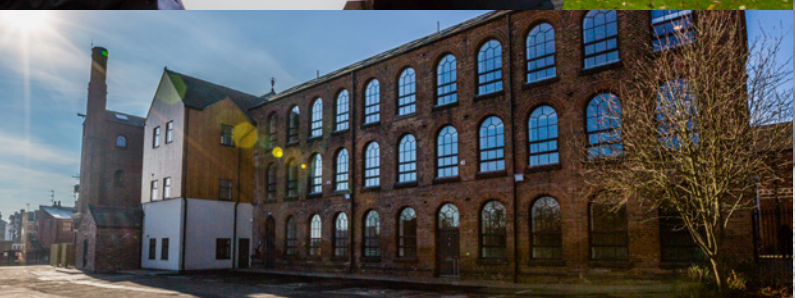
ANNUAL REPORT AND FINANCIAL STATEMENTS.

Futures Housing Group Limited

Year ended 31 March 2019



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

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BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS.

Board		Appointed	Resigned
Chair	Tony Taylor Mike Stevenson	25 May 2010 21 May 2019	21 May 2019
Vice Chair	Sheila Hyde	23 September 2014	
Other Members	Lindsey Williams David Leathley Sophie Fitzhugh Philip Tooley Steve Hale Ray Harding David Brooks Tim Slater Mary Daunt Ciara Mcmillan	18 July 2013 1 April 2014 15 July 2015 15 July 2015 15 July 2015 26 January 2016 19 July 2017 19 July 2017 22 May 2018 6 November 2018	 31 March 2019 6 November 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		
Registered Number	Registered under the Companies Act 2006, No: 06293737 Regulator of Social Housing, No: L4502		
External Auditors	BDO LLP Two Snowhill Birmingham B4 6GA	Solicitors	Anthony Collins LLP 134 Edmund Street Birmingham B3 2ES
Bankers	NatWest Bank PLC 1 Chesterfield Road Alfreton Derbyshire DE55 7ZR		

STRATEGIC REPORT.

The Board of Futures Housing Group Limited presents its report together with the audited financial statements for the year ended 31 March 2019.

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 2019 FHL owned 6,566 housing properties (2018: 6,054) for social/affordable rent, shared ownership and market rent. 2,298 of these homes are supported housing which include a lifeline service. It also manages 136 properties (2018: 141).

Futures Homeway Limited (FHW) formed in 2007. Registered provider with the RSH. At 31 March 2019 FHW owned 3,358 housing properties (2018: 3,077) for social/affordable rent, shared ownership and market rent. 88 of these homes are supported housing which include a lifeline service.

Five Doorways Homes Limited (5D) formed in 2004. Not a registered provider. At 31 March 2019 5D owned 86 housing properties (2018: 87). 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 work, 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.

Futures Finance Limited (FFL) formed in 2018 which acts as a funding vehicle to on lend monies across the Group. The funding within this company is solely bank loans.

Futures Treasury Plc (FTP) formed in 2018 which also acts as a funding vehicle to on lend monies to the housing subsidiaries. The funding within this company is a public bond.

Working in partnership allows the Group to provide the benefits and economies of scale and capacity that a large organisation brings, whilst 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 the Group’s culture and values are lived and breathed by every team member.

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.

STRATEGIC REPORT CONTINUED.

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, Strong Organisation, Great Places and Ambitious Futures, these are outlined in more detail in the VFM statement. This plan has been extended for a period of one year until April 2020, when the new corporate plan will be implemented.

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 2019/20 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 Regulator of Social Housing's (RSH) 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. This plan has been extended for a period of one year unitl April 2020 when the new plan will be implemented. 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.

STRATEGIC REPORT CONTINUED.

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 whilst generating savings for re-investment 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 meet monthly and report on performance at a detailed level;
- ✓ The Board receives quarterly performance reports and a quarterly budget monitoring report;
- ✓ The Audit & Risk Committee, who act as VFM champion for the Board, receive a VFM target versus outcome report;

Customers are also part of the scrutiny framework. The Group has an Insight Committee, consisting of Board members and customer representatives, which meets regularly to play a key role in consulting on decisions relating to service provision and provide feedback on services and desired improvements. These 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 2018/19 VFM outcome based targets set in the 2018/19 VFM Strategy
- 2018/19 performance against internal VFM metrics and measures set by the Board
- External benchmarking to compare performance with peers, measured against a peer group consisting of 83 organisations that are either LSVT's or traditional housing associations with 7,500 to 15,000 homes
- 2019/20 VFM outcome based targets set in the 2019/20 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 the corporate objectives, the strategy for delivering homes that 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 re-deployed 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 2018/19 VFM outcome based targets set in the 2018/19 VFM Strategy

