

futures housing group

ANNUAL REPORT AND FINANCIAL STATEMENTS.

Futures Housing Group Limited

Year ended 31 March 2018


Company Registration No.06293737
Registered by the Regulator for Social Housing No. L4502

CONTENTS.

BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS.

Board		Appointed	Resigned
Chair	Tony Taylor	25 May 2010	
Vice Chair	Sheila Hyde	23 September 2014	
Other Members	Harindra Punchihewa Lindsey Williams David Leathley Sophie Fitzhugh Philip Tooley Steve Hale Ray Harding Mike Stevenson David Brooks Tim Slater Mary Daunt	27 January 2009 18 July 2013 1 April 2014 15 July 2015 15 July 2015 15 July 2015 26 January 2016 26 January 2016 19 July 2017 19 July 2017 22 May 2018	31 January 2018
Company Secretary	Ian Skipp		
Executive Directors	Chief Executive Group Finance and Resources Director Group Business Growth & Transformation Director Group Customer Services & Assets Director	Lindsey Williams Ian Skipp Marcus Keys Suki Jandu	
Registered Office	Asher House Asher Lane Business Park Ripley Derbyshire DE5 3SW	Bankers	NatWest Bank PLC 1 Chesterfield Road Alfreton Derbyshire DE55 7ZR
Registered Number	Registered under the Companies Act 2006, No: 06293737 Regulator of Social Housing, No: L4502		
External Auditors	Mazars LLP 45 Church Street Birmingham B3 2RT	Solicitors	Anthony Collins LLP 134 Edmund Street Birmingham 3 2ES

STRATEGIC REPORT.

The Board of Futures Housing Group Limited presents its report together with the audited financial statements for the year ended 31 March 2018.

Legal status

Futures Housing Group Limited ('the Company' or 'FHG') is a company limited by guarantee (number 06293737) and is registered as a housing provider with the Regulator of Social Housing ('RSH') (number L4502). It is the parent entity of the Futures Housing Group (‘the Group’). The Company was incorporated on 26 June 2007 and began trading on 5 November 2007.

FHG provides back office services to its subsidiaries; these include finance, human resources, information technology and procurement. It also provides services in respect of strategic asset management and development.

Subsidiaries

Other members of the Group are:

Futures Homescape Limited (FHL) formed in 2003. Registered provider with the RSH.

At 31 March 2018 FHL owned 6,054 housing properties (2017: 5,855) for social/affordable rent, shared ownership and market rent. 2,236 of these homes are supported housing which include a lifeline service. It also manages 141 properties for other organisations (2017: 144).

Futures Homeway Limited (FHW) formed in 2007. Registered provider with the RSH.

At 31 March 2018 FHW owned 3,077 housing properties (2017: 3,084) for social/affordable rent, shared ownership and market rent. 888 of these homes are supported housing with a lifeline service.

Five Doorways Homes Limited (5D) formed in 2004. Not a registered provider. At 31 March 2018 5D owned 87 housing properties (2017: 88). 5D is a subsidiary of FHL.

Futures Greenscape Limited (FGL) formed in 2011. FGL is a social enterprise business whose principal activities are grounds maintenance, property clearance and painting, with the associated aim of training and developing its staff to equip them with skills to gain employment.

Limehouse Developments Limited (LHD) formed in 2015, which acts as a development vehicle for properties for outright sale. LHD is a subsidiary of 5D.

Working in partnership allows the Group to provide the benefits and economies of scale and capacity that a large organisation brings, while allowing each company to retain a strong focus on local delivery.

Vision

The Group’s vision is to create ‘**Great Places. Quality Service. Inspiring Futures.**’

Purpose

The Group’s purpose is to create great places, provide quality services with great people and inspire better futures for customers and team members. Building on a proud history as a quality housing provider, the Group is on an exciting journey to revolutionise what it does and how it does it. It continues to be a key partner in the markets it serves. The most important part of that journey is putting customers at the heart of everything it does, and by giving them effortless experiences delivered by agile and innovative team members who embrace change and new technology.

The Group will use smarter customer insight to constantly improve what it does, while seeking ways of being more efficient, so better value for money can be delivered. At the same time as revamping services, teams are building on their strengths and expertise by ensuring that every team member lives and breathes the Group’s culture and values.

The Group has an ambitious building programme to deliver more homes, obtain more from existing assets and ensure customers’ needs are met.

Providing homes for people will always be the core purpose, but in addition, the Group will provide more to customers through giving them the chance to learn new skills and get new jobs through a training company, and the social enterprise FGL. The Group has strong financial foundations, talented and innovative teams, a clear plan for growth and a desire to go from being good to great.

The Corporate Plan's key objectives

The current 2016-2019 Corporate Plan outlines the Group's four key objectives to deliver the vision and purpose:

Effortless Customer Experiences

We provide effortless customer experiences.

Strong Organisation

We have a Futures Way of working, which meets customers' needs.

Great Places

We provide quality affordable homes and support our customers and partners to make better communities.

Ambitious Futures

We build new homes to offer more choice to customers, and find opportunities to grow and strengthen our business.

Employees

The strength of the Group lies in the quality and commitment of its employees. In particular our ability to meet objectives and commitments to customers in an efficient and effective manner depends on their contribution. The Group provides information on its objectives, progress and activities through regular briefings and team meetings. The Group is committed to equal opportunities for all its employees.

Customer involvement

The Group actively encourages customer involvement in decision making by promoting more formal engagement mechanisms. The Boards of the principal operating companies within Futures Housing Group have established effective reporting arrangements between customers' representative bodies and the Boards including insight committees.

Delivery of the objectives is underpinned by a number of strategies and actions, which are detailed in the Value for Money (VFM) self-assessment. The assessment contains the latest achievements, future plans for 2018/19 and beyond, opportunities, areas for further development and key performance indicators. A five-year financial summary is also included under 'Strong Organisation.'

STRATEGIC REPORT CONTINUED.

VFM STATEMENT

1 | Introduction

The purpose of this statement is to demonstrate compliance with the RSH's regulatory standard entitled 'Value for Money Standard - April 2018' and the RSH's recommended 'Value for Money Code of Practice - April 2018.'

Strategic objectives

The Group is currently operating within its Corporate Plan 2016-19 set by the Board, underpinned by a 30-year business plan. The corporate plan has four main business objectives shown below.

Effortless Customer Experiences
We provide effortless customer experiences.

Strong Organisation
We have a Futures Way of working, which meets customers' needs.

Great Places
We provide quality affordable homes and support our customers and partners to make better communities.

Ambitious Futures
We build new homes to offer more choice to customers, and find opportunities to grow and strengthen our business.

To support delivery of the key objectives, the Group embraces the MORE values to promote a positive culture of innovation and learning as shown below.

Value for Money (VFM) outcome-based targets are set and agreed by the Board each year to underpin the four corporate objectives in the VFM strategy. These VFM targets are also included in the annual Budget report to demonstrate how budgets have been aligned to support their delivery. The outcomes are aimed at increasing one or more of economy, efficiency and effectiveness of each service line across the business and back-office functions. The overarching aim of the VFM Strategy is to have:

‘Upper quartile performance with costs at no more than the median level.’

VFM is an ongoing process that is embedded within the Group’s systems and culture. There is a clear track record of driving cost reduction and improved performance while generating savings for reinvestment in both existing stock and increasing the number of new homes developed.

The performance management framework in place ensures that internal VFM measures and external performance metrics are monitored and reported on a regular basis to enable the Board to oversee delivery of the corporate objectives, and to implement corrective actions where necessary.

- ✓ The Co-executive Team meets monthly and reports on performance at a detailed level;
- ✓ The Board receives quarterly performance reports and a quarterly budget monitoring report;
- ✓ The Audit & Risk Committee, which acts as VFM champion for the Board, receives a VFM target-versus-outcome report.

Customers are also part of the scrutiny framework. The Group has Insight Committees, consisting of Board members and customer representatives. These meet regularly to play a key role in consulting on decisions relating to service provision and provide feedback on services and desired improvements. They inform Board decisions on areas for investment to help improve effectiveness and shape the Group’s strategic direction.

This statement provides information on how the VFM outcomes are being achieved against each of the corporate objectives. In sections 2 to 5 of this statement, the following information is included under each corporate objective:

- Progress review of 2017/18 VFM outcome-based targets set in the 2017/18 VFM Strategy
- 2017/18 performance against internal VFM metrics and measures set by the Board
- External benchmarking to compare performance with peers
- 2018/19 VFM outcome-based targets set in the 2018/19 VFM Strategy, to set future direction
- Where performance is not being met, an explanation of plans in place to address underperformance or, where relevant, rationale for the Group’s tolerance of performance levels.

The VFM Standard requires the Group to articulate, through its corporate objectives, the strategy for delivering homes to meet a range of needs. This is articulated under the ‘Ambitious Futures’ corporate objective. All of the economy and efficiency gains achieved in the other three corporate objectives are redeployed into the Ambitious Futures objective to deliver more new homes.

Further information as required by the VFM standard is included in this statement as follows:

- VFM metrics set by the regulator, analysing how the Group compares to the sector (Section 6)
- Reviews to date on potential future VFM gains achievable through alternative commercial, organisational and delivery structures (Section 7)
- Analysis of non-social housing activity performance (Section 8).

Suki Jandu,
Group Customer
Experience Director

Effortless Customer Experience

We provide effortless customer experiences

2 | Effortless Customer Experiences

Progress review of 2017/18 VFM outcome-based targets set in the 2017/18 VFM Strategy

VFM actions	Progress to date	Status
Effectiveness, Efficiency: To continue the roll-out of unified communications, including customer access on mobile devices.	Orchard/Contact Centre integration was delivered in April 2017 driving improved efficiency and consistency of contact handling and information capture. Call recording and quality measurement is live and operational. The Group's customer portal app (My Account) went live in July 2017 and offers customers highly-functional, intuitive and modern self-service on any device with an Internet connection. Self-appointing repairs were also delivered for customers at this time, allowing them to report a repair and select an appointment slot online without the need for any human intervention. This enables improved customer service and greater back-office efficiency. The app is now being actively marketed and promoted to all customers.	On target
Economy, Efficiency and Effectiveness: To continue into year 2 of the three-year transformation programme of customer facing departments.	The transformation programme is ongoing with four active transformations. Support Services transformation in May 2017 identified cost savings and future growth potential for the redesigned service. The Income transformation entered the delivery phase in September 2017 with a review of the changes scheduled for January 2018. A New Markets transformation entered the delivery phase in September 2017 for the Right to Buy/Acquire system. The Repairs system transformation commenced in September 2017. Nine mini transformations (focusing on processes rather than systems) have been completed.	On target
Effectiveness: To increase our 'right first time' service delivery evidenced by a reduction in the percentage of same repair jobs raised at the same property within two months of the original repair being completed.	New customer dashboard and measures are now in place, which provide better quality information for identifying issues and developing solutions. Instead of monitoring 'Right First Time', a new measure has been developed which is the percentage of same repair jobs raised at the same property within two months of the original repair being completed. This new measure collates information over a greater timeframe and is therefore a more valid assessment of accuracy of repair jobs. More time is required to collate this measure before setting a Group-wide target.	On target
Effectiveness: To extend the provision of job skills and work experience opportunities for customers to assist them in gaining paid employment.	During 2017/18 the Employability Team had 12 customers on the work experience scheme, a further 11 on the schools work experience scheme and increased the number of Job Skill sessions from 253 last year to 334. They also supported 82 new customers into work or training, which was an increase of 25 from the previous year.	On target
Effectiveness: To show measureable improvement in how easy it is for customers to interact with us.	The Self Service Portal 'My Account' was launched in November 2017. This allows customers to report and schedule repairs as well as check their rent account, update their details, report anti-social behaviour (ASB) and complaints etc. At 31 March 2018 there are 2,805 registrations on My Account. We have also completed our Income transformation and have a targeted approach to moving customers onto Direct Debit and paying online or via our automated payment line.	On target

Table continued.

VFM actions	Progress to date	Status
Effectiveness: To increase our customer net promoter score (how many of our customers would recommend our services to others).	The collection of data for the net promoter score commenced January to March 17. The current net promoter scores are: • +51 for repairs • +44 for income and neighbourhoods.	On target
Effectiveness: To demonstrate improved services through use of customer research and insight.	A new information team is being set up consisting of seven full-time equivalent (FTE) posts to focus on improving data capture and analysis. The team will be in place by Q1 of 2018/19. Further targets will be set once the team is operational.	Previously delayed but moving towards target

2017/18 performance against internal VFM metrics

Measure	Result
Net Promoter Score NPS is calculated based on responses to the question: "How likely are you to recommend FHG to a friend or family member?"	Net Promoter Score has seen a positive increase in repairs to +51 at the end of Q3. This is due to an improved speed of telephone answering and seasonal jobs being completed quicker. Income and Neighbourhood services generated a NPS of +44.
Service failure contacts The total number of customer contacts logged within Orchard which have been identified as failure demand.	Repairs continue to generate the highest volume of failure demand contacts, although for the reporting period against year-to-date performance, failure was down 30%.

External benchmarking to compare performance with peers

External benchmarking information for frontline services is taken from HouseMark. The latest available data is based on 2016/17.

HouseMark indicator	2016/17 Quartile performance	Direction of travel	Actual 2016/17	Target met 2016/17	Actual 2015/16
Average re-let time in days (standard re-lets)	2	↑	23		24

The Group's overarching target is upper quartile performance at no more than median cost. For average relet times, this target is not met, but has improved since last year. The Group has made changes to the relet process during 2017/18, which are aimed at enhancing efficiency and effectiveness. The new staff structure will provide a single point of accountability for managing the end-to-end empty homes process across the Group. This will prevent numerous hand-offs occurring that have been commonplace in the past. In addition, this will provide a single point of accountability for managing external contractors, the empty homes budget and performance overall.

The Group's housing management system is also currently being reconfigured and systems integration being enhanced to reduce time spent on each property. The relet process itself also commences earlier than it used to, now making use of the four-week notice period to carry out pre-inspections, advertise, shortlist and arrange viewings prior to termination of existing tenancies. This means prospective customers are ready to move in as soon as work is completed. It is therefore anticipated that relet performance should improve and be demonstrated in next year's Housemark results.

