	-	(1,176)
At 31 March 2024	**32,984**	**(37,448)**	**(4,464)**

Total cost recognised as an expense:

	2024 £'000	2023 £'000
Current service cost	220	326
Interest cost	1,768	1,443
	1,988	1,769

No amounts (2023: £nil) were included in the cost of assets.

Notes to the financial statements

for the year ended 31 March 2024

33. Defined benefit pension liability (continued)

ii. The Pensions Trust – Flagship Housing Group ex-SHPS Scheme (continued)

The fair value of the plan assets was:

	31 March 2024 £'000	31 March 2023 £'000
Equity	3,402	4,559
Bonds	2,145	1,057
Property	1,460	1,589
Cash	2,003	1,729
LDI	15,673	10,854
Liquid alternatives	2,981	3,435
Private credit	2,587	4,675
Other	2,733	3,620
	32,984	31,518

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:

	2024 £'000	2023 £'000
Interest income	1,548	1,247
Return on plan assets less interest income	(1,176)	(15,196)
Total return on plan assets	372	(13,949)

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 2024		
Discount rate + / - 0.1%	- / + 2%	- / + 749
Inflation assumptions + / - 0.1%	- / + 2%	- / + 749
Life expectancy + / - 1 year	- / + 3-5%	- / + 1,311

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).

34. Notes to the cash flow statement

	Note	Group 2024 £'000	Group 2023 £'000
Surplus for the financial year		57,101	49,222
Adjustments for:			
Tax on profit	14	(19)	17
Increase in investment property revaluation	16	803	(158)
Net interest expense	27 / 28	34,155	30,562
Gain on shared equity loans		(1,906)	-
Operating surplus		90,134	79,643
Depreciation of tangible fixed assets and amortisation of intangible assets and capital grant (including accelerated depreciation on component replacement)	10 / 29	34,001	30,749
(Gain) / loss on investment in joint ventures	21	(864)	(1,105)
(Gain) / loss on disposal of housing properties and other fixed assets		(19,339)	(18,399)
Defined benefit pension schemes - service cost	33	296	446
Defined benefit pension schemes - contributions paid	33	(2,559)	(3,028)
Working capital movements:			
- (Increase) / decrease in inventories		9,320	27,211
- (Increase) / decrease in debtors		(975)	(2,169)
- Increase in creditors		2,179	12,002
Cash flow from operating activities		112,193	125,350

Analysis of changes in net debt

	At 1 April 2023 £'000	Cash flows £'000	Non-cash changes £'000	At 31 March 2024 £'000
Cash at bank and in hand	60,228	(20,416)	-	39,812
Bank loans and borrowings	(914,807)	(11,087)	775	(925,119)
Finance leases	(23,064)	4,220	(6,020)	(24,864)
Total	(877,643)	(27,283)	(5,245)	(910,171)

Non-cash transactions

The Group has acquired tangible assets under finance leases. £6,020,000 (2023: £5,351,000) has been capitalised as the cost of the asset, being the present value of the minimum lease payments. The Group unwound £776,000 of discount on fair value of loans and amortisation of debt issue costs during the year (2023: £566,000).

Notes to the financial statements

for the year ended 31 March 2024

35. Financial instruments

Group

The Group has the following financial instruments:

	Note	31 March 2024 £'000	31 March 2023 £'000
Financial assets that are debt instruments measured at amortised cost			
- Trade receivables and rental arrears	23	9,235	10,996
- Other receivables	23	718	640
- Loan receivable from joint venture undertakings	21	9,603	10,012
- Cash and cash equivalents		39,812	60,228
		59,368	81,876
Financial liabilities measured at amortised cost			
- Bank loans and borrowings	26	925,120	914,807
- Finance leases	24 / 25	24,864	23,065
- Trade creditors	24	13,676	15,498
- Accruals and deferred income	24 / 25	36,326	32,042
- Other creditors	24	4,290	4,773
		1,004,276	990,185

36. 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 2024 (31 March 2023: £nil).

37. Share Capital

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 £7 (2023: £8). Each share carries one vote, is not redeemable and does not have any dividend or distribution rights.

38. Related party disclosures

The Accounting Direction 2022 Part 2 48 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 2024 £'000	Year ended 31 March 2023 £'000
Purchases from Flagship Housing Developments Limited	30,610	36,411
Purchases from Gasway Services Limited	24,791	28,936
Purchases from Blue Flame (Colchester) Limited	-	1,559
Interest paid to Flagship Finance Plc	4,017	4,066
Services provided to Flagship Housing Developments Limited	2,761	1,049
Services provided to Gasway Services Limited	700	175
Grant made to Hopestead	1,500	1,000

As at 31 March 2024 Flagship Housing Group Limited had the following intercompany balances with its subsidiary undertakings:

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Amounts due to Flagship Housing Developments Limited	(16,435)	(19,549)
Amounts due to RFT Repairs Limited	(1,861)	(1,861)
Amount due to Flagship Finance Plc	(190,288)	(190,814)
Amount due (to) / from Gasway Services Limited	(273)	1,219
Amounts due from Blue Flame (Colchester) Limited	673	673
Amounts due from Hopestead	1	-
	(208,183)	(210,332)

Amounts owed to Group undertakings, excluding Flagship Finance Plc, are unsecured, interest free, and have no fixed date of repayment and are repayable on demand. Flagship Finance Plc issued the Group's £250m capital market bond which it on-lent to its parent undertaking. Its balance is secured, interest bearing with a fixed date of repayment in 2061.

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 2024

39. 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.

40. Events after the reporting period

On 26 June 2024 the Group announced that it was holding business combination talks with Bromford Housing Group. The proposal would result in Bromford Housing Group Limited being renamed to Bromford Flagship and Flagship Housing Group Limited becoming a subsidiary entity of Bromford Flagship subject to relevant consents being obtained. Together Bromford Flagship would own and manage c.80,000 homes. Both organisations have complementary strengths and are financially robust which would result in a combined organisation with greater financial capacity to continue to address the many challenges faced by the social housing sector.

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for the year ended 31 March 2024 | Flagship Group

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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