VFM actions	Progress to date	Status
Economy, Efficiency and Effectiveness: Enhance customer access to digital services to enable effortless experience and enhance quality of customer feedback.	**Economy, Efficiency:** Against a target to increase the number of customers paying electronically, 41% are now paying electronically, which serves as the baseline for next year. **Economy, Efficiency:** Against a target to increase the number of self-appointed Repairs, 50% of repairs raised through My Account were self appointed, which serves as the baseline for next year. **Economy, Efficiency:** Against a target to have 2,000 regular My Account users by 31 March 2019, the Group currently has 3,086 tenants registered. **Effectiveness:** For the target to secure 500 new customers per annum for the Telecare/assistive technologies service, the Group has not yet achieved this. A new brand called 'Beep' has been launched and a new website will be delivered during 19/20, supported by a campaign plan to increase new business in this area. Supporting people funding has been secured for a further two years.	On target
Economy, Efficiency and Effectiveness: To continue into year 3 of the 3 year transformation programme	The transformation programme is ongoing with 4 active transformations and 2 to commence during 2019/20. Transformation is an end to end review of processes and systems of a particular focus area with the aim of eliminating waste and making the processes/systems more economical, effective and/or efficient.	On target
Economy, Efficiency and Effectiveness: Deliver an effortless repairs service through digital strategies and increased in-sourcing	**Economy, Efficiency:** Against the target to complete the repairs transformation during FY2018/19 with pre and post assessment of improvements in cost and / or efficiency and effectiveness undertaken, the transformation is currently in the delivery phase. Early indications of VFM improvements are: • Consistent customer offer created and delivered • 6.1% of repair requests since Dec 18 have been resolved by offering customers self help • 42% reduction in the number of pre-inspections, favouring a repair operative being sent as the first person to visit a property The rediscover phase is likely to be in Q3 of 19/20 where transformation outcomes can be quantified. **Effectiveness:** Against a target to preserve net promoter scores of at least +40, the year to date outcome is 39 with monthly outcomes ranging from 33 to 34. The methodology of assessment is currently under review.	Delayed but moving towards target
Economy, Efficiency and Effectiveness: Develop Data Warehouse within Orchard to improve customer insight and reporting analytics.	**Economy:** Against a target to have the Data Warehouse populated by 31 March 2019, the group is delayed on this. However the newly appointed research and information team leading on this are now in place and the scoping of the warehouse is likely to be complete during 2019/20, with full implementation taking place. **Effectiveness:** Against the target to utilise outcome of research and reporting to shape future services, this will be delayed until the data warehouse is fully implemented during 2019/20.	Delayed but moving towards target
Economy, Efficiency: Further ICT investment in customer self-serve and automation products and show measurable increase in the number of customer self-service transactions.	**Economy, Efficiency:** Against a target to reduce telephone calls by 25%, calls have reduced by 16%. It has been established that calls will not be able to reduce any further without the digital contact channels improving. Work is therefore underway over the next 6 months to improve channels of access. Against a target to increase non telephone contact and self-serve by 30%, the group has only achieved a 1% increase for the reasons explained above.	Delayed but moving towards target

Table continued.

VFM actions	Progress to date	Status
Economy, Efficiency: Unified Communications phase 2; extend use of video conferencing.	**Economy, Efficiency:** Against a target of at least 80% of office based staff provided with equipment that enables agile working, this has been achieved with 100% of staff now having agile working equipment.	On target
Support customers to sustain their tenancies	**Effectiveness:** Against a target of 95% of starter tenancies to successfully convert to assured tenancies after 12 months, 78% was achieved. The remaining 22% did not convert within 12 months, they were extended for a further 6 months due to rent arrears.	Delayed but moving towards target

2018/19 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?"	During the year the NPS score has remained stable, ranging from 39 to 34. 562 surveys to gather scoring were completed, representing circa 6% of the Group's customer base. Against a national benchmark via 'Freeview', only John Lewis, First Direct and Nationwide have scores higher than +39. The Group customer effort score is 4.2, consistent with last year's score, indicating consistency in customer satisfaction.
Service failure contacts The total number of customer contacts logged within Orchard which have been identified as Failure Demand (i.e. where the service has not been provided for the customer when requested).	% of all contacts received are classified as failure demand, from an average of 2,040 contacts made per week.

External benchmarking to compare performance with peers

External benchmarking information for frontline services is taken from Housemark, the latest available data is based on 2017/18.

HouseMark indicator	2017/18 Quartile performance	Direction of travel	Actual 2017/18	Target met 2017/18	Actual 2016/17
Average re-let time in days (standard re-lets)	3	↓	28		23

The Group's over-arching target is upper quartile performance at no more than median cost. For average re-let times, this target is not met. The Group has made changes to the re-let process during 2017/18 to enhance efficiency and effectiveness in the process, including implementing a new staff structure and enhancing the utilisation of the housing management system to guide activity. Whilst the benefits of these changes are not showing in the 2017/18 housemark information above, during 2018/19 the benefits are showing with a reduction in relet days to 22 days as at quarter 4 (excluding strategically held void properties that are subject to major re-development such as Mountbatten House).

2019/20 VFM outcome-based targets set in the 2019/20 VFM Strategy

Targets	Proposed VFM outcomes
Transformation programmes to continue into year 3 of the programme: • Income team • Repairs • Neighbourhoods • Assets • Lettings service • 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 efficiency and/or effectiveness.
Enhance customer access to digital services to enable effortless experience and enhance quality of customer feedback.	**Efficiency, Effectiveness:** Reduce demand on more expensive methods of service (phone and email) by 10%. **Efficiency, Effectiveness:** Implement technology to automate 10% of phone calls. **Efficiency, Effectiveness:** Migrate 20% of high dependency customers to digital channels. **Economy, Efficiency:** To have 3,750 registered My Account users by 31 March 2020.
Enhance customer insight through data analytics to help shape services.	**Effectiveness:** Reduce repeat calls by 10% as a result of insight to enable pro-active customer service one-on-one contact.
Support customers to manage their finances.	**Economy, Efficiency, Effectiveness:** 20% of customers supported through money advice do not fall into rent arrears; 5% of customers who have accessed money advice receive discretionary housing payment to support their arrears 95% of starter tenancies successfully converted to assured tenancies after 12 months.
Reduce overall legal costs for tenancy management.	**Efficiency:** Reduce legal costs by 20% through effective case management.

Ian Skipp,
Group Finance &
Resources Director

Strong Organisation

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

STRATEGIC REPORT CONTINUED.