2018/19 VFM outcome-based targets set in the 2018/19 VFM Strategy

Targets	Proposed VFM outcomes
Transformation programmes to commence in 2018/19 to enhance efficiency and effectiveness in customer-facing and back-office departments: Repairs, Lettings, Complaints, Neighbourhoods, ICT Help Desk, New Markets, Shared Services.	**Economy, Efficiency and Effectiveness:** Transformations to commence and complete in line with timetable. Each transformation to include pre- and post-VFM review on cost, efficiency and effectiveness. Outcome of each transformation to provide evidence of VFM improvements in cost and/or efficiency and/or effectiveness.
Enhance customer access to digital services to enable effortless experience and enhance the quality of customer feedback.	**Economy, Efficiency:** Increase the number of customers paying electronically. **Economy, Efficiency:** Increase the number of self-appointed repairs. **Economy, Efficiency:** To have 2,000 regular My Account users by 31 March 2019. **Effectiveness:** 500 new customers per annum signed up for telecare/assistive technologies to support independent living.
Deliver an effortless repairs service through digital strategies and increased insourcing.	**Economy, Efficiency:** Complete repairs transformation during 2018/19 with pre- and post-assessment of improvements in cost and/or efficiency and effectiveness undertaken. **Effectiveness:** To preserve net promoter scores of at least +40
Develop Data Warehouse within Orchard to improve customer insight and reporting analytics.	**Effectiveness:** Utilise outcome of research and reporting to shape future services. **Economy:** Data Warehouse to be populated by 31 March 2019.
Further ICT investment in customer self-service and automation products, and show measurable increase in the number of customer self-service transactions.	**Economy, Efficiency:** Reduce telephone calls by 25% and increase non telephone contact and self-serve by 30% by 31 March 2019.
Unified Communications phase 2; extend use of video conferencing.	**Economy, Efficiency:** 80% of office-based staff provided with equipment that enables agile working.

Ian Skipp,
Group Finance &
Resources Director

Strong Organisation

We have a Futures Way of working, which meets customers' needs.

STRATEGIC REPORT CONTINUED.

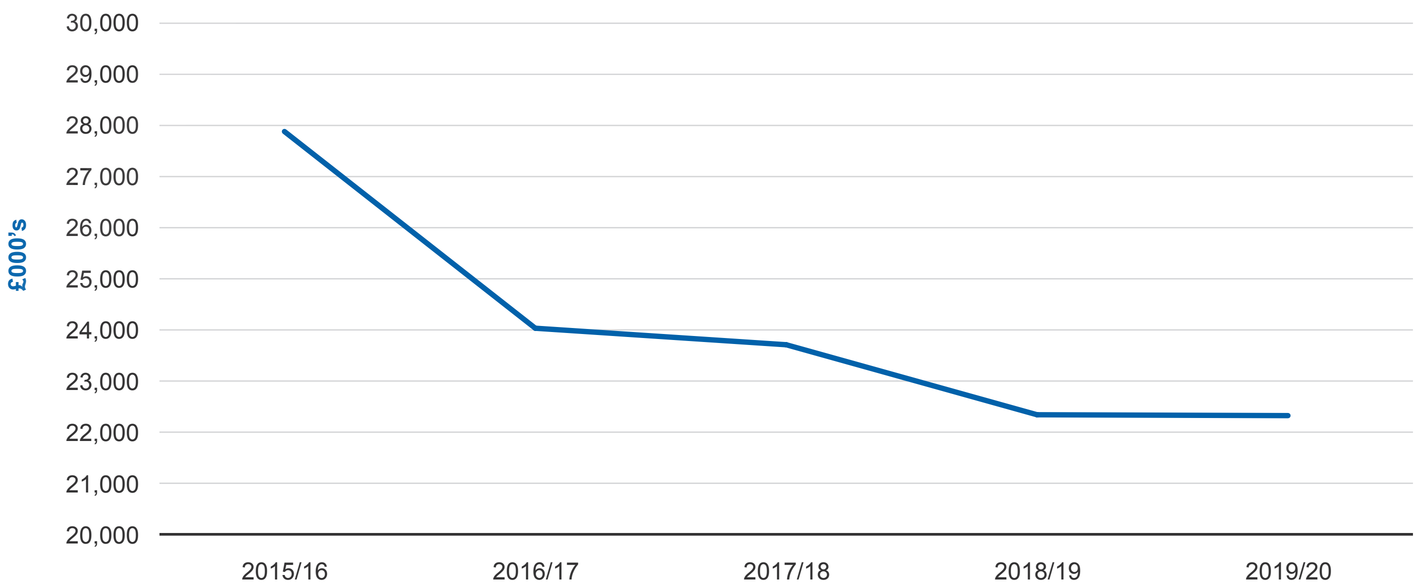
3 | Strong Organisation

Historic financial performance

The table below shows how the Group has increased its financial strength over the past five years. Turnover has continued to increase despite rent reductions, due to the Group's diversified activities and enlarged development programme. Operating surpluses have also continued to grow and the Group's asset base has also strengthened. All of these factors have helped to generate additional capacity to build more new homes.

	31-Mar 2014	31-Mar 2015	31-Mar 2016	31-Mar 2017	31-Mar 2018
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Statement of Comprehensive Income					
Total turnover	41,976	44,546	45,637	46,577	50,195
Operating expenditure	(32,185)	(33,776)	(33,591)	(31,566)	(34,223)
Operating surplus (inc revaluation gain)	9,791	10,770	12,046	15,842	16,344
Operating profit %	23%	24%	26%	34%	33%
Surplus for the year transferred to reserves	5,960	7,155	12,937	8,764	11,668
Statement of Financial Position					
Fixed assets	112,100	116,541	144,519	171,004	187,375
Net current (liabilities)/assets	(1,636)	8,489	9,349	6,766	8,974
Total net assets	(17,250)	(15,080)	(408)	8,356	20,024

Forward-looking financial performance: core operating costs



Definition of core operating costs: operating costs excluding costs related to diversified activities such as market rents and property sales and strategic investment costs. Also excludes non-cash items: depreciation, provision increases.

STRATEGIC REPORT CONTINUED.

The core operating costs shown in the table above exclude non-cash items and costs associated with diversified activities. Over the period from 2015/16 to 2019/20, core operating costs are set to reduce by £4m as a result of organisational change initiatives and ongoing value for money activities. This is after absorbing the impact of inflation and increased spend associated with the growing number of homes within the group, such as repairs costs. In addition, it is after absorbing a forecast increase in bad debts as a result of welfare reform.

Forward-looking financial performance: EBITDA

	31-Mar 2019	31-Mar 2020	31-Mar 2021
EBITDA MRI (£'000)	22,234	24,531	22,415
EBITDA MRI %	351%	344%	270%
Average interest rate % on debt	3.62%	3.84%	4.53%
Groupwide Net debt per unit (£'000)	19	20	20

** EBITDA MRI % = Earnings before interest, tax, depreciation and amortisation, major repairs costs included, as a % of interest payable*

The Group's EBITDA MRI is set to continue to grow up to March 2020. A reduction is shown in 2021 as a result of lower property sales than the previous year, as the Group's existing loans become nearly fully utilised on the development programme. It is expected that by the end of the 2018/19, the group-wide refinance will be completed, which will allow investment in new development to continue generating profit from shared ownership sales and open market sales, for reinvestment in social housing. EBITDA MRI from 2021 is therefore likely to strengthen.

The EBIDTA MRI% steadily decreases as more loans are drawn down to fund the delivery of more new homes as part of the Ambitious Futures corporate objective. This outcome has been modelled and stress tested in the Group's business plans to ensure that no significant risks of covenant breaches occur as the debt grows. In addition, refinance risks are effectively managed. Business plans are robust and financially viable in a variety of scenarios where adverse economic conditions have been tested.

The average interest rate is set to increase as low-priced, fixed-rate loans expire.

Sangita Surridge
Director of Finance

Loan covenant forecasts

COVENANT MONITORING		Loan covenant	Internally set limit	2017/18	2018/19	2019/20	2020/21	2021/22
				Forecasts				
FHL	Interest cover	≥ 1.10	≥1.20	2.61	2.56	3.20	2.07	2.37
	Net Debt Per Unit	≤£25,000	≤£25,000	£16,657	£18,197	£19,627	£19,728	£18,516
	Debt Service Test	Year 20	Year 15	Year 8	Year 11	Year 12	Year 10	Year 9
	Asset Cover	≥ 1.10	≥1.20	1.72	1.48	1.40	1.38	1.48
FHW	Interest cover	not static	10% tolerance	4.40	4.33	3.90	3.49	3.40
	Asset Cover	≥ 1.00	≥1.20	2.54	2.32	2.15	2.37	2.50
5D	Interest cover	≥ 1.10	≥1.20	4.0	3.0	3.2	3.3	3.4
	Net worth (Gross)	≤65%	≤55%	28%	27%	25%	24%	22%
	Net worth (net)	≤50%	≤47%	28%	27%	25%	24%	22%

Note: The interest cover for FHW is not static, it is re-set each year by the funders through an annual business plan approval process. For financial year ending 31 March 2018, the covenant is 2.92. Budget and forecast business plans are prepared on the basis that whatever the forecast covenants are, performance needs to be 10% better than that.

As shown in the table above, the Group's loan covenant performance is forecast to comply over the next five years, with sufficient headroom. This demonstrates the strength of the organisation and the capacity to do more. The Group's forthcoming refinance will have an impact on the headroom available with the loan covenants as debt is set to grow, to fund the delivery of more new homes.

Progress review of 2017/18 VFM outcome-based targets set in the 2017/18 VFM Strategy

VFM actions	Progress to date	Status
Economy: To maintain our healthy operating margin.	The 2017-18 operating margin is 33% (sector average 34%). For the 2018/19 budget, the operating margin is forecast to be 33%.	On target
Effectiveness: To maintain high employee engagement scores.	The survey undertaken in December 2017 shows an employee engagement score of 88.4%.	On target
Effectiveness: To achieve Investors in People (IiP) Gold standard.	Gold status has been achieved.	On target
Economy, Efficiency, Effectiveness: Embed new performance measures to inform decision making and drive service improvements.	A suite of operational performance measures has been approved by the Performance Board. A complementary, high-level set of measures has been approved by the Board.	On target

2017/18 performance against internal VFM metrics

Measure	Result
Outstanding balance	The Group continues to exceed the weekly expected outstanding balance tolerance due to arrears of around £180k incurred by tenancies on Universal Credit (UC). Excluding UC arrears, the Group sits within or below the expected tolerance band each week.
Relets	The year-end performance showed an average of 32.7 days to relet. The relet process has been revised, and roles and responsibilities redefined. Next year's performance is anticipated to improve upon 2017/18 performance.

External benchmarking to compare performance with peers

External benchmarking information for frontline services is taken from HouseMark. The latest available data is based on 2016/17. The target is upper quartile performance at no more than median cost.

HouseMark indicator	2016/17 Quartile performance	Direction of travel	Actual 2016/17	Target met 2016/17	Actual 2015/16
Total tenant arrears as % rent due (excluding voids)	1	↓	1.8%		0.8%
Rent loss due to voids	2	→	0.8%		0.8%
Total cost per property: estate services	3	↓	£181		£92
Total cost per property: housing management	2	↑	£403		£486
Total cost per property: major works and cyclical maintenance	2	↑	£1,317		£1,618
Total cost per property: responsive repairs and void works	1	↑	£632		£657

Rent loss due to empty homes has not reached upper quartile performance, and is line with performance on average relet times. The change to the empty homes process should work to reduce future rent loss as detailed in section 2.

Estate services costs are showing as increasing significantly since the previous year. However, this is as a result of a revised cost apportionment methodology to this particular category, to more accurately reflect this service line. This will in turn assist the Group to identify the true performance of this area and take corrective action. The current position is third quartile against a target of median (second quartile). To reach median levels, the cost per property would need to become no more than £178.61, which equates to around £25k in total. The Group will target this area in the next budget-setting round to identify opportunities for cost reduction.

2018/19 VFM outcome-based targets set in the 2018/19 VFM Strategy

Targets	Proposed VFM outcomes
Operating margin of 33%.	**Efficiency:** Maintaining operating profit levels to service debt to enable delivery of new homes.
Maintain high employee engagement score of at least 80%.	**Effectiveness:** Maintain engaged and effective workforce and maintain IIP gold during 2019.
To maintain Investors in People Gold Standard.	**Effectiveness:** Maintain engaged and effective workforce.
To demonstrate year-on-year improvement in the efficiency and effectiveness of our processes, through transformation.	**Effectiveness:** Inform decision making and drive service improvements. **Efficiency and Effectiveness:** Demonstrated through pre- and post-transformation reviews.
Increase income by £2.2m through increasing new developments and shared ownership (SO)/open market sales (OMS).	**Efficiency:** Subsidise delivery of social objectives from profit on sales of £2.2m per annum.
Reduce costs (excluding repairs, projects and property cost of sales) by £1.3m.	**Economy:** Overall £1.3m cost reduction, but maintaining service delivery.
Sustain high performance on rent collection and manage customer resilience to welfare benefit reform by supporting our customers to pay their rent through money advice.	**Efficiency:** Over 50% of customers having rent accounts at least four weeks in advance. Group-wide arrears below 1%.
Development of ICT Cloud Strategy.	**Economy and efficiency:** Potential cost reduction for storage costs. **Effectiveness:** Potential increased operating effectiveness of servers.

Lindsey Williams,
Group Chief Executive

Great Places

We provide quality affordable homes and support our customers and partners to make better communities.

4 | Great Places

Progress review of 2017/18 VFM outcome-based targets set in the 2017/18 VFM Strategy

VFM actions	Progress to date	Status
Effectiveness: Invest a further £40m over the next three years in maintaining and improving homes.	£12.4m was spent by 31 March 2018 and £27.8m was budgeted for the following two years.	On target
Effectiveness: Maintain the quality of properties in line with the 30-year asset plan.	The 30-year asset plan and financial plan have been reconciled (December 2017). It is anticipated that FHG will remain 100% Decent Homes compliant over the forthcoming three-year budget commencing 1 April 2018. A new stock condition survey regime has been introduced to ensure that all properties have been surveyed by March 2019 and no survey is more than seven years old.	On target
Economy, Efficiency, Effectiveness: Continue to embed active asset management, identifying opportunities for income generation through disposals, and maximise asset performance through evaluation of options	The first sheltered housing scheme (Mountbatten House), identified as a low return on investment, has been subject to rigorous review by the Asset Investment Committee and the Board. A decision has been made to remodel the scheme to generate a higher return.	On target

2017/18 performance against internal VFM metrics

Measure	Result
Repeat repairs The total number of repairs raised where the same repair has been completed at the same property within the preceding 60 days.	The Group typically raises between 102 and 175 responsive repairs at properties where the same schedule of rates item has been completed within the preceding 60 days. The Group has observed a steady decrease in the volume of repeats jobs during the last 12 months.
Gas compliance The number of instances where annual gas servicing has exceeded the one-year timescale.	During the year, five properties were not serviced within the 12-month period, but were serviced subsequently as soon as access was obtained.

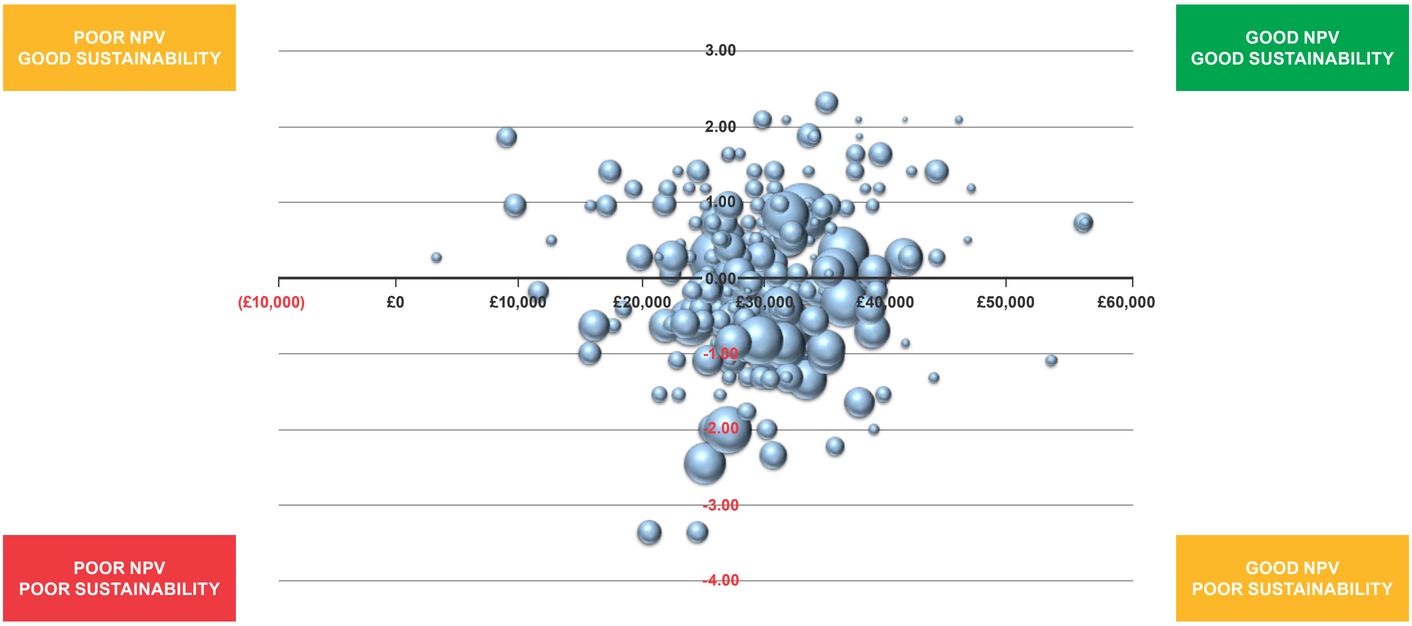
Return on assets

The Asset Performance Evaluation (APE) system holds quantitative and qualitative data for all homes. Quantitative data is an individual Net Present Value (NPV) calculation for each property, and qualitative data is shown in the following table.

Sustainability area	Qualitative measures
Income	Rent arrears / SAP rating and Heating type (as an indicator of fuel poverty)
Housing management	Anti-social behaviour levels / Data from Indices of Multiple Deprivation on levels of crime / Distance from managing office
Demand	Resident satisfaction / Turnover rates / Access to local facilities and amenities / Waiting list and demand / Garage availability / Open space / Development potential / Community feeling

STRATEGIC REPORT CONTINUED.

The summary of current asset performance is shown in the bubble diagram below. The strategic considerations on properties in each quadrant of the chart are also summarised below.



The chart highlights that all of the Group's properties have a positive NPV over 30 years, with most stock having an NPV of £23k or more. This is indicative of strong financial performance.

Most of the asset groups cluster towards the centre of the chart, indicating consistent performance across the whole portfolio.

Strategic considerations

GOOD NPV GOOD SUSTAINABILITY	POOR NPV GOOD SUSTAINABILITY	GOOD NPV POOR SUSTAINABILITY	POOR NPV POOR SUSTAINABILITY
Asset retention to support future business growth, or asset disposal if the market value is high enough to generate additional business growth.	Possible investment in assets to improve NPV, or asset disposal if investment would not improve NPV.	Possible community investment to improve the desirability of the location and the Group's ability to deliver sustainable communities, or asset disposal if investment is not economically viable.	Possible asset disposal as demand may be low, or investment in the asset and community/neighbourhood if economically viable.

The Group's Asset Investment Committee (AIC) oversee active asset management. None of the Group's assets have a negative NPV, so are all deemed as financially viable. However certain assets, such as sheltered schemes, have performed below an acceptable level on sustainability criteria. These are the assets that the AIC have prioritised for further review and decision making about future use with the aim of improving their sustainability scores and/or NPV scores. Options are being considered for conversion, remodelling and disposal.

External benchmarking to compare performance with peers

HouseMark indicator	2016/17 Quartile performance	Direction of travel	Actual 2016/17	Target met 2016/17	Actual 2015/16
Average number of responsive repairs per property	1	↑	2		3
Average number of calendar days to complete repairs	1	↑	6		7
Percentage of repairs completed at the first visit	1	↑	94.7%		91.9%
Average SAP rating	3	→	69		69
Percentage of dwellings with a valid gas safety certificate		→	100%		100%

The Group's average SAP rating is 69. A complete review of the Group's stock will be undertaken by October 2018 to identify the energy performance of the properties, the poorest-performing properties, what works can be practically undertaken, the benefits this will give to the customer and the Group and associated costs to improve the energy performance. However, it is not the intention to develop programmes that specifically target works to increase the SAP ratings without the support of external grant funding.

The Group will continue to explore energy efficiency through available funding sources, securing grants through government and/or utility company-sponsored schemes to improve the stock performance, where it is economic to do so.

We will continue to explore the value and appropriateness of new ways to improve the energy efficiency of FHG's properties with poor performing heating types, properties that are 'off gas' and those with solid, uninsulated external walls.

2018/19 VFM outcome-based targets set in the 2018/19 VFM Strategy

Targets	Proposed VFM outcomes
Component replacement and reinvestment in housing stock.	**Effectiveness:** 1,200 properties in 2018/19 have undergone improvement works, and a further 2,000 properties over the subsequent two years, to maintain Decent Homes compliance.
Actively manage FHG stock by appraising housing stock/garage sites for reinvestment or disposal.	**Efficiency and effectiveness:** Change use of poor-performing assets to enhance social and/or financial returns.
Provide greater choice of home ownership and rental opportunities through diversified new development programme.	**Effectiveness:** 462 more new homes being delivered up to March 2020.
Support the local economy through engagement with SME contractors and local suppliers.	**Effectiveness:** 83% of the Group's suppliers from within a 25-mile radius of operating areas.
To extend job skills and work experience opportunities and apprenticeships for customers and existing/ new employees.	**Effectiveness:** 5% of workforce on an apprenticeship programme. **Effectiveness:** 25% of vacancies filled by internal applicants.
Support customers to sustain their tenancies.	**Effectiveness:** 95% of starter tenancies successfully converted to assured tenancies after 12 months.

Marcus Keys,
Group Business Growth &
Transformation Director

Ambitious Futures

We build new homes to offer more choice to customers, and find opportunities to grow and strengthen our business.

5 | Ambitious Futures

Progress review of 2017/18 VFM outcome-based targets set in the 2017/18 VFM Strategy

VFM actions	Progress to date	Status
Effectiveness: Deliver 1,000 new homes over the period April 2015 to March 2020.	461 homes out of 1,000 are now complete. Over the period April 2018 to March 2020 a further 824 homes are expected, taking the total to 1,285. This is before accounting for any new money secured in the forthcoming refinance, which will further increase the number of new homes delivered.	On target
Effectiveness: Up to 40% of new build programme (April 2015 to March 2020) to be social housing, up to 60% being market led (shared ownership, market rent, outright sale and rent to buy).	For the 461 completions to date, the percentages achieved are 57% social (262 homes) and 43% (199 homes) market-led tenures. As the further 824 homes are delivered over the next two years, the percentages are expected to fall into line with the target.	On target
Effectiveness: Develop employability partnerships to offer wider services to customers.	Opportunities are currently being explored with Access Training to deliver apprenticeships that could work with both our in-house repair teams and our external contractors.	On target
Effectiveness: Continue to manage homes on behalf of private landlords, but reduce the service over the next three years.	This is no longer a VFM action for the Group. A decision has been taken to hand back the properties to private landlords as and when leases expire. This is due to poor returns/losses being achieved.	n/a

2017/18 performance against internal VFM metrics

There no further internal VFM metrics set for Ambitious Futures in 2017/18, but some have been set for 2018/19 as shown further below.

External benchmarking to compare performance with peers

HouseMark indicator	2016/17 Quartile performance	Direction of travel	Actual 2016/17	Target met 2016/17	Actual 2015/16
Standard units developed as a percentage of current stock	1	↑	1.9%		0.7%

2018/19 VFM outcome-based targets set in the 2018/19 VFM Strategy

Targets	Proposed VFM outcomes
Continue with the 1,000 homes target commenced in 2015/16 to 2019/20.	**Effectiveness:** Increase in housing supply, 40% of which to provide more social/affordable housing.
Up to 40% of new build programme (April 2015 to March 2020) to be social housing, up to 60% being market led (shared ownership, market rent, outright sale and rent to buy).	**Effectiveness:** Increase in housing supply, 60% of which to service a more diversified range of needs (market rent, shared ownership and market sale).
Explore the potential delivery opportunities for smart homes with enhanced digital capabilities.	**Economy:** Evaluate affordability to deliver smart homes.
Actively seek out business growth opportunities, such as large-scale stock acquisitions and/or merger opportunities.	**Economy, Efficiency, Effectiveness:** Evaluate options for enlarging the asset base with a view to reducing operating costs and increasing borrowing capacity to deliver more new homes.
Large-scale refinance to be completed in 2018/19 to fund continued growth beyond 2019/20.	**Effectiveness:** Increase in housing supply, 40% of which to provide more social/affordable housing. **Effectiveness:** Increase in housing supply, 60% of which to service a more diversified range of needs (market rent, shared ownership and market sale).
£618k for phase 2 of office project; to make more effective use of office space, including developing new touchdown points and reducing overall footprint to facilitate agile working.	**Efficiency:** Promote agile working, reduction in office costs and recruitment costs. **Effectiveness:** Promote agile working, enhance ability to retain key staff and succession plan for key roles.
Proactive stakeholder engagement to promote and enhance the Group's profile.	**Effectiveness:** This is measured through the bi-annual stakeholder survey and will help to shape future collaborative working with others to enhance business opportunities.

6 | VFM metrics

The table below shows the Group's performance on the 15 new VFM metrics which have been graded as green, amber or red depending on whether the Group is exceeding average, average or below average.

As shown in the table below, gearing is above the sector average. This is primarily as a result of the Group's fixed asset values being stated at historic cost. The majority of the housing stock is an average gross cost of £17k per unit (the initial transfer price plus subsequent major improvement works). This is significantly below the average existing use value for social housing (EUV-SH), which is £36k per unit. As the Group builds more new homes over the forthcoming years, the gearing will reduce.

Some housing providers hold their housing assets in the accounts utilising a valuation approach. The Group has chosen not to do this, as it is not considered value for money to pay for annual asset revaluations. The valuations that are required for the Group to comply with loan agreements are based on EUV-SH, and these are updated annually.

The operating margin for social housing lettings was below the global average, but that has now improved. This is primarily as a result of operational cost savings and a reduction in investment in strategic projects, such as unified communications.

The new supply delivered percentage is also below the sector average, this is expected to improve next year as the committed schemes to be completed in 18/19 and 19/20 are more weighted towards non-social housing than the earlier part of the development programme across years 16/17 and 17/18.'

	FHG	FHG	Global Accounts
	2016/17	2017/18	2016/17
Reinvestment % Efficiency measure	12.7%	17.1%	5.0%
New supply delivered % (Social housing) Effectiveness measure	0.92%	2.24%	1.5%
New supply delivered % (Non social housing) Effectiveness measure	0.98%	0.36%	1.8%
Gearing % Efficiency measure	83.0%	78.7%	39.6%
EBITDA MRI interest cover Efficiency measure	307%	281%	182%
Headline social housing cpu Economy measure	£2,929	£2,734	£3,300
Operating Margin % Social housing lettings Efficiency measure	31.6%	35.0%	34.1%
Operating Margin Overall Efficiency measure	37.8%	34.2%	29.6%
Return on capital employed	9.90%	8.75%	4.25%

A further analysis of headline social housing cost per unit is shown in the table below.

Global Accs	Lower Quartile CPU	Median CPU	Upper Quartile CPU	FHG 2016/17	FHG 2017/18
	£000's	£000's	£000's	£000's	£000's
Headline Social Housing CPU	2.93	3.30	4.33	2.93	2.73
Management CPU	0.74	0.94	1.15	1.21	1.04
Service Charge CPU	0.24	0.37	0.60	0.11	0.14
Maintenance CPU	0.78	0.93	1.11	1.12	0.88
Major Repairs CPU	0.49	0.68	0.96	0.25	0.48
Other Social Housing CPU	0.10	0.24	0.51	0.25	0.20

FHG has improved its performance on management costs per unit since last year. Performance is expected to continue to improve as more social housing units are developed over the forthcoming years. Approximately 1,080 more homes (excluding market rent and open market sale) are required to be built in order for management costs per unit to reach median level. This is an achievable target for the Group over the next five years. As the Ambitious Futures Corporate Objective section explains, the existing 1,000 homes target is likely to be over-achieved by 2019/20 and more can be delivered beyond that date with the new money currently being sought in the ongoing refinance.

7 | Reviews to date on potential future VFM gains achievable through alternative commercial, organisational and delivery structures

A number of alternative delivery structures have been reviewed by the Board to consider potential VFM gains.

Moving to a coterminous Board

The Group has moved from operating four separate boards for the Group, FHW, FHL and 5D to one, single, coterminous board. This has led to more efficient decision making and a reduction in the number of meetings held, saving management time in servicing the boards.

Group-wide financing arrangement

At present, the two main housing subsidiaries, FHL and FHW, operate their own separate loan agreements. The Group is currently exploring the option of combining the borrowing power of both entities to get a group-wide financing arrangement in place. If successful during 2018/19, this will allow the Group to release excess security, and therefore increase borrowing power to deliver more new homes. It will also increase the ability to do more income generation through non-social housing activity via on-lending arrangements, which will in turn enable the Group to build more new homes. If successful on the debt capital markets, the Group will be taking advantage of lower borrowing costs, which will in turn create further capacity for the Group to build more new homes.

Corporate structure

During 2017/18, the Board has considered changing the Group company structure in order to deliver greater value for money, supported by an external review by the Group's legal advisors, Anthony Collins. The outcome of this review was that value for money could not be enhanced by changing the structure. The cost of implementing a new group structure (governance and administration costs) did not outweigh the gains to be achieved.

In-house versus outsourced repairs

During 2018/19, a review of the repairs function is ongoing to determine whether there could be VAT efficiency savings from bringing more of the repairs service in-house (currently around 70% is sub-contracted externally). In addition, whether a fully in-house service would be more effective at delivering a quality service to customers.

Acquisitions

The Group is active in the stock acquisition market, bidding for bulk acquisitions from other registered providers seeking to rationalise their own stock. Bids have been focused around acquiring properties that are either within the Group's existing operating areas or within easy reach from existing operating areas. This is to ensure that stock can be managed in line with the Group's quality of service offered to existing customers.

Mergers

The Group actively seeks and reviews potential merger opportunities. Opportunities are only pursued if they can potentially lead to greater financial strength and the ability to develop a greater number of new homes.