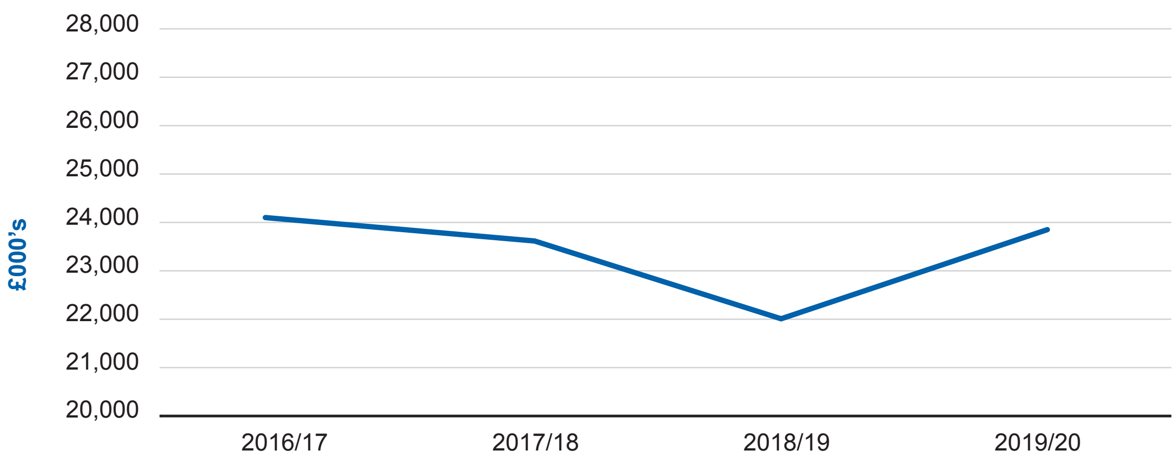
3 | Strong Organisation

Historic financial performance

As shown in the table below, 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 2015 (£'000)	31-Mar 2016 (£'000)	31-Mar 2017 (£'000)	31-Mar 2018 (£'000)	31-Mar 2019 (£'000)
Statement of Comprehensive Income					
Total turnover	44,546	45,637	46,577	50,195	50,092
Operating costs	(33,776)	(33,591)	(31,566)	(34,223)	(33,473)
Revaluation of investment properties	0	0	831	393	1,747
Surplus on sale of housing properties	838	715	1,752	816	1,207
Operating surplus	**10,770**	**12,761**	**17,594**	**17,181**	**20,073**
Operating profit %	24%	28%	38%	34%	40%
Surplus for the year transferred to reserves	7,155	12,937	8,764	11,668	7,222
Statement of Financial Position					
Fixed assets	116,541	144,519	171,004	187,375	264,470
Net current assets	8,056	9,349	6,766	8,974	25,458
Creditors over one year	(158,299)	(154,276)	(169,414)	(176,325)	(262,682)
Total net assets/(liabilities)	15,030	(408)	8,356	20,024	27,246

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 2016/17 to 2018/19, core operating costs reduced by £2m 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. As shown in the graph, operating costs are likely to increase next financial year by £2m mainly as a result of an increase in investment in maintaining homes, such as revenue repairs costs, and an increase in staff costs to support the growing number of customers and assets.

Forward-looking financial performance: EBITDA

	31-Mar 2020	31-Mar 2021	31-Mar 2022
EBITDA MRI (£'000)	20,867	21,280	19,374
EBITDA MRI %	221%	222%	194%
Average interest rate % on debt	4.22%	4.29%	3.65%
Groupwide Net debt per unit (£'000)	22	22	26

The Group's EBITDA MRI (Major Repairs Included) is set to move in line with the continued increase in investment in existing homes such as component replacements and other planned works. The EBIDTA MRI% decreases as more debt is 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 decrease as fixed rate loans expire and a large proportion of bank debt is replaced with bond debt (secured during 2018/19) at a lower coupon rate than the pre-existing fixed rate loans.

Loan covenant compliance

COVENANT COMPLIANCE		2018/19 Actual	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast
Gearing forecast - group	NW	61%	61%	58%	57%	56%	55%
Gearing covenant - group	NW	90%	90%	85%	85%	80%	80%
Internal Limit	NW	80%	80%	75%	70%	70%	65%
Asset Cover (Bond) EUV-SH	Bond	116%	116%	116%	116%	116%	116%
Asset cover (Bond) covenant	Bond	105%	105%	105%	105%	105%	105%
Internal Limit	Bond	116%	116%	116%	116%	116%	116%
Asset cover (Bank Debt) EUV-SH	NW	208%	208%	190%	213%	222%	207%
Asset cover (Bank Debt) covenant	NW	110%	110%	110%	110%	110%	110%
Internal Limit	NW	121%	121%	121%	121%	121%	121%
EBITDA MRI interest cover	NW	374%	226%	231%	202%	192%	198%
EBITDA MRI interest cover covenant	NW	110%	110%	110%	110%	110%	110%
Internal Limit	NW	120%	120%	120%	120%	120%	120%
Asset cover	Lloyds	212%	212%	212%	212%	218%	226%
Asset cover covenant	Lloyds	105%	105%	105%	105%	105%	105%
Internal Limit	Lloyds	120%	120%	120%	120%	120%	120%
Gross/Net financial indebtedness	Lloyds	27%	26%	25%	24%	23%	21%
Gross/Net financial indebtedness covenant	Lloyds	50%	50%	50%	50%	50%	50%
Internal Limit	Lloyds	47%	47%	47%	47%	47%	47%

STRATEGIC REPORT CONTINUED.

As shown in the table on page 12, 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 refinance that included securing a public bond has had 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 2018/19 VFM outcome based targets set in the 2018/19 VFM Strategy

VFM actions	Progress to date	Status
Economy: Operating margin of 33%.	**Efficiency:** Maintaining operating profit levels to service debt to enable delivery of new homes. The 2018-19 Operating Margin, as defined by the VFM metrics, is 34.6% (sector average 29.9% for 17/18).	On target
Effectiveness: Maintain high employee engagement score of at least 80%.	**Effectiveness:** A 90% employee engagement score has been achieved, indicating an engaged and effective workforce.	On target
Effectiveness: To maintain Investors in People Gold Standard.	**Effectiveness:** Gold status has been achieved and maintained, indicating an engaged and effective workforce.	On target
Economy: Increase income by £2.2m through increasing new developments and SO/OMS property sales.	**Efficiency:** Profit from property sales and diversified activities has reached £3.7m which has helped to cross subsidise the delivery of social housing.	On target
Economy: Reduce costs (excluding, projects, depreciation, property cost of sales and bad debt provision by £1.3m)	**Economy:** Overall a £1.7m cost reduction has been achieved against a target of £1.3m.	On target
Economy, Efficiency, Effectiveness: 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:** Against a target of over 50% of customers having rent accounts four weeks in advance, the Group has achieved 5,813 customers having accounts over £400 in credit, representing 61% of total customers.	On target
	The group is behind on its current tenant arrears performance, running at 1.79% against a target of 1% as a result of welfare reform changes.	Not on target

2018/19 performance against internal VFM metrics

Measure	Result
Outstanding balance	The Group continues to exceed the weekly expected outstanding balance tolerance due to arrears incurred by tenancies on Universal Credit. Excluding UC arrears, the Group sits within or below the expected tolerance band each week.
Relets	The year end performance showed an average of 22 days to re-let, the lowest it has been in three years. The void re-let process has been revised, and roles and responsibilities re-defined which has led to increased effectiveness in the process.