8 | Analysis of non-social housing activity performance

The Board has steered the Group towards diversifying its activities over recent years to achieve gains to support the delivery of further social housing. Gains are generated through an increased level of shared ownership sales, outright sales and market rent properties. The table below summarises the gains over the past three years, and includes a three year future forecast.

Past and future gains	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£000's	£000's	£000's	£000's	£000's	£000's
Profit from property sales						
RTB/RTA	715	1,752	816	480	480	480
Shared ownership	365	198	248	655	1,821	40
	1,080	**1,950**	**1,064**	**1,135**	**2,301**	**520**
Profit from diversified activity*						
Outright sales		106	308	399	514	420
Market rent	119	451	455	755	1,063	1,038
	1,199	**2,507**	**1,828**	**2,289**	**3,878**	**1,978**

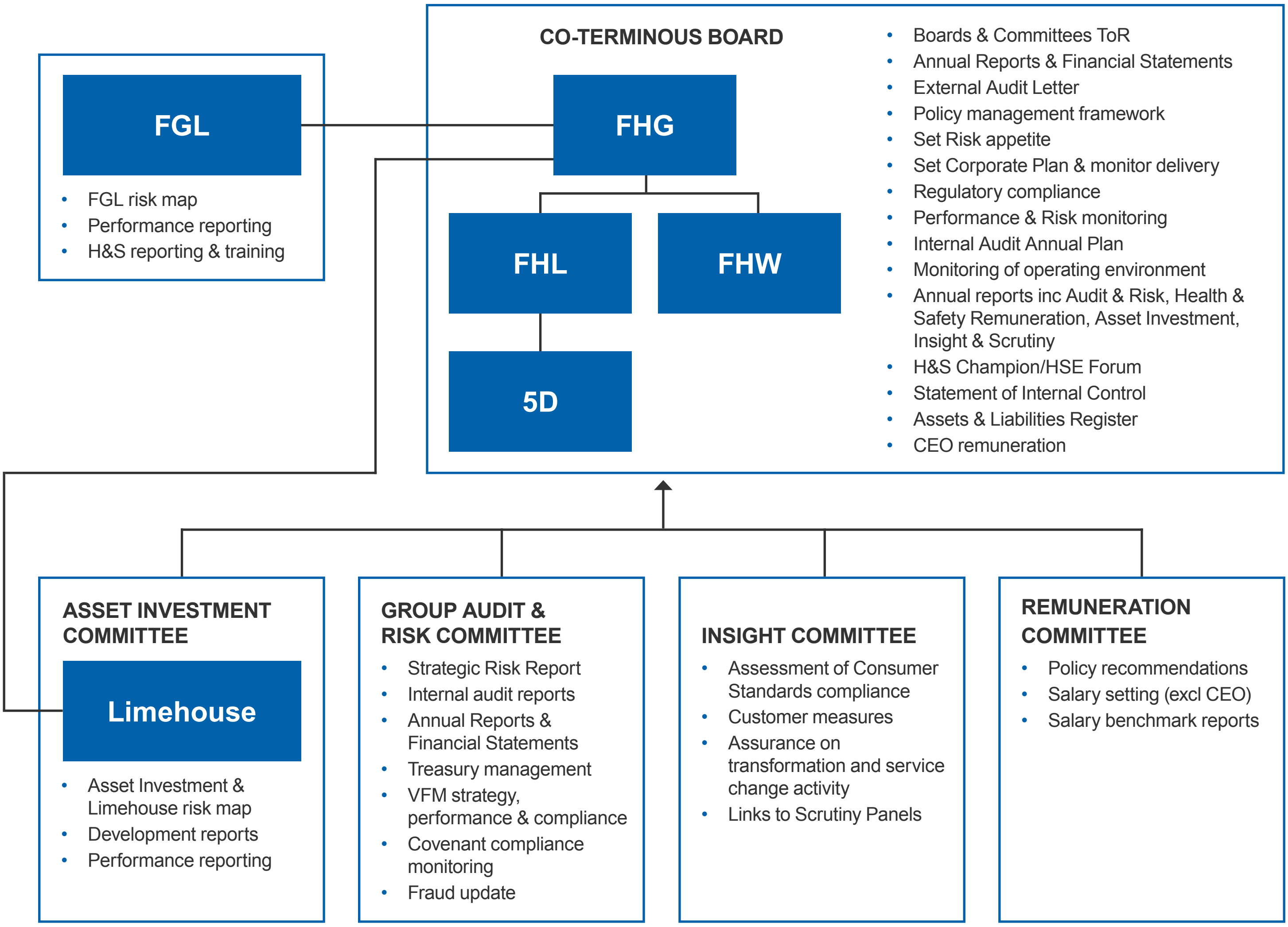
** profit before loan interest*

As shown in the table above, diversified activities and property sales are contributing to the Group's overall capacity to deliver further social housing. Section 5 on 'Ambitious Futures' demonstrates the Group's new homes delivery targets. While there are costs associated with diversified activities, they all show to be contributing to the Group's operating profit, which in turn enables the Group to service more debt for the development programme. The risk of diversified activity is reviewed regularly by the Board, Audit and Risk Committee and the Group's Asset Investment Committee.

The business plans are built in line with the Group's key rules for financial management, which ensure that business plans are in no way dependent on sales receipts to meet existing and future liabilities, to meet loan covenants and operate within existing facilities. The refinance risks within the Group's business plans are always maintained as at least 18 months away, and sufficient unencumbered stock exists to raise the new debt required by the business plans. In addition to these controls, the Group has in place a £7.5m outright sales exposure cap to ensure that any risks associated with declines in property markets can be contained. The Board regularly reviews this limit and may change it in the future, subject the Group successfully completing the refinance exercise referred to in section 7.

Governance

The Group operates a coterminous Board, consisting of the boards of FHL, FHW, FHG and 5D. FGL and LHD operate separate boards. The diagram below illustrates the governance structure and assurance map.



To support the Executive Team and Boards, a Co-executive Team exists comprising the Executive Team with other directors and senior managers across the business. This team meets regularly as the performance and programme group to drive through strategy implementation, detailed reporting and scrutiny of performance.

External environment

Cabinet reshuffle

In the recent reshuffle, the Department of Communities and Local Government (DCLG) has become the Ministry of Housing, Communities and Local Government (MHCLG). This is to be welcomed as it places housing in a more high-profile position politically.

Regulator of Social Housing (RSH)

The RSH has been launched as the new regulator for social housing, replacing the regulation function of the Homes and Communities Agency. No changes to the regulatory framework arise directly from this change.

Grenfell Tower

The Grenfell Tower Inquiry interim report has been published. The focus of the inquiry is in respect of Building and Fire Safety Regulations. The final report is due in quarter 2 of 2018. While the interim report focuses on high-rise and complex buildings, FHG is reviewing the content and will be providing any appropriate information to the Health and Safety Forum. The final report is signalled as potentially having more widespread application across other regulatory frameworks.

Voluntary Right to Buy

For Voluntary Right to Buy, of the £200m available from government for discount compensation to housing associations, £50m is available in 2018/19. It is not yet clear if the pilot in the Midlands will be rolled out across the country. Each housing association needs its own policy. Key issues that require consideration include:

- Length of qualifying tenancy;
- Properties available – each housing association can decide which properties are eligible or ineligible, and this may cause discrepancies with customers who have a Preserved Right to Buy (PRTB) whose properties are excluded, and create a risk of challenge;
- Portability – the expectation is that a qualifying customer would purchase their own home, however if a property is excluded they have the right to portability (this is not available to PRTB tenants), which enables them to purchase another housing association property. This could assist sales on FHG's outright sale sites, but is also likely to be the most difficult element of the pilot to administer.

Future funding of supported housing

The government's consultation closed on 23 January 2018, and the outcomes and proposals for future funding are awaited.

Rent policy

The new government rent formula has been announced. From 1 April 2020, the 1% rent reductions end for social and affordable rents, and they are permitted to increase by the rate of consumer price inflation (CPI) plus 1% per year. The National Housing Federation is lobbying the government to reintroduce rent convergence from April 2020 and retain the ability to use rent tolerance. Both of these would have a positive impact on FHG's income levels.

Revised Regulatory Framework

The regulation of the sector has changed significantly over recent years and now focuses on the economic standards of governance and financial viability, value for money and rents. The most significant recent changes were the measures introduced by the government to address the regulatory issues that lead to the statistical and reclassification of housing associations as public bodies. A key change for the Group as a result of these deregulation measures is the need to comply with charity law, part of which requires each disposal of charitable assets to be authorised by the Board.

As with previous amendments to the framework, the Group will ensure that it remains fully compliant. The Group continues to operate to the highest standards, and its Boards are able to demonstrate that they manage the Group under the principles of co-regulation underpinned by a robust governance framework. Following an in-depth assessment, the Group retained the highest G1/V1 rating.

Welfare reform

The government's plans to reform the welfare system are continuing, albeit against a backdrop of lobbying against the proposed changes. Despite the welfare changes that have already happened, the Group continues to manage the issue robustly with a focus on customer debt prevention. The actions taken by the Group have delivered exceptional rental arrears performance, with current customer arrears as a percentage of rent due being 1.19%. It is recognised however that the welfare system changes are likely to increase rental arrears across the Group, and a detailed project is ongoing to mitigate this risk.

Risk and uncertainties

The main risks that may prevent the Group achieving its objectives are considered and reviewed annually by the Co-executive and Board as part of the corporate planning process. They are also monitored during the year by the Audit and Risk Committee. The risks are assessed in terms of their impact and probability. Major risks presenting the greatest threats to the Group are included in a corporate risk map, while other risks are included in operational risk maps.

Corporate risks

The key corporate risks are outlined in the following table.

RISK	ACTIONS TO MITIGATE RISK
Welfare reform Risk of loss of cash through non-payment of rent that may affect the company's ability to remain a going concern and/or its ability to deliver the corporate plan.	• The Board monitor arrears performance quarterly. Co-executive oversight is via a Performance Excellence board, with reporting to Group directors. • The Co-executive monitors developments in the government's welfare reform agenda and report key issues to the Board and Group directors. • The Group's Income and Money Advice structure focuses on prevention and early intervention. The Money Advice team proactively contacts all customers identified as affected by the benefit cap. This includes those affected by the Housing Costs Element change for claimants aged 18 to 21. • All customers have been risk assessed (High/Medium/Low) for rent arrears. Further work is being planned for 2018/19 to develop appropriate action plans to manage high-risk arrears cases. • Strong networking and partnership relationships exist in the Daventry area, where Universal Credit (UC) is live, with the Department of Work & Pensions (DWP) and Job Centre. In June 2018, UC across the Amber Valley region will significantly increase. The Income Team is liaising with DWP and utilising the DWP's 'landlord portal' to improve visibility around UC payments. • The internal audit (KPMG) programme includes reviews of rental income, arrears management and welfare reform. • The Finance Team undertake daily cash flow monitoring with quarterly review by the Board/ Group Audit and Risk Committee. • Business plans are updated to reflect government policy (for example, 1% rent reductions) with ongoing stress testing for further reductions. • The bad debt provision is reviewed through the annual budget setting process and reflected in the business plan. • An income transformation review (Help Me Pay) was completed in August 2017 with actions expected to complete by Q4 2018. From April 2018, rents will be billed four weeks in advance. All new customers are signed up to Direct Debit and there is a drive to move existing customers onto Direct Debit. • All customers who are in a position to seek employment are referred to the Employability Officer, which in effect makes customers UC-proof. • The housing management system (Orchard) includes capacity to record UC-related information and transactions, and utilise balance trends enabling the Group to profile its income collection. • The Income App enables real-time data capture in the field. This reduces preparation time and increases engagement time with customers.
Right to Buy Increased loss of properties through Preserved Right to Buy (PRTB) and Voluntary Right to Buy (VRTB). Following the government's pilot of VRTB in the Midlands, the Group may lose social housing stock and be unable to replace on a one-for-one basis. This risk is heightened in Daventry as, in accordance with the Transfer Agreement, the majority of VRTB proceeds may have to be returned to the Council.	• The Group continues to monitor exposure to PRTB and VRTB. • Budgets and associated business plans are subject to review to address the effect of RTB. • Customer survey of affordability. • Operational risks and controls in relation to RTB are articulated in a separate operational risk map. • The government's VRTB pilot enables each registered provider to develop its own VRTB Policy. The Group is presently reviewing which homes would be appropriate to qualify for VRTB. • The internal audit (KPMG) programme reviews asset sales processes, including RTB transactions. • A New Markets transformation review was completed in 2017/18. This included review of the Group's RTB arrangements from a customer perspective.

Table continued.

RISK	ACTIONS TO MITIGATE RISK
Government policy Government policy may have an adverse impact on the Group's operations and/or finances. **Economic climate** The macro- and micro-economic climate may increase pressure on the Group's existing services. **Brexit** Implications for the Group in relation to Brexit.	• The Co-executive monitors developments in government policy and reports key developments and actions to the Board and Group directors. • Known and anticipated changes to government policy are incorporated into budgets and business plans, which are stress tested and then reviewed and approved by the Board. • Regular reporting to the Board and Group Audit and Risk Committee on actual and expected policy changes, including mitigating actions. • Internal audit of budget-setting and approval processes. • Business plans have been prepared using the 'key rules for effective financial management'. These include having sufficient spare facility headroom to cope with potential adverse economic conditions, no dependency on sales income to meet loan covenants, business plan to remain viable with base rates increasing up to 4.5%, and worst case treasury forecasts applied for inflation and interest rates over a five-year period.
Cyber security Failure to protect the Group's information systems and data against theft, loss and corruption as a result of cyber attacks (for example, hacking, phishing, spoofing, data breaches, virus transmission, cyber extortion, employee sabotage, network downtime and human error). This includes compromise of information in relation to customers, suppliers, employees and intellectual property and leading to financial loss, reputational damage and business interruption.	• Perimeter protection around information systems, including firewall, anti-virus and intrusion detection software. • The Group operates system segmentation within its firewall. • Restricted network access to certain servers. • Password control restricts user access to systems and records. • Automatic screen lockdown for users. • Encryption software is used to restrict access to data being stored. • Recovery and back-up facilities in the event of hacking or cyber attack. • The Group operates a range of ICT policies and guideline documents, which are designed to collectively protect its information and systems. These include the Electronic Information and Communications policy. • The IT operating environment has been designed so that an audit trail exists for all data entering and leaving the Group. • ICT run intrusion detection software and review system user logs to identify any unusual access and investigate cases as appropriate. • The Group undertakes periodic cyber threat scenario assessments to stress test how the Group would react to and manage a significant data breach. • Staff updates and training to raise awareness of cyber security threats. • The internal audit (KPMG) programme includes review of the Group's information security arrangements. • The Group operates email quarantine software requiring users to check email authenticity prior to releasing from quarantine. Information has also been shared with staff informing them of how to identify and deal with suspicious and potentially dangerous email.

Table continued.

RISK	ACTIONS TO MITIGATE RISK
GDPR non-compliance Failure to comply with data protection legislation including the Data Protection Act 1998 and the EU General Data Protection Regulations (GDPR) resulting in financial penalty, reputational damage and business interruption. Non-compliance could result in compromise of information in relation to customers, suppliers, employees and intellectual property.	• The Group employs a Data Protection Manager to lead on GDPR. • A data protection plan has been developed covering the Information Commissioners Office (ICO) 'Preparing for the GDPR 12 steps to take now' guidance. This includes staff awareness, information audit, review of privacy notices, individuals' rights, consent clauses and responding to data breaches. • GDPR updates are reported at least quarterly to the Programme board and Group Audit and Risk Committee. • GDPR risk updates are contained within the Strategic Risk Map, which is reported to the Group Audit and Risk Committee and Board. • A separate GDPR Risk Map has been developed with the Co-executive, and team action plans set up to address key risks. • The Data Protection Policies are subject to review, and these consider legislative changes. Currently these include Data Protection, Data Retention and Electronic Information and Communications. • Confidential hard copy data is stored securely. • A data confidentiality statement is included within the standard third party contractor agreement and third parties are required to sign a non-disclosure agreement before commencing services for the Group. This is subject to review and update as new legislation dictates. • The Group has used external contractors to provide a gap analysis of its data protection arrangements. Outcomes are being reviewed as part of the GDPR preparations. • The Internal Audit Plan includes cyclical reviews of Data Protection (typically three years). Frequency has been increased to reflect the introduction of GDPR.
Resource planning Inappropriate planning of staff resource required to meet the changing strategic direction of the Group, or failure to identify resources and skills needed to run departments, subsidiaries and projects, which may lead to failure in service provision or failure to deliver strategic aims, which may also lead to regulatory issues. This extends to Group growth or contraction plans and the associated need to restructure.	• Resource planning is owned by the Co-executive team and reviewed and discussed quarterly with the Group directors. Approval for additional resource is sought via a business case to the Group directors in line with the Financial Regulations. • The Group designed a resource planning approach, which was implemented during 2017/18 and focuses on planning for specific key business scenarios such as business growth, impact from the external environment and other internal reviews to deliver the corporate objectives (for example, transformation output). • The annual budget-setting process is informed by the resource plan, which assesses current and future resource requirements necessary to deliver services, projects and strategies. As ongoing work streams are progressed, implications for staff resource levels continue to be monitored. • Internal audit reviews comment on resourcing and succession planning matters, where appropriate. • During 2018/19, a comprehensive skills audit will be undertaken, and a focused development plan put in place to ensure that the Group has the required skills needed to deliver strategic aims and respond to challenges.

Table continued.

RISK	ACTIONS TO MITIGATE RISK
Non compliance with Regulatory Standards The Group fails to comply with the requirements of the regulator's economic and consumer standards.	• The Group undertakes annual self-assessments against each of the standards. These are reported to and reviewed by the Co-executive and Board (Economic Standards). • The Group's Insight Committee reviews and approves the self-assessments for the Consumer Standards. • The Group operates a regulatory standards compliance plan, which is reviewed annually. The plan documents the assurance provided to the Board and includes reporting timelines. • Cyclical internal audits of compliance with regulatory standards are undertaken.
Major incident Disaster planning - failure to have adequate plans in place to mitigate for possible major incidents.	• Annual reporting to the Board and Group Audit and Risk Committee. • Regular testing and annual review of Disaster Plans. • The Group operates a Business Continuity Policy and arrangements for a pandemic and inclement weather. • The Group is incorporated into the Local Authority Emergency Disaster Plan. • The internal programme covers business continuity arrangements. KPMG's Business Continuity review undertaken in 2017/18 provided '*Significant assurance*' over the Group's internal controls.
Health and safety (H&S) Failure to identify monitor and control H&S risks. This includes inadequate processes for identifying H&S risks and inadequate controls to ensure that staff adhere to processes for identifying and recording risk, which may lead to injury/ death, regulatory compliance failure and/or reputational and financial loss.	• The Group operates a Health, Safety and Environment Policy, which is underpinned by Statements of Intent for specific areas (for example, gas, fire, Legionella, asbestos, lone working). • Health and safety training is mandatory during staff induction. • A separate risk map exists for FGL which identifies health and safety risks and controls for FGL operatives. • The staff appraisal system is used to identify H&S training needs. • A corporate H&S plan is monitored and reviewed annually by the Group's People Team. • The Corporate Report issued to the Board highlights any H&S incidents reportable to the HSE under the Reporting of Injuries Diseases and Dangerous Occurrence Regulations (RIDDOR). A detailed H&S update is provided to Board every six months and H&S issues/developments are considered at each meeting as a standing agenda item. • The internal audit (KPMG) programme includes health and safety. • Health and safety incidents are reviewed and actions taken to mitigate the risk of repeat failures. • The Board reviews an annual health and safety report. In addition, quarterly Health and Safety Forums are held with representatives from across the business, with key messages disseminated to staff. • The AIC reviews a health and safety assurance report in relation to asset management. This report covers gas servicing and fire safety, and is updated at least quarterly.

Capital structure and treasury policy

The Group's long-term funding requirements are forecast via business plans. The business model assumes that debt will increase in the initial stages of the business to fund the purchase or development of stock and the improvement programme, after which it will gradually be repaid.

FHL borrows exclusively from a loan syndicate made up of the Royal Bank of Scotland and the Nationwide, with whom it has a £144 million debt facility in place. The current debt drawn down is £99m at 31 March 2018. This is offset by cash and investments held of £2.6m. £45m of its facility is undrawn.

FHW borrows exclusively from the Royal Bank of Scotland, with whom it has a £60 million debt facility in place. The current debt drawn down is £45m at 31 March 2018. This is offset by cash and investments held of £7m. £15m of its facility is undrawn.

Five Doorways Homes borrows exclusively from Lloyds Bank, with whom it has a £3.5 million debt facility in place. The current debt drawn down is £2m at 31 March 2018. This is offset by cash and investments held of £1.1m. £1.5m of its facility is undrawn.

The total available liquidity of the Group at 31 March 2018 is £62m. The Group's Treasury Management Policy states that the Group should manage its liquidity risk (the risk of the Group becoming unable to meet its financial obligations when they fall due) by ensuring that sufficient sources of funding are available. The Group should hold liquid funds, short-term funds and medium-term funds for rolling periods of three months, 12 months and 18 months respectively, which can be accessed within appropriate timescales. Liquidity risk is effectively managed as the Group's cash and cash investments can be accessed within seven days and all committed debt facilities can be accessed within two days.

The policy also states that the Group should ensure it will not require additional financing to meet its contractually committed obligations within a period of less than 18 months. The Group complies with this requirement in its annual budget business plans and monthly outturn plans. The refinancing risk over the next five years is £20m. The Group is currently working on a large-scale refinance, which is expected to reduce the ongoing refinance risk in the business plans.

The Group believes that the current debt position provides a good balance between protection against interest rate increases, and flexibility. The ratio of fixed to variable debt across the Group is 73%/27., This complies with the Treasury Policy, which states that a minimum of 70% of debt should be fixed at any time. As further drawings are made, the proportion of fixed rate debt will be kept under review.

All of the Group's debt facilities are secured by fixed charges. The group currently has 1,109 unencumbered homes available to secure new debt, which will form part of the large-scale refinance to enable the Group to continue with its ambitious new development plans.

Accounting policies

The Group's principal accounting policies are set out on pages 50 to 54 of the financial statements. There were no significant changes to accounting policies in the current year.

Events after the end of the reporting period

We consider that there are no events since the financial year-end that have a significant effect on the financial position of the group.

Payment of creditors

In line with government guidance, the Group's policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

Health and safety and environmental policy

The Board is aware of its responsibilities on all matters relating to health and safety. Taking into account the needs of its customers and society at large, the Group will aim to eliminate or reduce to as low a level as reasonably practicable, the health, safety and environmental impacts of its activities; protect the environment and prevent pollution by utilising a structured risk management approach and the implementation of sustainable procurement practices, targeted carbon emission reduction and a reduction of waste to landfill. During the year, various initiatives were undertaken such as installation of smart meters, installation of more energy-efficient boilers and more widespread use of LED lighting.

Complaints

All companies within the Group have a clear and simple complaints policy. The Group has robust procedures to ensure that unresolved complaints are actively monitored and appropriate action taken to address the relevant issues.

Statement of compliance

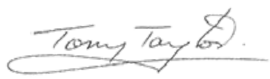
In preparing this Strategic Report, the Board has followed the principles set out in the Housing SORP 2014 (Statement of Recommended Practice for Social Housing Providers).

Futures Housing Group and its subsidiary companies which are registered providers of social housing are required to comply with the Regulatory Standards included in the Regulatory Framework, and to certify compliance annually with the Governance and Financial Viability Standard.

During the year, the Board has overseen an assessment of compliance with each of the Regulatory Standards. The outcome of the annual assessment was reported through an Annual Statement of Internal Control, which was approved by the Board. As a consequence, the Board can certify that the Group was in full compliance with the Governance and Financial Viability Standard for 2017/18.

In approving the Strategic Report, the Board is also approving the Strategic Report in its capacity as the Board of the company.

The Strategic Report was approved by the Board on 17 September 2018 and signed on its behalf by:



Tony Taylor
Chair of the Board

REPORT OF THE BOARD.

Board Members and Executive Directors

The Group's present Board Directors and Executive Directors and those who served during the period are set out on page 3. The Board Directors are drawn from a wide range of backgrounds, bringing together professional, commercial and local experience.

The Group's Executive Directors are the Chief Executive, the Group Director of Finance and Resources, the Group Customer Services and Assets Director and the Group Business Growth and Transformation Director.

The Group Chief Executive is a member of various boards including the East Midlands Chamber of Commerce and is an active member of the Chartered Institute of Housing. She is currently playing a key role in helping to boost the housing sector's profile with central government, as part of the National Housing Federation's Political Positioning Group.

The Group's Executive Directors hold no interest in the Company's shares or those of the Group's members, and act as executives within the authority delegated by the Boards.

The Company has insurance policies that indemnify its Board Directors and Executive Directors against liability when acting for the Company.

Service contracts

The Chief Executive and other Executive Directors are appointed on permanent contracts. The Chief Executive's notice period is 12 months and other Executive Directors' notice periods are six months.

Pensions

The Group's Executive Directors are members of either the Derbyshire County Council defined benefit Pension Fund or the Group's Defined Contribution pension scheme. The Executive Directors participate in the schemes on the same terms as all other eligible staff. The Company contributes to the schemes on behalf of its employees. The Group's Executive Directors are entitled to other benefits such as the payment of a car allowance, and private medical insurance.

Details of the Group's Executive Directors' emoluments are included in note 11 to the audited financial statements.

Donations

Futures Housing Group made no charitable donations during in the year (2017: £7,417), however a number of charitable activies to raise money for Shelter were undertaken, which will be paid over along with a donation from the Group in 2018-19. The Group made no political donations.

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 of the Board. The Group has in place long-term debt facilities (including £62m of undrawn facilities at 31 March 2018), which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day-to-day operations. The Group also has a long-term business plan, which shows that it is able to service these debt facilities while continuing to comply with lenders' covenants.

As set out previously the company provides back-office services to its subsidiaries. The cost of providing these services and any intercompany balances are contained within the individual subsidiaries business plans, which provide adequate resources to finance the company's day-to-day operations.

On this basis, the Board has a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future (a period of 12 months after the date on which the report and financial statements are signed). For this reason, it continues to adopt the going concern basis in the financial statements.

Legal compliance

The Board recognises FHG's responsibility to ensure ongoing legal compliance as a result of the law constantly being updated. It also recognises the RSH's Governance and Financial Viability Standard and the importance of effective governance arrangements to ensure that all of the Group's registered providers of social housing adhere to all relevant law.

To ensure compliance, the Group works with Anthony Collins LLP to assist in assessing the extent to which it complies with relevant English law. This process involves the use of a legal compliance checklist, designed to highlight any potential legal non-compliance in relation to the Group's core business. This review is overseen by the Group Audit and Risk Committee and reported to the Board. The review concluded that no significant issues had been identified requiring immediate or significant action to ensure legal compliance.

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies to all organisations within the Group.

The systems of internal control are designed to manage, rather than to eliminate, the risk of failure to achieve business objectives, and to provide reasonable (but not absolute) assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, and has been in place throughout the period commencing 1 April 2017 up to the date of approval of the annual report and financial statements. The Board and the Group Audit and Risk Committee receive and consider reports from management on these risk management and control arrangements at meetings throughout the year.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for the Group Audit and Risk Committee, Remuneration Committee, Insight Committee and Asset Investment Committee;
- Clearly-defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes;
- quarterly review of the Group's risk map by the Group Audit and Risk Committee;
- detailed financial budgets and forecasts for subsequent years;
- formal recruitment, retention, training and development policies;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- a sophisticated approach to treasury management, which is subject to external review on an annual basis;
- an ongoing framework of reviews across the Group to ensure quality and best practice are maintained;
- regular reporting to senior management and to the appropriate committee of key business objectives, targets and outcomes;
- fraud policy (including whistleblowing and corruption);
- Detailed policies and procedures in each area of the Group's work.

The Board cannot delegate ultimate responsibility for the systems of internal control, but it has delegated authority to the Group Audit and Risk Committee to review regularly the effectiveness of the systems of internal control. The Board receives regular reports from the Group Audit and Risk Committee together with minutes of the Committee's meetings.

The means by which the Group Audit and Risk Committee reviews the effectiveness of the systems of internal control include considering risk reports, internal audit reports, management assurances, the external audit management letter and specialist reviews on areas such as treasury, health and safety and efficiency. The Group Audit and Risk Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Group and subsidiaries, together with the annual report of the internal auditor, and has reported its findings to the Board. The Board has in turn conducted its own annual review of the effectiveness of the systems of internal control.

National Housing Federation (NHF) Code of Governance

The Group has adopted and complies with the NHF Code 2015 as the code of governance for the Group's registered providers, in compliance with the requirements of the regulatory Governance and Financial Viability Standard.

Statement of the responsibilities of the Board

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.

Company law requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable laws) including FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Group and Company for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers 2014, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing Regeneration Act 2008 and the Accounting Direction for Private Registered Providers and Social Housing (April 2015). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board confirms that:

- so far as each of the Board members are aware there is no relevant audit information of which the Company's auditors are unaware;
- the Board has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the auditors are aware of that information.

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

Information set out in the Strategic Report

In accordance with Section 414C(11) of the Companies Act, the Company has chosen to include information in respect of its financial risk management objectives and policies, exposure to risk and likely future developments in the business of the company in the Strategic Report. This information would otherwise be required by Schedule 7 of the 'Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008' to be contained in the Report of the Board.

External Auditors

Mazars were appointed as auditors at the Board meeting on 30 November 2017. A tender will take place during financial year ended 31 March 2019 to determine the auditor for next year's financial statements.

The report of the Board was approved by the Board on 17 September 2018 and signed on its behalf by:

Tony Taylor

Tony Taylor (Chair)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUTURES HOUSING GROUP LIMITED.