External benchmarking to compare performance with peers

External benchmarking information for frontline services is taken from Housemark, the latest available data is based on 2017/18. The target is upper quartile performance at no more than median cost.

HouseMark indicator	2017/18 Quartile performance	Direction of travel	Actual 2017/18	Target met 2017/18	Actual 2016/17
Total tenant arrears as % rent due (excluding voids)	1	→	1.2%		1.8%
Rent loss due to voids	2	→	0.9%		0.8%
Total cost per property: estate services	2	↑	£138		£181
Total cost per property: housing management	2	↓	£438		£403
Total cost per property: major works and cyclical maintenance	2	↓	£1,353		£1,317
Total cost per property: responsive repairs and void	1	↓	£646		£632

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

Estate services costs are showing as decreasing since the previous year and have moved from Q3 to Q2 so are therefore now at median and within target.

All other cost per units are either at median or better therefore are performing in line with targets.

2019/20 VFM outcome based targets set in the 2019/20 VFM Strategy

Targets	Proposed VFM outcomes
Operating margin to be 31% (sector average 29.9%)	**Efficiency:** Maintaining operating profit levels to service debt to enable delivery of new homes
Maintain engaged and effective workforce	**Effectiveness:** Maintain high employee engagement score of at least 80%. **Effectiveness:** Maintain IIP gold standard.
Increase income from property sales	**Efficiency:** Increase income from property sales by £6.4m compared to 18/19 full year forecast as at December ’18.
More investment in staff resources to deliver ambitions	**Economy:** £225k investment in new staff posts (non-repairs). £523k investment in new posts for the repairs academy.
Sustain high performance on rent collection	**Efficiency, Effectiveness:** Average rent arrears per customer falls to £300. **Efficiency:** Recover, or justifiably write off £65k of former tenant arrears.
Development of Digital Strategy	**Economy and efficiency:** Potential cost reduction for delivery of services earmarked in the strategy
Maintain G1/V1 grading from the RSH	**Effectiveness:** Grading received for financial year ending 31 March 2020.

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

VFM actions	Progress to date	Status
Effectiveness: Component replacement and reinvestment in housing stock.	**Effectiveness:** 2,039 components were replaced this year against a target of 1,992.	On target
Effectiveness: 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. The Board has approved the refurbishment of one sheltered scheme, Mountbatten House, to create accommodation more fit for future needs. In addition, 238 garages have been identified for demolition.	On target
Economy, Efficiency, Effectiveness: Support the local economy through engagement with SME contractors and local suppliers.	**Effectiveness:** 78% of the Group's suppliers are located within a 25 mile radius of operating areas. No minimum percentage is set for this.	On target
Effectiveness: To extend job skills and work experience opportunities and apprenticeships for customers and existing / new employees.	**Effectiveness:** 5.19% against a target of 5% of the workforce on an apprenticeship programme. **Effectiveness:** 44% against a target of 25% of vacancies were filled by internal candidates.	On target

2018/19 performance against internal VFM metrics

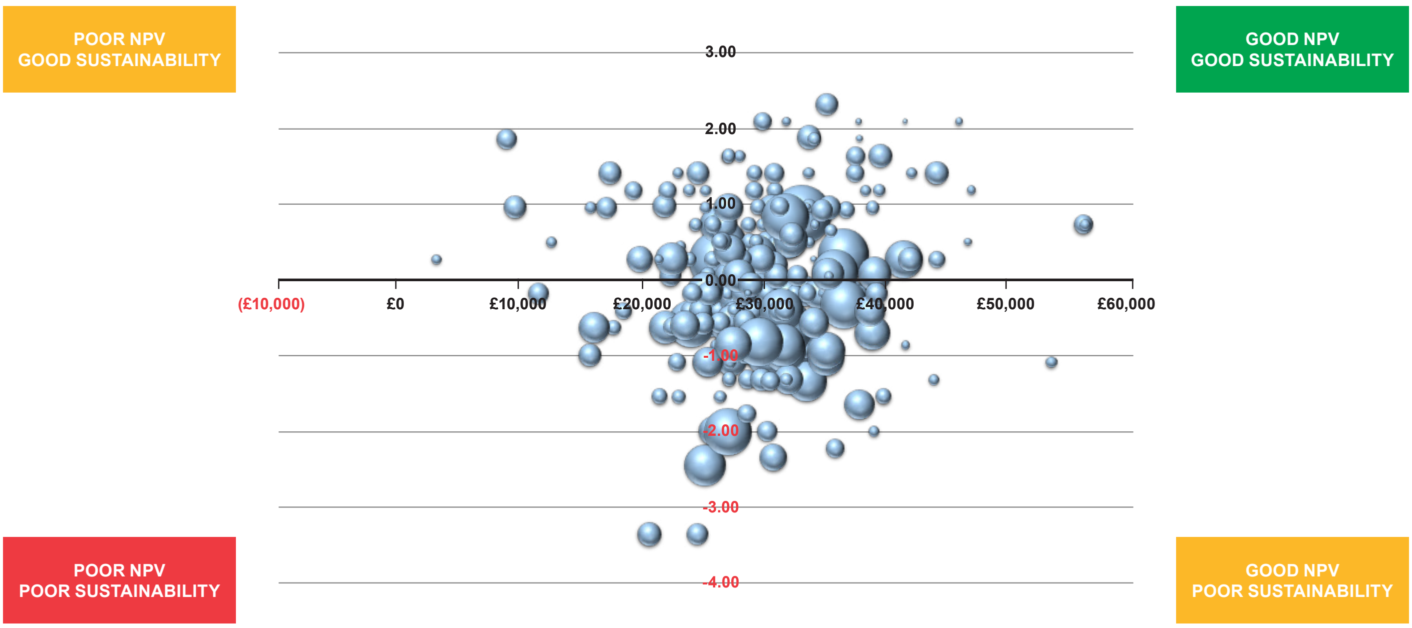
Measure	Result
Repeat repairs The total number of repairs raised where a repair of the same SOR has been practically completed at the same property within 60 days prior.	Of the 34,147 responsive repair jobs raised for the year, 2,233 were repeat jobs raised (6.5% of jobs). This is consistent with the previous year however is expected to improve when the repairs transformation has been completed. This is within the tolerance level set which is 2,748 per annum (or 229 per month). Work is being undertaken with the Customer Service Team to identify frequent users of the service. Follow up appointments are being made to understand the high demand of such customers and where possible to reduce the need to return to the same property multiple times following completion of works.
Gas compliance The number of instances where annual gas servicing has exceeded the 1 year timescale	Six gas services were completed beyond the 12 month anniversary date and in each instance, the FHG procedure had been followed as well as legal procedures. Each of the six homes were subsequently serviced no more than 10 days after the 12 month anniversary date. The group aims for 100% of annual gas servicing to be done within 12 months.