Opinion

We have audited the financial statements of Futures Housing Group Limited (the 'parent association') and its subsidiaries (the 'Group') for the year ended 31 March 2018, which comprise the Group and the parent association's Statements of Comprehensive Income, the Group and the parent association's Statements of Financial Position, the Group and the parent association's Statements of Changes in Reserves, the Group Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent association's affairs as at 31 March 2018 and of the group's and the parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC) 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's

report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUTURES HOUSING GROUP LIMITED CONTINUED.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Board Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Board Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Board Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent association's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 36, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the group's and the parent 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 the Board either intends 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. This report is made solely to the association's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the 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.

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.

Lee Cartwright
(Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
45, Church Street
Birmingham
B3 2RT
Date: 17 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover: continuing activities:	4	50,195	46,577
Operating Costs	4	(34,223)	(31,566)
Revaluation of investment properties	15	393	831
Operating Surplus	5	**16,365**	**15,842**
Surplus on sale of housing properties	6	816	1,752
Surplus on sale of other fixed assets		0	22
Interest receivable and other income	8	10	1
Interest payable and similar charges	9	(6,615)	(5,637)
Other finance costs	10	(326)	(316)
Surplus before taxation		**10,250**	**11,664**
Taxation	12	(60)	(12)
Surplus for the year		**10,190**	**11,652**
Actuarial gain/(loss) relating to the pension scheme	10	1,478	(2,888)
Total comprehensive income for the year		**11,668**	**8,764**

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board on the 17 September 2018 and signed on its behalf by:

Tony Taylor

Tony Taylor
(Chair)

Mike Stevenson
(Board member)

COMPANY STATEMENT OF COMPREHENSIVE INCOME.

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover: continuing activities:	4	11,466	7,861
Operating Costs	4	(11,213)	(7,773)
Operating Surplus: continuing activities	5	**253**	**88**
Interest receivable and other income		0	1
Interest payable and similar charges		(4)	(3)
Surplus on ordinary activities before taxation		**249**	**86**
Tax on surplus on ordinary activities	12	(57)	(18)
Surplus for the financial year		**192**	**104**

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board on the 17 September 2018 and signed on its behalf by:

Tony Taylor

Tony Taylor
(Chair)

Mike Stevenson
(Board member)

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN RESERVES.

For the year ended 31 March 2018

	Group	Group	Company	Company
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Balance as at 31 March	8,356	(408)	(647)	(751)
Comprehensive income for the year	11,668	8,764	192	104
Balance as at 31 March	**20,024**	**8,356**	**(455)**	**(647)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

As at 31 March 2018

	Note	2018 £'000	2017 £'000
Tangible fixed assets			
Housing properties	13	164,784	157,196
Other tangible fixed assets	14	1,029	1,078
Investment Properties	15	21,411	12,579
Investments	16	151	151
		187,375	**171,004**
Current assets			
Stock	17	65	48
Properties held for sale	18	1,897	5,271
Debtors	19	2,148	1,958
Cash and cash equivalents		15,950	8,962
		20,060	**16,239**
Creditors: Amounts falling due within one year	20	(11,086)	(9,473)
Net current assets		8,974	6,766
Total assets less current liabilities		196,349	177,770
Creditors: Amounts falling due after more than one year	21	(164,765)	(157,037)
Net pension liability	10	(11,560)	(12,377)
Total net assets		20,024	8,356
Reserves			
Revenue reserve		20,024	8,356
Total reserves		**20,024**	**8,356**

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board on the 17 September 2018 and signed on its behalf by:

Tony Taylor
(Chair)

Mike Stevenson
(Board member)

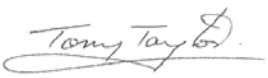
COMPANY STATEMENT OF FINANCIAL POSITION.

As at 31 March 2018

	Note	2018 £'000	2017 £'000
Tangible fixed assets			
Other tangible fixed assets	14	433	292
Investment in associates	16	151	151
		584	**443**
Current assets			
Debtors	19	1,134	866
Cash at bank and in hand		165	103
		1,298	**969**
Creditors: Amounts falling due within one year	20	(2,337)	(2,059)
Net current liabilities		(1,039)	(1,090)
Total assets less current liabilities		(455)	(647)
Capital and reserves (non-equity)			
Revenue reserve		(455)	(647)
Total reserves		**(455)**	**(647)**

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board on the 17 September 2018 and signed on its behalf by:



Tony Taylor
(Chair)

Mike Stevenson
(Board member)

CONSOLIDATED STATEMENT OF CASH FLOWS.

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Net cash generated from operating activities	28	**25,449**	**14,413**
Cash flow from investing activities			
Purchase of tangible fixed assets		(20,946)	(30,771)
Proceeds from sale of tangible fixed assets		816	2,594
Fixed asset investment		0	(30)
Grants received		3,041	2,090
Interest received		10	9
		(17,079)	**(26,108)**
Cash flow from financing activity			
Interest paid		(6,382)	(5,232)
New loans		5,000	17,000
Loan arrangement Fees		0	(950)
Repayment of borrowings		0	(6,000)
		(1,382)	**4,818**
Increase/(decrease) in cash		6,988	(6,877)
Cash and cash equivalents at beginning of the year		8,962	15,840
Cash and cash equivalents at end of the year		**15,950**	**8,962**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS.

1 Legal status

The Company is registered under the Companies Act 2006 and is a registered housing provider. The registered office is Asher House, Asher Lane Business Park, Ripley, Derbyshire, DE5 3SW

2 Accounting policies

Basis of accounting

The financial statements of the Group and Company are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice: Accounting for Registered Social Housing Providers 2014, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

Going concern

The Group's key activities are set out in the Strategic Report along with an assessment of the risks to the current operating environment. The Group is expected to have adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

Basis of consolidation

The Group accounts consolidate the accounts of the company and all its subsidiaries at 31 March 2018 in accordance with the principles of accounting as set out in FRS 102. Futures Housing Group Limited is a public benefit entity in accordance with FRS102. The financial statements are presented in sterling (£).

Turnover and revenue recognition

Turnover comprises rental income receivable in the year, service charges receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point properties become available for letting. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Taxation

The charge for taxation is based on the surpluses arising on certain activities which are liable to tax.

Deferred taxation

Taxable members of the Group have adopted the standard for deferred tax (FRS 102 section 36.) Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax assets or liabilities are not discounted.

Value Added Tax

The Group charged Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue & Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest payable

Interest payable is charged to the statement of comprehensive income in the year.

Pensions

The Group participates in the Derbyshire County Council Pension Fund, a defined benefit pension scheme managed by Derbyshire County Council, the Northamptonshire County Council Pension Fund, a defined benefit pension scheme managed by Northamptonshire County Council, and a defined contribution scheme provided by Scottish Widows.

In relation to the defined benefit schemes, the current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs/income. Actuarial gains and losses are reported in the statement of comprehensive income.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high-quality bond rates. The net deficit, adjusted for deferred tax, is presented separately from other assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the Group.

In relation to the defined contribution scheme, the charges for the year represent the employer contributions payable to the scheme for the accounting period.

Housing managed on behalf of other landlords

The treatment of income and expenditure in respect of housing projects managed on behalf of other agencies depends on whether the Group carries the financial risk.

Where the Group carries the financial risk, all the project's income and expenditure is included in the Group's statement of comprehensive income.

Where the other landlord carries the financial risk, the statement of comprehensive income includes only that income and expenditure which relates solely to the Group.

Housing properties

Housing properties are held for the provision of social housing or to otherwise provide social benefit. Housing properties are properties available for rent and properties subject to shared ownership leases.

Properties are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs and expenditure incurred in respect of improvements.

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 benefits of the assets, are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and 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.

Depreciation of housing properties

Freehold land is not depreciated. 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 depreciates the major components of its housing properties over the following number of years:

	Life in years
Structure	50
Roof	50
Fascia	30
Soffit	30
Windows	30
Kitchen	20
Bathroom	30
Doors	30
Bio-mass system	20
Heating distribution system	25
Boiler	12

Government grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are initially credited to the deferred grant account within long-term creditors on the statement of financial position. They are then amortised over the useful life of the housing property structure, and where applicable its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate, once reasonable assurance has been gained that the entity 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 or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on 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 statement of financial position 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 in the statement of comprehensive income.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to statement of comprehensive income. Upon disposal of the associated property, the Group is required to recycle these proceeds and recognise them as a liability.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose 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 association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Impairment

Annually, housing properties are assessed for impairment measures. Where measures are identified, an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount. This is likely to be the value in use of the asset, based on its service potential. The resulting impairment loss is recognised as expenditure in the statement of comprehensive income. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

Other tangible fixed assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal estimated useful economic lives used for other assets are:

	Life in years
Computers and office equipment	3
Tools and equipment	3
Motor Vehicles	3
Furniture, fixtures and fittings	5
Lifeline equipment	5

Leased assets

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Investment properties

Investment properties consist of commercial properties and other properties not held for the 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.

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model. Management has reviewed the Group's loan agreements and has deemed them to be basic financial instruments.

Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short-term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Stock

Stock is stated at the lower of cost and net realisable value.

Liquid resources

Liquid resources are readily disposable current asset instruments.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

Significant management judgements

The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements:

1) Impairment

As part of the group's continuous review of the performance of their assets, management identify any homes or schemes that have increasing void losses, are impacted by policy changes or where the decision has been made to dispose of the properties. These factors are considered to be an indication of impairment.

Where there is evidence of impairment, the fixed assets are written down, and any impairment losses are charged to operating surpluses.

The estimated depreciated replacement cost (DRC), calculated using appropriate construction costs and land prices is compared to the carry value of the asset. Where the DRC is lower than the carrying cost, an impairment charge is made against the social housing properties.

2) Classification of loans as basic

The Group has a number of loans with a two-way break clause, which is applicable where the loan is repaid early and could result in a break cost or break gain. The loans are fixed-rate loans. In a repayment scenario that results in a break gain, the loan agreement provides for the repayment of capital at par. Any break gain payable by the lender would be in relation to future period's interest only.

Management have considered the terms of the loan agreement and concluded that they do meet the definition of a basic financial instrument, and are therefore held at amortised cost.

3) Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation, management monitors the asset and considers whether changes indicate that impairment is required.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

1) Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment, and changes to Decent Homes standards, which may require more frequent replacement of key components.

2) Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 10).

4a Particulars of turnover, cost of sales, operating costs and operating surplus

Group - Continuing activities

For the year ended 31 March 2018	Turnover 2018 £'000	Operating costs 2018 £'000	Operating surplus 2018 £'000
Social housing lettings (see note 4b)	42,760	(27,811)	14,949
Other social housing activities			
Management and agency services	927	(399)	529
First tranche shared ownership sales	1,477	(1,229)	248
	2,404	**(1,628)**	**776**
Non-social housing activities			
Charges for Support Services	996	(1,279)	(283)
Sale of properties for outright sale	3,096	(2,788)	308
Other	939	(717)	222
	5,031	**(4,784)**	**247**
	50,195	**(34,223)**	**15,972**

Company

	Turnover 2018 £'000	Operating costs 2018 £'000	Operating surplus 2018 £'000
Other social housing activities			
Management services	11,466	(11,213)	253

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

4a | Particulars of turnover, cost of sales, operating costs and operating surplus (continued.)

Group - Continuing activities	Turnover	Operating costs	Operating surplus
	2017	2017	2017
For the year ended 31 March 2017	£'000	£'000	£'000
Social housing lettings (see note 4b)	42,539	(27,727)	14,812
Other social housing activities			
Management and agency services	1,029	(1,151)	122
First tranche shared ownership sales	610	(433)	177
	1,639	**(1,584)**	**55**
Non-social housing activities			
Charges for Support Services	1031	(1,235)	(204)
Sale of properties for outright sale	601	(495)	106
Other	767	(525)	242
	2,399	**(2,255)**	**144**
	46,577	**(31,566)**	**15,011**

Company	Turnover	Operating costs	Operating surplus
	2017	2017	2017
	£'000	£'000	£'000
Other social housing activities			
Management services	7,861	(7,773)	88

4b | Particulars of turnover, cost of sales, operating costs and operating surplus (continued.)

Group - Continuing activities For the year ended 31 March 2018	General housing 2018 £'000	Sheltered housing 2018 £'000	Shared ownership 2018 £'000	Total 2018 £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	26,763	14,158	248	41,169
Service income	539	573	6	1,118
Amortisation of government grants	470	0	3	473
Turnover from Social housing lettings	**27,772**	**14,731**	**257**	**42,760**
Expenditure on social housing lettings				
Management	(6,204)	(3,264)	(122)	(9,590)
Services	(597)	(692)	0	(1,289)
Routine maintenance	(2,937)	(1,545)	0	(4,482)
Planned maintenance	(2,129)	(1,471)	0	(3,600)
Major repairs expenditure	(1,427)	(471)	0	(1,898)
Bad debts	(243)	(133)	(0)	(376)
Depreciation of fixed assets	(3,343)	(1,787)	(83)	(5,213)
Accelerated Depreciation	(365)	(203)	0	(568)
Other	(516)	(279)	0	(795)
Total expenditure on social housing lettings	**(17,761)**	**(9,845)**	**(205)**	**(27,810)**
Operating surplus on social housing lettings	**10,011**	**4,886**	**52**	**14,950**
Void losses	**(273)**	**(146)**	**0**	**(419)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

4b Particulars of turnover, cost of sales, operating costs and operating surplus (continued.)

Group - Continuing activities For the year ended 31 March 2017	General housing 2017 £'000	Sheltered housing 2017 £'000	Shared ownership 2017 £'000	Total 2017 £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	26,229	14,567	191	40,987
Service income	512	517	5	1,034
Amortisation of government grants	515	0	3	518
Turnover from social housing lettings	**27,256**	**15,084**	**199**	**42,539**
Expenditure on social housing lettings				
Management	(5,829)	(3,927)	(47)	(9,803)
Services	(655)	(597)	0	(1,252)
Routine maintenance	(2,908)	(1,575)	0	(4,483)
Planned maintenance	(2,265)	(1,331)	0	(3,596)
Major repairs expenditure	(1,338)	(705)	0	(2,043)
Bad debts	(192)	(107)	0	(299)
Depreciation of fixed assets	(3,234)	(1,810)	(16)	(5,060)
Other	(758)	(433)	0	(1,191)
Total expenditure on social housing lettings	**(17,179)**	**(10,485)**	**(63)**	**(27,727)**
Operating surplus on social housing lettings	**10,077**	**4,599**	**136**	**14,812**
Void losses	**(231)**	**(122)**	**0**	**(353)**

5 Operating Surplus

This is arrived at after charging	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Depreciation of housing properties	4,975	0	4,486	0
Depreciation of other tangible fixed assets	808	489	689	288
Operating lease rentals				
- Buildings	342	342	377	0
- Equipment	9	0	11	0
- Vehicles	0	0		
Auditors remuneration (excluding irrecoverable VAT)				
- for audit services	52	52	43	43
- for non audit services (taxation)	9	9	7	7

Auditor’s remuneration for the Group is borne by the parent undertaking.

6 Surplus on sale of fixed assets - housing properties

	2018 £'000	2017 £'000
Disposal proceeds	1,260	2,381
Carrying value of fixed assets	(444)	(629)
	816	**1,752**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

7 Accommodation in management and development

Group

At the end of the year the units in management for each class of accommodation was as follows:

For the year ended 31 March	2018 No.	2017 No.
Social housing		
Social rent	5,566	5,540
Affordable rent	280	170
Supported & sheltered	3,134	3,134
Market rent	129	113
Shared ownership	109	84
Total owned	9,218	9,041
Private landlord - managed	141	144
Total	**9,359**	**9,185**

8 Interest receivable and other income

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Interest receivable	10	0	1	1

9 Interest and financing costs

Group

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Loans and bank overdraft	6,615	4	5,637	3

10 Employees

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

	Group 2018 No.	Company 2018 No.	Group 2017 No.	Company 2017 No.
Administration	104	101	108	72
Development	3	3	2	2
Housing, support and care	62	37	73	0
Repairs	113	18	117	7
	282	**159**	**300**	**81**

Employee costs:

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Wages and salaries	8,784	5,647	9,159	3,383
Social security costs	789	546	828	325
Pension costs	1,771	1,033	1,601	415
	11,344	**7,226**	**11,588**	**4,123**

10 Employees (continued.)

All employees of Futures Homescape Limited are members of Derbyshire County Council Pension Fund (DCCPF) and employees of Futures Homeway Limited are members of Northamptonshire County Council Pension Fund (NCCPF). These schemes were closed to new entrants from 1 July 2011; from that date the Group also participates in a scheme administered by Scottish Widows, this is a defined contribution scheme. The Group contributes between 3% and 13.8% dependant on the age of, and contribution made by, the individual employee.

A number of employees of Futures Homescape Limited and Futures Homeway Limited are seconded to Futures Housing Group, and a management charge is made to Futures Housing Group which for 2018 is £3.4m in respect of 70 employees (2017: £4.1m in respect of 81 Employees). On the basis that the constructive obligation rests with Futures Housing Group these costs are separately analysed above. As FHW and FHL remain responsible for their pension obligations no separate analysis of the related schemes' assets or liabilities is reported in the Company accounts.

Derbyshire County Council Pension Fund

The DCCPF is a multi-employer defined benefit scheme, which is administered by Derbyshire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2016. The market value of Futures Homescape's share of scheme assets at that date was £27.3 million and the level of funding was 97%. The main actuarial assumptions used in the valuation were:

	%p.a.
Discount Rate	4.0
Salary Increases	2.7
Pension Increases/CARE revaluation	3.2

Contributions

The Company paid contributions at the rate of 13.8% during the year. The cost to the company, of contributions to the scheme in the period, amounted to £958,000 (£734,000 – 2017). Members' contributions vary between 5.5% and 12.5% of pensionable pay until 31 March 2018, depending on the circumstances of the employee. Employers' contributions to the DCCPF during the accounting period commencing 1 April 2018 are at a rate of 23.9% and are estimated to be £958,000.

Major categories of plan assets as a total of plan assets

	2018	2017
Equities	68%	72%
Bonds	20%	18%
Property	7%	6%
Cash	5%	4%

10 Employees (continued.)

Assumptions

The main financial assumptions used by the actuary were as follows:-

	2018 %	2017 %
Rate of increase in salaries	2.9	2.9
Rate of increase in pensions	2.4	2.4
Discounted rate	2.7	2.6

Mortality assumptions

The post retirement mortality assumptions were based on the Fund's VitaCurves with improvements inline with the CMI 2013 model and these are used to value the benefit obligation at 31 March as determined by the actuary, for non-pensioners and pensioners.

	2018 No of Years.	2017 No of Years.
Current pensioners:		
Males	21.9	21.9
Females	24.4	24.4
Future pensioners:		
Males	23.9	23.9
Females	26.5	26.5

Amounts recognised in the statement of financial position:

	2018 £'000	2017 £'000
Present value of funded obligations	(43,746)	(42,645)
Fair value of plan assets	35,299	33,529
	(8,447)	**(9,116)**
Present value of unfunded obligations	(12)	(13)
Net liability	**(8,459)**	**(9,129)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

10 | Employees (continued.)

Amounts recognised in other comprehensive income

	2018 £'000	2017 £'000
Actuarial gains/(loss) in other comprehensive income	1,268	(2,217)

Analysis of the amount charged to operating surplus

	2018 £'000	2017 £'000
Current service cost	1,299	1,133
Past service losses	15	148
Total operating charge	**1,314**	**1,281**

Amounts recognised in the statement of financial position:

	2018 £'000	2017 £'000
Expected return on pension scheme assets	879	983
Interest on pension scheme liabilities	(1,121)	(1,207)
Net interest charge	(242)	(224)

10 | Employees (continued.)

Movement in deficit during the year

	2018 £'000	2017 £'000
Company share of net liabilities at start of period	(9,129)	(6,141)
Movement in year:		
Current service cost	(1,299)	(1,133)
Past service cost	(15)	(148)
Employer contributions	958	734
Other finance costs	(242)	(224)
Actuarial (gain) / loss	1,268	(2,217)
Company share of net scheme liabilities at end of year	**(8,459)**	**(9,129)**

Changes in present value of defined benefit obligation

	2018 £'000	2017 £'000
Opening defined benefit obligation (including unfunded obligations)	(42,658)	(34,014)
Current service cost	(1,299)	(1,133)
Past service cost	(15)	(148)
Interest cost	(1,121)	(1,207)
Contributions by members	(232)	(281)
Actuarial gain/(loss)	977	(6,438)
Past service gain	0	0
Benefits paid	590	563
Closing defined benefit obligation (including unfunded obligations)	**(43,758)**	**(42,658)**

10 Employees (continued.)

Changes in fair value of plan assets

	2018 £'000	2017 £'000
Opening fair value of plan assets	33,529	27,873
Expected return on assets	879	983
Contributions by members	232	281
Contributions by employer	958	734
Actuarial gains	291	4,221
Benefits paid	(590)	(563)
Fair value of assets at end of year	**35,299**	**33,529**

Nineteen (2017: 23) of the Company's employees are members of the Northamptonshire County Council Pension Fund (NCCPF). This scheme was closed to new entrants from 1 July 2011, from this date the Company also participated in a scheme administered by Scottish Widows, this is a defined contribution scheme. The Company contributes between 3% and 18.9% dependant on the age of the individual employee. 11 (2017: 23) of the Company's employees are members of the Scottish Widows scheme. The parent company receives the services of 10 FHW employees (2017: 6) who are seconded to (and constructively employees of) FHG. The company also receives the benefit of 2 FHW employees (2017: 0) who are seconded to FGL. These employees and their related costs are excluded from the information given above.

Northamptonshire County Council Pension Fund

The NCCPF is a multi-employer defined benefit scheme, which is administered by Derbyshire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method.

The most recent formal actuarial valuation was completed as at 31 March 2016.

The market value of the scheme's assets at that date was £5.4 million and the level of funding was 71%. The main actuarial assumptions used in the valuation were:

	% p.a.
Discount Rate	4.6%
Pensionable Pay increases	4.3%
Rate of pension increases	2.5%

10 Employees (continued.)

Contributions

The Company paid contributions at the rate of 27.9% during the year. The cost to the company, of contributions to the scheme in the period, amounted to £257,000 (£282,000 – 2017). Members' contributions vary between 5.5% and 12.5% of pensionable pay until 31 March 2018, depending on the circumstances of the employee.

Employers' contributions to the NCCPF during the accounting period commencing 1 April 2018 are at a rate of 27.9% and are estimated to be £257,000.

Major categories of plan assets as a total of plan assets

	2018	2017
Equities	73%	74%
Bonds	16%	17%
Property	8%	7%
Cash	3%	2%

Assumptions

The main financial assumptions used by the actuary were as follows:

	2018 %	2017 %
Rate of increase in salaries	2.7	2.7
Rate of increase in pensions	2.4	2.4
Discounted rate	2.7	2.6

10 Employees (continued.)

Mortality assumptions

The post retirement mortality assumptions used to value the benefit obligation at 31 March are based on the PA92mc year of birth table plus one year, for non-pensioners and pensioners.

	2018	2017
	No of Years	No of Years
Current pensioners:		
Males	22.1	22.1
Females	24.2	24.2
Future pensioners:		
Males	23.9	23.9
Females	26.1	26.1

Amounts recognised in the statement of financial position

	2018	2017
	£'000	£'000
Present value of funded obligations	(10,251)	(10,096)
Fair value of plan assets	7,150	6,848
	(3,101)	**(3,248)**
Present value of unfunded obligations	0	0
Net liability	(3,101)	(3,248)

Amounts recognised in other comprehensive income

	2018	2017
	£'000	£'000
Actuarial gain/(loss) in other comprehensive income	210	(671)

10 Employees (continued.)

Analysis of the amount charged to operating surplus

	2018 £'000	2017 £'000
Current service cost / total operating charge	236	160

Analysis of the amount charged to other finance costs

	2018 £'000	2017 £'000
Expected return on pension scheme assets	180	211
Interest on pension scheme liabilities	(264)	(303)
Net finance cost	**(84)**	**(92)**

Movement in deficit during the year

	2018 £'000	2017 £'000
Company share of net liabilities at start of period	(3,248)	(2,607)
Movement in year:		
Current service cost	(236)	(160)
Past service cost		
Employer contributions	257	282
Other finance costs	(84)	(92)
Actuarial gain / (loss)	210	(671)
Company share of net scheme liabilities at end of year	**(3,101)**	**(3,248)**

10 | Employees (continued.)

Changes in present value of defined benefit obligation

	2018 £'000	2017 £'000
Opening defined benefit obligation (including unfunded obligations)	(10,096)	(8,384)
Current service cost	(236)	(160)
Past service cost		
Interest cost	(264)	(303)
Contributions by members		
Actuarial gain	(38)	(47)
Past service gain	0	0
Benefits paid	138	135
Closing defined benefit obligation (including unfunded obligations)	245	(1,337)
	(10,251)	**(10,096)**

Changes in fair value of plan assets

	2018 £'000	2017 £'000
Opening fair value of plan assets	6,848	5,777
Expected return on assets	180	211
Actuarial (loss) / gains	(35)	666
Contributions by employer	257	282
Contributions by members	38	47
Benefits paid	(138)	(135)
Fair value of assets at end of year	**7,150**	**6,848**

11 Board members, executive directors and key management personnel

	Basic Salary £'000	Benefits in Kind £'000	Pension Contr'ns £'000	2018 Total £'000	2017 Total £'000
L Williams	167	1	36	204	178
M Sherman	0	0	0	0	61
I Skipp	129	1	28	158	142
S Jandu	120	0	10	130	30
M Keys	122	0	10	132	32
P Parkinson	0	0	0	0	57
Aggregate emoluments payable to executive directors	**538**	**2**	**84**	**624**	**500**

The Group Executive Directors are considered to be the key management personnel of the company.

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Basic Salary	538	538	405	405
Benefits in kind	2	2	43	43
Employers NIC	72	72	68	68
Pension Contributions	84	84	52	52
	696	**696**	**568**	**568**

The emoluments of the highest paid executive director (the Group Chief Executive), excluding pension contributions, were £168,233 (2017: £163,975).

The Chief Executive is a member of the Derbyshire County Council Pension Scheme. She is an ordinary member of the pension scheme and no enhanced or special terms apply.

Futures Housing Limited does not make any further contribution to an individual pension arrangement for the Chief Executive.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

11 | Board members, executive directors and key management personnel (continued.)

The full time equivalent number of staff (excluding directors) who received emoluments, including pension contributions, in the following ranges:

	2018 No.	2017 No.
£60,000 to £70,000	3	5
£70,000 to £80,001	5	4
£80,000 to £90,001	3	0
£90,001 to £100,000	1	1

Number of Board Directors including the highest paid, and including members of the Board sub committees who received emoluments in the following ranges.

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
£15,001 - £20,000	1	1	0	0
£10,001 - £15,000	2	2	4	2
£5,001 - £10,000	9	9	6	8
£1 - £5,000	13	13	21	7
	25	**25**	**31**	**17**

Expenses paid during the year to companies' Board Directors amounted to £6,431 (2017: £7,012).

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
E Bradbury	0	0	9	9
D Whalley	0	0	3	3
T Taylor	18	18	15	15
H Punchihewa	6	6	7	7
D Macharaga	1	1	2	2
R Atterbury	1	1	2	2
R Ward	3	3	3	3
B Lyttle	1	1	2	2
E Brown	2	2	2	2
N Bull	1	1	2	2
D Leathley	7	7	7	7
G Kinsella	2	2	2	2
P Naish	3	3	3	3
P Tooley	7	7	7	7
J Hayes	1	1	2	2
J Spalding	2	2	2	2
I Toal	0	0	8	8
S Hale	9	9	7	7
R Harding	7	7	7	7
M Stevenson	10	10	10	10
M Warren	1	1	2	2
P Downes	0	0	2	2
G Lindley	2	2	2	2
C Smith	5	5	5	5
S Hyde	11	11	10	10
S Fitzhugh	7	7	7	7
D Brooks	5	5	0	0
R Auger	1	1	0	0
T Slater	5	5	0	0
	118	**118**	**130**	**130**

Emoluments paid to FHG Chair, Tony Taylor (highest paid Board Director)	18	18	15	15

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

12 | Tax on deficit on ordinary activities

Group and Company	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Current Tax				
UK corporation tax on surplus for the year	94	82	45	18
Adjustments in respect of prior period	0	0	(26)	(36)
Current tax	**94**	**82**	**19**	**(18)**
Deferred Tax				
Net origination and reversal of timing differences	(34)	(25)	0	(1)
Adjustments in respect of prior period	0	0	(8)	0
Effect of rate change on opening balance	0	0	1	1
Total tax charge	**60**	**57**	**12**	**(18)**

Current tax reconciliation	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Surplus on ordinary activities before tax	346	249	229	86
Charitable activities	0	0	0	0
Surplus subject to Corporation tax	**346**	**249**	**229**	**86**
Theoretical tax at UK corporation tax rate 19% (2017: 20%)	49	47	46	17
Adjustment to tax charge in respect of previous periods	7	7	(20)	(29)
Adjustment in respect of prior periods – deferred tax	0	0	(9)	0
Adjust closing deferred tax to average rate of 19% (2017:20%)	7	5	5	3
Adjust closing deferred tax to average rate of 19% (2017: 20%)	(3)	(2)	(3)	(2)
Tax refund in respect of prior period	0	0	(7)	(7)
Total tax charge	**60**	**57**	**12**	**(18)**

13 | Tangible fixed assets - properties

Group	Completed housing properties shared ownership £'000	Shared ownership properties under construction £'000	Social housing properties held for letting £'000	Social housing properties under construction £'000	Total £'000
Cost					
At 1 April 2017	4,245	135	171,144	18,982	**194,506**
Additions	0	3,019	0	12,120	**15,139**
Capitalised improvements	0	0	2,627	0	**2,627**
Schemes completed	1,075	(1,075)	20,442	(20,442)	**0**
Reclassification as Investment Properties (note 15)	0	0	0	(4,273)	**(4,273)**
Disposals	(35)	0	(1,826)	0	**(1,861)**
At 31 March 2018	5,285	2,079	192,387	6,387	**206,138**
Depreciation and impairment					
At 1 April 2017	322	0	36,775	214	**37,311**
Charged in year	80	0	4,889	0	**4,969**
Impairment	0	0	0	0	**0**
Released on disposal	(4)	0	(922)	0	**(926)**
At 31 March 2018	398	0	40,742	214	**41,353**
Net Book Value					
At 31 March 2018	4,887	2,079	151,645	6,173	**164,784**
At 31 March 2017	3,923	135	134,369	18,768	**157,195**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

13 Tangible fixed assets - properties

Expenditure on works to existing properties

Group	2018 £'000	2017 £'000
Components capitalised	2,627	2,224
Amounts charged to statement of comprehensive income	1,898	2,043
	4,525	**4,267**

Social Housing Grant

Group	2018 £'000	2017 £'000
Total accumulated grant	23,919	20,946
Recognised in comprehensive income	3,763	2,820
Held as deferred capital grant	20,156	18,126
	23,919	**20,946**

Housing properties book value, net of depreciation and grants, and depot net book value (notes 13&14) comprises

Group	2018 £'000	2017 £'000
Freehold land and buildings	165,048	157,469

Housing properties comprise of only freehold land and buildings.