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 ('ASB') levels / Data from Indices of Multiple Deprivation on levels of crime / Distance from managing office
Demand	Resident satisfaction / Turnover rates / Access to local facilities & amenities / Waiting list & demand / Garage availability / Open space / Development potential / Community feeling

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. It should be noted that 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	2017/18 Quartile performance	Direction of travel	Actual 2017/18	Target met 2017/18	Actual 2016/17
Average number of calendar days to complete repairs	2	↓	9		6
Percentage of repairs completed at the first visit	2	↑	95.9%		94.7%
Average SAP rating	4	→	69		69
Percentage of dwellings with a valid gas safety certificate	n/a	→	100%		100%

The Group's average SAP rating is 69 due to the age profile of a large proportion of stock. The average SAP rating will not increase unless there is significant investment in areas such as ground source heat pump, external wall insulation and PV/Solar panels. The Group has chosen to invest more in new development than on works such as these as despite the SAP ratings, homes are still of a quality consistent with the current regulatory requirements and an enhanced internally defined standard. Should the regulatory requirements change, then business plans will be re-modelled to ensure sufficient cash is allocated to work required by regulation.

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 economic to do so. The group will continue to explore the value and appropriateness of new solutions for improving the energy efficiency of FHG's properties with poor performing heating types, properties that are 'off gas' and those with solid, uninsulated external walls.

For the average number of calendar days taken to complete repairs, and for the percentage of repairs completed right first visit, the group expects these metrics to improve when the currently ongoing repairs transformation is completed.

2019/20 VFM outcome based targets set in the 2019/20 VFM Strategy

Targets	Proposed VFM outcomes
Component replacement and reinvestment in housing stock.	**Effectiveness:** 900 homes to receive works during 19/20 to maintain decent homes compliance.
Ensure void properties are re-let within an average of 20 days	**Efficiency:** 100% of relets within 20 days (average letting time across all major and minor voids).
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.
Support the local economy through engagement with SME contractors and local suppliers	**Effectiveness:** Over 80% of the Group's suppliers are located 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:** 10% of workforce on an apprenticeship programme. **Effectiveness:** 25% of vacancies filled by internal staff.

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

VFM actions	Progress to date	Status
Effectiveness: Continue with the 1,000 homes target commenced in 2015/16 to 2019/20.	**Effectiveness:** Increase in housing supply, at least 40% of which to provide more social/affordable housing. A minimum of 966 homes are expected to be built by March 2020 (since April '15), 14 homes short of target however during 19/20, new opportunities may arise to reach 1,000 homes. 48% of these new homes to date are for social/affordable rent.	On target
Effectiveness: Up to 40% of new build programme (April '15 to March '20) 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). To date, 52% of the new homes delivered are for market led tenures. This percentage is likely to increase during 2019/20 as the final year of the programme is achieved.	On target
Effectiveness: Develop employability partnerships to offer wider services to customers.	The repairs academy has been launched which is aimed at providing up to 40 new apprenticeships over the next three years.	On target
Effectiveness: Explore the potential delivery opportunities for smart homes with enhanced digital capabilities.	**Economy:** Evaluate affordability to deliver smart homes. No smart homes have been delivered to date but affordability has been assessed.	On target
Effectiveness: Actively seek out inorganic business growth opportunities, such as large scale stock acquisitions and/or merger opportunities.	**Economy, Efficiency, Effectiveness:** The Board will continue to evaluate options for enlarging the asset base with a view to reducing operating costs and increasing borrowing capacity to deliver more new homes. During 18/19, a large scale stock acquisition was achieved, increasing the asset base by 470 homes.	On target
Economy, Efficiency, Effectiveness: Large scale refinance to be completed in 2018/19 to fund continued growth beyond 2019/20.	**Effectiveness:** A large scale refinance was achieved during 18/19 which has enabled a further 5 year development programme for 1,200 homes to be added to the group's business plans for the period commencing Apr 2020.	On target
Efficiency: £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:** Agile working has been fully implemented and office cost reductions have been achieved through closure of one main office. Plans are in place to close the second office and move to a smaller office space during 2020/21. **Effectiveness:** It is expected that over time, the agile working culture will provide a more attractive opportunity to new recruits and therefore reduce recruitment costs and increase staff retention.	On target
Effectiveness: Pro-active stakeholder engagement to promote and enhance the Group's profile.	**Effectiveness:** This is measured through the bi-annual stakeholder survey, last carried out in July 2017, and will help to shape future collaborative working with others to enhance business opportunities. An engagement rate of 83% was achieved.	On target

2018/19 performance against internal VFM metrics

There are no further internal VFM metrics set for ambitious futures in 2018/19. Outcome based targets have been set for 2019/20 as shown later in this section.

External benchmarking to compare performance with peers

HouseMark indicator	2017/18 Quartile performance	Direction of travel	Actual 2017/18	Target met 2017/18	Actual 2016/17
Standard units developed as a percentage of current stock	1	→	2.5%		1.9%

2019/20 VFM outcome based targets set in the 2019/20 VFM Strategy

Targets	Proposed VFM outcomes
Actively seek out inorganic business growth opportunities, such as large scale stock acquisitions and/or merger opportunities.	**Economy, Efficiency, Effectiveness:** Evaluate options for enlarging asset base with a view to reducing operating costs and increasing borrowing capacity to deliver more new homes
Finalise plans for the central office.	**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.

6 | Regulator of Social Housing VFM metrics

The table below shows the Group's performance on the VFM metrics, as specified by the Regulator of Social Housing, which have been graded as green (average or exceeding average), or red (below average) when compared to the global accounts.

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, being the initial transfer price plus subsequent major improvement works. This is significantly below the average 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 chose to 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.

	FHG	FHG	Global Accounts
	2017/18	2018/19	2017/18
			Median
Reinvestment % Efficiency measure	10.8%	9.7%	6.0%
New supply delivered % (Social housing) Effectiveness measure	2.2%	1.5%	1.2%
New supply delivered % (Non social housing) Effectiveness measure	0.2%	0.9%	0.0%
Gearing % Efficiency measure	78.8%	81.0%	42.9%
EBITDA MRI interest cover Efficiency measure	282%	218%	206%
Headline social housing cpu Economy measure	£2,735	£2,725	£3,400
Operating Margin % Social housing lettings Efficiency measure	35.0%	33.4%	32.1%
Operating Margin Overall Efficiency measure	31.8%	33.8%	29.9%
Return on capital employed	8.55%	6.32%	4.10%

cpu = cost per unit

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

Global Accs 17/18 quartiles	Lower Quartile CPU	Median CPU	Upper Quartile CPU	*FHG 2016/17	*FHG 2017/18	FHG 2018/19
	£000's	£000's	£000's	£000's	£000's	£000's
Headline Social Housing CPU	3.01	3.40	4.50	2.93	2.77	2.69
Management CPU	0.76	0.97	1.20	1.21	1.04	1.04
Service Charge CPU	0.25	0.39	0.66	0.11	0.14	0.15
Maintenance CPU	0.81	0.95	1.16	1.12	0.88	0.79
Major Repairs CPU	0.51	0.72	0.94	0.25	0.49	0.53
Other Social Housing CPU	0.11	0.25	0.59	0.25	0.22	0.18

** colour coding relates to previous year's global accounts quartiles. 18/19 colour coding relates to 2017/18 global accounts.*

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 700 more homes (excluding market rent and open market sale) are required to be built in order for social housing management costs per unit to reach median level. This is an achievable target for the Group over the next few years as the group have achieved a refinance to fund a further five years development programme post 19/20 of approximately 1,200 homes of which a significant proportion will be social housing. Alternatively, if the Group were to reduce their management costs by £730k, costs would reach median, however the Board has chosen to invest in strategic plans to deliver the corporate plan so cost reduction is not planned on management costs in the medium term.

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. In addition, changes to the Group's operating model have been also been made to drive VFM.

Moving to a Co-terminous Board

The Group has moved from operating 4 separate boards for the Group, FHW, FHL and 5D to one single co-terminus 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

The Group has refinanced during 2018/19, combined the borrowing power of both registered providers FHL and FHW, to implement a group-wide financing arrangement. This includes the Group's debut public bond issue and restructuring existing bank debt. This has allowed the Group to release excess security and increase borrowing power to deliver more new homes. It has also increased 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. The group's average borrowing costs have reduced which also contributes to increased financial strength.

Corporate Structure and triennial governance review

During 2019/20, the Board will be carrying out its triannual governance review which will incorporate a re-consideration of the group's company structure.

In-house versus outsourced repairs

During 2019/20 a repairs academy is being implemented with the dual aim of enhancing apprenticeships provided by the Group in line with its social ambitions and to increase the amount of repairs work that is carried out in house rather than sub-contracted. Following an initial investment period, more in house works are likely to deliver savings on labour costs.

Acquisitions

The group successfully achieved a bulk acquisition of 470 homes during the year which has had a beneficial impact on social housing lettings cost per unit.

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.