Impairment

The Group considers individual schemes to be separate Income Generating Units (IGU's) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard ("FRS") 102 section 27; Impairment of assets.

Valuation

Savills consultants undertook valuations of the housing properties as at 31 March 2018 for Futures Homescape Limited, the latest valuation for Futures Homeway Limited was at 31 March 2017 and 2 November 2015 for Five Doorways Homes Limited. The existing use social housing valuation was £309.8 million (2017: £301.0 million).

14 Other fixed assets

Group	Depot	Tools & equip	Furniture fixtures and fittings	Tele-care equip	IT and office equip	Other land and buildings	Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 April 2017	379	319	835	1,005	3,289	66	1,315	7,208
Additions	0	27	38	20	592	0	86	763
Disposals	0	0	0	0	0	0	0	0
At 31 March 2018	379	346	873	1,025	3,881	66	1,401	7,971
Depreciation								
At 1 April 2017	106	226	802	994	2,998	0	1,004	6,130
Charged in year	9	87	18	14	482	0	202	812
Released on disposal	0	0	0	0	0	0	0	0
At 31 March 2018	115	313	820	1,008	3,480	0	1,206	6,942
Net Book Value								
At 31 March 2018	264	33	53	17	401	66	195	1,029
At 31 March 2017	273	93	33	11	291	66	311	1,078

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

14 | Other fixed assets

Company	IT and office equipment	Furniture, fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
At 1 April 2017	2,042	0	2,042
Additions	592	38	630
Disposals	0	0	0
At 31 March 2018	2,634	38	2,672
Depreciation			
At 1 April 2017	1,750	0	1,750
Charged in year	481	8	489
Disposals	0	0	0
At 31 March 2018	2,231	8	2,239
Net Book Value			
At 31 March 2018	403	30	433
At 31 March 2017	292	0	292

15 | Investment properties

	31 March 2018	31 March 2018	31 March 2018	31 March 2017
	Completed investment properties	Investment properties under construction	Total	Total
	£'000	£'000	£'000	£'000
At 1 April	12,579	0	12,579	4,991
Reclassification from Housing Properties Fixed Assets (note 13)	0	4,273	4,273	6,757
Additions	4,166	0	4,166	831
Revaluation	393	0	393	0
	17,138	**4,273**	**21,411**	**12,579**

Investment properties were valued as at 31 March 2018 at their open market value based on an independant valuation by Rupert David & Co Chartered Surveyors.

16 | Group and company

Investment in joint ventures	2018 £'000	2017 £'000
Cost and net book value		
At 1 April	151	121
Additions	0	30
Impairment	0	0
At 31 March	151	151

The Group has the following aggregate interests in associated undertakings.

	2018 £'000	2017 £'000
Share of fixed assets	12	12
Share of current assets	286	305
Share of current liabilities	(113)	(60)
Share of net assets	**185**	**257**
Impairment - to show movement in the year	(34)	(106)
Investment	**151**	**151**

The Group owns 50% of the issued share capital of Three Together Limited, a company incorporated in England and Wales. Its wholly owned subsidiary, Access Training Limited, is a training and apprenticeship provider.

17 | Stock

Group	2018 £'000	2017 £'000
Raw materials and consumables	65	48

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

18 | Properties held for sale

Group	2018 £'000	2017 £'000
Properties held for sale	1,897	5,271

19 | Debtors

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Due within one year				
Rent and service charges receivable	707	0	487	0
Less: provision for bad and doubtful debts - rents	(239)	0	(165)	0
	468	**0**	**322**	**0**
Other debtors	704	102	596	60
Prepayments and accrued income	912	497	1,014	524
Corporation Tax	5	0	0	0
Amounts due from group undertakings	0	493	0	265
Deferred tax	59	42	26	17
	2,148	**1,134**	**1,958**	**866**

20 Creditors: amounts falling due within one year

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Trade creditors	489	150	750	183
Rent and service charges received in advance	734	0	676	0
Corporation tax	445	75	383	4
Other taxation and social security	471	237	232	3
Other creditors	1,074	91	992	25
Accruals and deferred income	6,330	413	4,669	555
Amounts owed to group undertakings	0	1,371	0	1,289
Deferred capital grant (note 22)	470	0	518	0
Right to buy creditor	1,073	0	1,253	0
	11,086	**2,337**	**9,473**	**2,059**

21 Creditors: amounts falling due after one year

	Group 2018 £'000	Group 2017 £'000
Bank loans (note 25)	144,541	139,429
Deferred capital grant (note 22)	20,224	17,608
	164,765	**157,037**

22 Deferred capital grant

	31 March 2018 £'000	31 March 2017 £'000
At 1 April	18,126	16,555
Grant received in the year	3,041	2,089
Released to income in the year	(473)	(518)
	20,695	**18,126**
Amounts to be released within one year	(470)	(518)
Amounts to be released in more than one year	(20,224)	(17,608)
	(20,694)	**(18,126)**

23 Provisions for liabilities and charges

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
At 1 April	36	17	19	17
Amount credited to the statement of comprehensive income	0	0	7	0
At 31 March	**36**	**17**	**26**	**17**
Comprising:				
Fixed asset timing differences	0	0	26	17
Deferred tax asset	**36**	**17**	**26**	**17**

24 | Disposal proceeds fund

	2018 £'000	2017 £'000
At 1 April	553	0
Net sale proceeds recycled	522	559
Acquisition of dwellings for letting	(1,075)	0
Balance at 31 March	**0**	**559**

Funds have been taken out to finance the Company's development programme (234 new properties were acquired during 2017/18).

25 | Debt analysis

Group	2018 £'000	2017 £'000
Due within one year		
Bank loans	0	0
Due after more than one year		
Bank loans	145,825	140,825
Less: capitalised issue cash	(1,284)	(1,396)
	144,541	**139,429**

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

	2018 £'000	2017 £'000
Within one year	0	0
Between one and two years	0	0
Between two and five years	20,000	20,165
After five years	125,825	120,660
	145,825	**140,825**

25 Debt analysis (continued.)

The Group fixes the interest rate on a proportion of its borrowings for a specified period of time; the maturity of these arrangements does not lead to a requirement to repay the debt, as such all debt has been presented as due in greater than one year.

The bank loans are secured by a floating charge over the assets of the Group and by fixed charges on individual properties. Overdraft interest is payable quarterly in arrears at the usual charging dates in March, June, September and December at a rate of 1% above base rate.

On all committed floating rate borrowings interest is payable quarterly at the maturity of the relevant fixture period of 1, 3, or 6 months and semi-annually if the fixture period is 12 months.

On all fixed rate borrowings interest is payable quarterly or semi-annually in arrears, calculated from the semi-annual fixed rate cost of funds.

Interest is payable on bank loans at rate per annum which is aggregate of:

- the relevant LIBOR or fixed/RPI linked rate;
- the previously detailed margin over the Lenders' floating rate cost of committed loan funds (currently LIBOR) or fixed/RPI linked cost of funds;
- where applicable, the cost to the Lenders of complying with the Mandatory Costs Rate (MCR) and special deposit requirements of the Bank of England.

Average rates payable were 3.51%.

At 31 March 2018 the Group had undrawn committed loan facilities of £61.7m (2017: £66.7m).

26 Financial commitments

Approved and contracted

Expenditure on the purchase of housing properties was committed as at 31 March 2018, in the sum of £17,806,000 by the Group (2017: £11,379,000).

Approved and not contracted

Expenditure of £32,664,000 for the purchase of housing properties was approved but not contracted as at 31 March 2018.

Partnering Contracts are in place to ensure the major programme of improvements to properties promised to tenants is delivered. The Board has approved expenditure of £6,616,000 for the 2017-18 financial year (2017: £4,100,000).

In addition £285,000 was approved for the purchase of fixed assets (2017: £557,000).

The above commitments for the Group will be financed primarily through borrowings which are available for draw-down under existing loan arrangements.

27 Operating Leases

The payments which the Group is committed to make in future years under operating leases are as follows:

Group	2018 £'000	2017 £'000
Land & Buildings		
Due to expire - within one year	340	49
Due to expire -one to five years	359	498
Due to expire - more than five years	0	219
	699	**766**
Vehicles		
Due to expire - within one year	0	2
Due to expire -one to five years	0	0
	0	**2**
Equipment		
Due to expire -one to five years	17	23

28 Reconciliation of operating surplus to net cash inflow from operating activities

	2018 £'000	2017 £'000
Surplus for the year	**10,190**	**11,652**
Adjustments for non cash items:		
Depreciation and impairment of tangible fixed assets	5,781	4,778
Pensions cost less contribution payable	659	424
Impairment of investment	0	0
Increase in trade and other debtors	(190)	(744)
Decrease in trade and other creditors	629	593
Decrease/(Increase) in stock and stock of housing	3,517	(4,792)
Carrying amount of tangible fixed assets sold	444	1,190
Proceeds from sale of fixed assets	(1,260)	(2,964)
Amortisation of government grants	(473)	(518)
Revaluation of Investment Properties	(393)	(831)
Interest payable	6,615	5,638
Interest receivable	(10)	(1)
Tax	(60)	(12)
Net cash inflow from operating activities	**25,449**	**14,413**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

29 | Financial assets and liabilities

The Board policy on financial instruments is explained in the Board Report as are references to financial risks.

Categories of financial assets and financial liabilities

	Group	Company	Group	Company
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Financial assets that are debt instruments measured at amortised cost:				
Cash at bank and in hand	15,950	164	8,962	103
Rental Debtors	468	0	322	0
Other Debtors	704	102	608	60
Amounts due from group undertakings	0	0	0	265
	17,122	**266**	**9,892**	**428**
Financial liabilities measured at amortised cost:				
Trade and Other Creditors	1,564	240	1,742	207
Accruals	6,330	413	4,669	555
Right to buy creditor	1,073	0	1,253	0
Loans	145,825	0	140,825	0
Amounts owed to group undertakings	0	1,371	0	1,290
	154,792	**2,025**	**148,489**	**2,052**

Financial Assets

Other than short-term debtors the Group had financial assets consisting of short-term money market and cash deposits held in special interest bearing accounts. They are sterling denominated and the interest rate profile at 31 March was:

	Group	Company	Group	Company
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Short-term Money Market Deposits	0	0	0	0
Special Interest Bearing Accounts	15,950	164	8,962	103
	15,950	**164**	**8,962**	**103**

29 Financial assets and liabilities (continued.)

The interest rate profile of the Group's loan liabilities at the 31 March 2018 was:

	2018 £'000	2017 £'000
Floating rate	107,178	21,147
Fixed rate	38,647	119,678
Total (note 21)	**145,825**	**140,825**

The fixed rate financial liabilities have a weighted average interest rate of 3.37% (2017: 3.92%). The sums are fixed for between 2 and 18 years.

The floating rate financial liabilities bear an interest rate as shown in note 25.

The debt maturity profile is shown in note 25.

The Group has undrawn committed borrowing facilities of £61.7 million (2017: £66.7 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

30 Related parties

The Company has taken advantage of the exemption in FRS 102 from disclosing transactions with its wholly owned subsidiaries.

During the year the Company paid £900 (2017:£1,500) in respect of training services to Access Training, a company with whom the Group has a beneficial interest. Futures Homeway also paid £420 during 2016-17 but did not make any payments during 2017-18.

Futures Housing Group Limited, Futures Homescape Limited, Futures Homeway Limited and Five Doorways Homes Limited

One member of the Boards of Futures Housing Group, Futures Homescape Limited, Futures Homeway Limited and Five Doorways Homes Limited, David Leathley is a tenant of Futures Homeway. His tenancy is on normal commercial terms and he is not able to use his position to his advantage.

Total rental arrears for the Group for related parties as at 31 March 2018 were nil (2017: nil)

Futures Greenscape Limited

Two members of the Board who served during the period, Suki Jandu and Ian Skipp were Executive Directors of FHG. They are not able to use their position to their advantage.

Transactions with non-regulated Group members

During the year the Company received £35k (2017: £35k), from Futures Greenscape Limited and £74k (2017: £68k) from Limehouse Developments Limited. This is allocated on the basis of staff time. The Company also received £91k (2017: nil) from Five Doorways Homes Limited. This is allocated on the basis of units managed. This income is from non-regulated Group members for the provision of central services, such as Finance and HR.

The Company also has in place a loan from Five Doorways Homes Limited of £398k.

In addition intra-group transactions occurred between other regulated and non-regulated Group members during the year. Futures Homescape Limited and Futures Homeway Limited paid £1,073k and £652k respectively (2017: £992k and £581K) to Futures Greenscape Limited for the provision of ground maintenance services and void works. Futures Homescape Limited received £109k (2017: £100k) for the provision of vehicles to Futures Greenscape Limited. Futures Homescape Limited has a loan in place to Limehouse Developments Limited of £2.9m to fund the development of homes for outright sale. In the prior year Futures Homescape received £117k for the provision of management services to Five Doorways Homes Limited. This was a charge based on the average units managed. This service is now provided by Futures Housing Group.

The Group Executive Directors are considered to be the key management personnel of the Company. Disclosures in relation to their remuneration is included in note 11.

31 Interest in subsidiaries

The financial statements consolidate the results of Futures Housing Group Limited with its subsidiaries, (on the basis of control). Futures Homescape Limited, Futures Homeway Limited, Five Doorways Homes Limited, Limehouse Developments Limited and Futures Greenscape Limited. Futures Housing Group Limited is the ultimate parent undertaking. Futures Homescape, Futures Homeway Limited and Five Doorways Homes Limited's primary activity is the letting and development of social housing properties. Futures Greenscape Limited primary activity is the provision of landscape maintenance services. Limehouse Developments Limited primary activity is the development of homes for outright sale.

Contact Futures Housing Group

enquiries@futureshg.co.uk

0300 456 2531

www.futureshg.co.uk

Follow us at Futures Housing Group

@futures_hg

Subscribe at Futures Housing Group