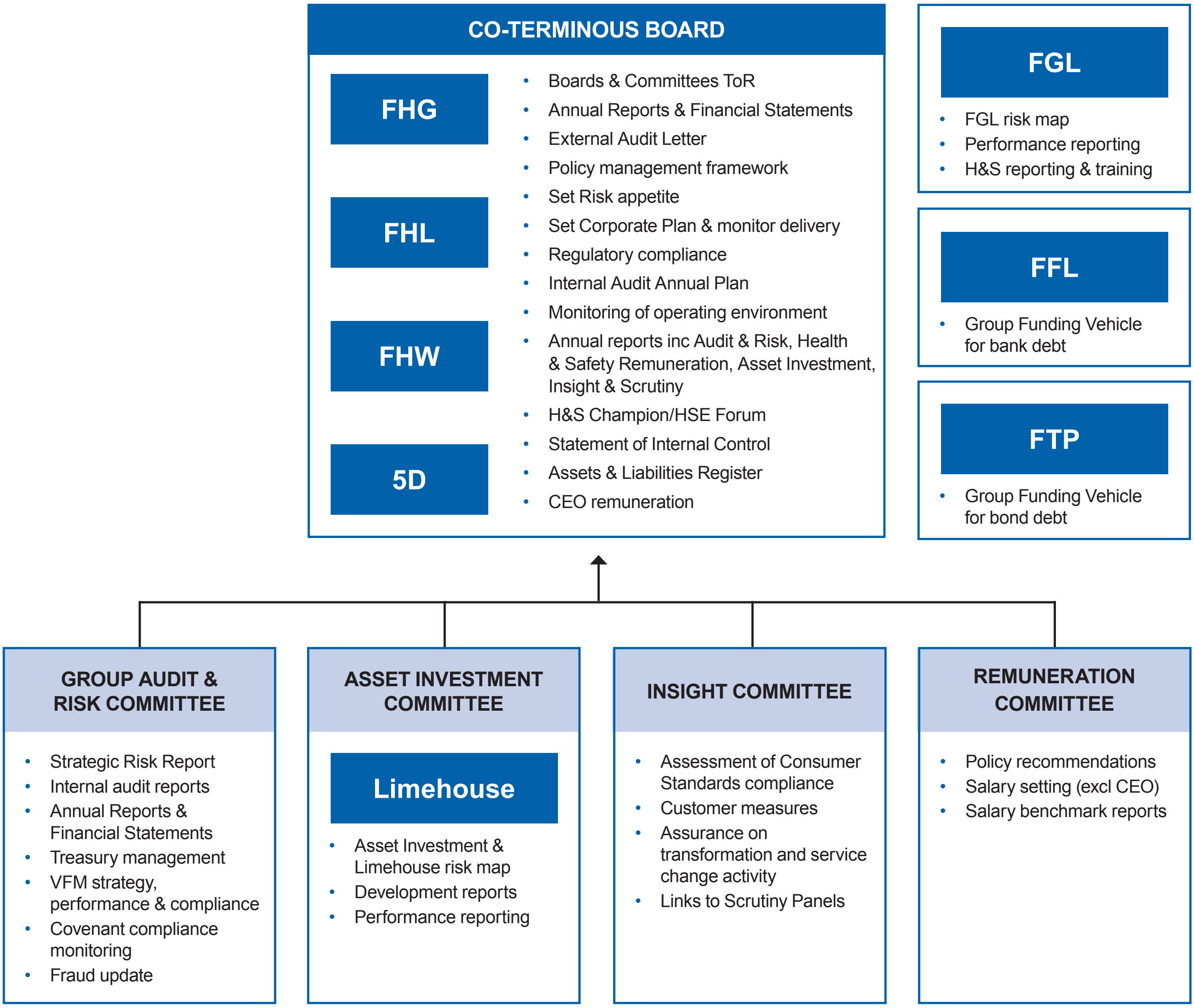
Past and future gains	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000's	£000's	£000's	£000's	£000's	£000's
Profit from property sales						
RTB/RTA	1,752	816	1,207	1,605	503	524
Shared ownership	198	248	1,195	1,149	3,273	154
	1,950	**1,064**	**2,402**	**2,754**	**3,776**	**678**
Profit from diversified activity*						
Outright sales	106	308	65	636	490	-
Market rent	451	455	661	1,284	1,725	1,777
	2,507	**1,827**	**3,128**	**4,674**	**5,991**	**2,455**

** 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. See section 5 on 'Ambitious Futures' that demonstrates the Group's new homes delivery targets. Whilst 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 ensures 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 24 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.

Governance

The Group operates a Co-terminous Board, consisting of the boards of FHL, FHW, FHG and 5D. FGL, FFL, FTP 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 of the Executive Team and 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.

STRATEGIC REPORT CONTINUED.

External environment

RSH

The Regulator of Social Housing ('RSH') is the housing regulatory arm of the government. Its role is to regulate registered providers of social housing to promote a viable, efficient and well governed social housing sector able to deliver homes that meet a range of needs.

Uncertainty on Government Policy and Brexit

Due to the recent change in cabinet, and lack of final plans for Brexit, there is uncertainty around future government policy relating to housing and uncertainty in the economic environment. The Group has completed comprehensive stress testing on its business plans to ensure that trigger points for contingency plans to be implemented are documented and agreed internally. Contingency plans have been carefully devised and are able to be implemented immediately if any political or economic risk created a material impact on the Group's financial wellbeing.

Grenfell

The RSH has published their annual consumer regulation review. One of its key messages was that complying with health and safety obligations remains the most fundamental responsibility for governing bodies of registered providers. In addition that is essential that registered providers are able to demonstrate that they are meeting their health and safety obligations, and that tenants are not at risk in their homes. The Group can demonstrate that it understands its statutory responsibilities with regards to fire safety, gas safety, lift safety, legionella, asbestos and electrical safety, whether stock is owned, managed or leased. The Group's Asset Investment Committee overseas the Health and Safety compliance, as well as there being a Health and Safety forum in operation across the business.

Voluntary right to buy

The government is currently piloting the voluntary right to buy ('VRTB') in the Midlands, offering up to 100% reimbursement of discounts awarded to customers exercising their voluntary right to buy. FHG has a VRTB policy in place, established in July 2018.

Future funding of supported housing

The government have confirmed that housing benefit will be kept in place to fund supported housing. Supporting people contract income is still in place in Derbyshire but not in Daventry.

Rent policy

The new government rent formula has been announced that from 1 April 2020, the 1% rent reductions end for social and affordable rents and they are permitted to increase by CPI plus 1%. The National Housing Federation is lobbying the government to reintroduce rent convergence from 2020/21 and retain the ability to use rent tolerance; both of these would have a positive impact on FHG's income levels.

Regulatory Framework

The regulatory framework for social housing is made up regulatory standards that are classified as either economic or consumer. In addition there is a code of practice that registered providers need to comply with that supports the economic standards.

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 has continued to maintain the highest G1/V1 regulatory 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 1.79%. 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 based 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 its corporate plan.	• The Board monitor arrears performance quarterly. Tactical oversight is through the Co-Executive with reporting to Group Directors. • The co-executive monitor 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 contact all customers making a Universal Credit claim. • All customers have been risk assessed (H/M/L) for rent arrears. These risk assessments have been used to forecast UC arrears. • Strong networking and partnership relationships exist across the Group where UC is live with the DWP and Job Centre. The Income Team liaises with DWP and utilises the DWP's 'landlord portal' to maintain visibility around UC payments. • The internal audit programme includes assurance reviews of rent arrears management / Welfare Reform. 'Significant' assurance 2018/19. • 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 (e.g. 1% rent reduction) with ongoing stress testing for further reductions. • Bad debt provision is reviewed through the annual budget setting process and reflected in the Business Plan. • An Income Transformation review ('Help Me Pay') completed in August 2017. From April 2018, rents have been billed 4 weeks in advance. All new tenants are signed up to direct debit and there is a continued drive to move existing tenants 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.
Brexit Brexit implications include: • The supply chain could be affected with an increase in the cost of goods and services and difficulties in obtaining products, for example as a result of materials stockpiling by repairs and/or development contractors; • A construction skills shortage in the UK could worsen leading to increased development and maintenance costs;	• The Group Directors and co-executive team monitor Brexit developments. Key developments are also reported to the Board and Group Audit and Risk Committee for review. • A supply chain assessment is being undertaken to establish exchange rate movement exposure. The Group operates a supply chain framework for materials with annual price increases linked to CPI. Other supplier price increases can be mitigated using other framework contractors. • Materials used in elemental works planned maintenance are provided by the Group through its materials supply chain. Travis Perkins ('TP') equates to >90% of materials provision and their decision to stockpile will be based on their own commercial needs and the wider impact of Brexit on the UK economy. The Group has started liaising with Regional Directors to understand the policy and potential extent. TP imports c. 20% of its materials / supplies from the EU. The Group does not currently operate an official materials store;

Table continued.

RISK	ACTIONS TO MITIGATE RISK
• Materials and labour shortages could delay repairs and increase rent loss on void repairs; • An increase in the Group's pension fund deficit due to reduced investment returns; • Reduced credit rating / access to affordable debt; • Lack of consumer confidence resulting in a slowing housing market and failure to achieve the Limehouse business plan; • Corporate Plan failure; • A recession could increase the demand for social housing, including homelessness; and • Changing housing policy / grant / Government funding.	• In the event of shortages FHG would reduce services to maintain statutory and regulatory compliance and use available properties to house customers safely. • Build costs / outright sales prices: The Board has approved financial parameters which are monitored. The Group will not usually undertake schemes which breach parameters. Where costs rise / sales prices fall, the parameters will not be met and Group Directors these will be monitored by the and Asset Investment Committee. If required, the Board will also review the Development strategy. Existing Limehouse controls include reporting of performance measures to AIC and financials to Board. • The Group is continuing to assess the next phase of its refinancing which will consider any increased costs arising from Brexit. • The Group has undertaken a review with its pension advisor on the continuation of the local government pension schemes. The Remuneration Committee decided to retain these schemes rather than pursue plans on defined benefit pension schemes. This was due to a high cessation charge compared to the ongoing cost increase of the provision. • The Group continues to monitor social housing demand.
Economic Climate The macro and micro economic climate may increase pressure on the Group's existing services.	• The Board and Group Audit and Risk Committee monitor various key economic metrics quarterly (see Appendices 1-4). • Business plans have been prepared using the 'key rules for effective financial management', as detailed in the budget report approved by the Board. 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 up to 4.5% and worst case treasury forecasts applied for inflation and interest rates over a 5 year period. The business plan CPI assumption for 2019/20 is 2.2% which is closely aligned with the latest average forecast for 2019 of 2.0. • Quarterly stress testing of Business Plans assess the impact of adverse economic conditions on loan covenants / ongoing viability.
Government Policy Government policy has an adverse impact on the companies operations and / or finances. This includes an inability to access future government funding.	• The Co Executive monitor developments in Government policy, including bidding rounds and Chancellor Statements and report key developments / 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, with decisions recorded in minutes. • Regular reporting to the Board / Group Audit and Risk Committee on actual and expected policy changes including mitigating actions. • Internal audit of budget setting and approval processes. • The Group has been successful in Homes England grant funding bids historically and future funding is being sought through continuous market engagement. • Work on the tenure diversification project continues to progress. This project incorporates the Government's expectation of utilising the asset base of the Group to deliver more social housing. • The Board sets the Group's strategic direction to incorporate the ability to be a partner of choice with Homes England.

STRATEGIC REPORT CONTINUED.

Capital structure and treasury policy

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

During 2018/19, the Group refinanced its debt arrangements in FHL and FHW. The £144m loan facility in FHL and £80m loan facility in FHW was replaced with a Group-wide funding arrangement. To enable this, two new funding vehicles were set up; FFL to hold a new loan facility of £110m and FTP to hold a £200m public bond, of which £50m is retained. Both FFL and FTP have secured their funding on homes owned by FHL and FHW. These two new funding sources are permitted to be on-lent to FHL and FHW for the purposes of new development. In addition, up to £20m of the loan facility in FFL is permitted to be on-lent to any subsidiary of the Group for commercial activity.

As at 31 March 2019 FFL had £43m undrawn. FTP has £50m retained bond to sell over the next five years.

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 as at 31 March 2019. This is offset by cash and investments held of £4.1m. £1.5m of its facility is undrawn.

The total available liquidity of the Group as at 31 March 2019 is £75.9m not including the £50m retained bond. The Group's Treasury Management Policy states that the Group should manage its liquidity risk, i.e. the risk of the Group becoming unable to meet its financial obligations when they fall due, through 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 3 months, 12 months and 18 months respectively that can be accessed within appropriate timescales. Liquidity risk is effectively managed as the Group's cash and cash investments can be accessed within 7 days and all committed debt facilities can be accessed within 2 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 24 months. The Group complies with this requirement in its annual budget business plans and monthly outturn plans. The Group is subject to refinance risk when the existing revolving credit facilities expire but this extends beyond 24 months.

The Group's current debt is 100% fixed, which ensures protection against interest rate increases. 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 circa 1,800 unencumbered stock available to secure new debt which will form part of the next refinance to enable the Group to continue with its ambitious new development plans.

Accounting Policies

The Group's principal accounting policies are set out in the notes to 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 & 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 a level as low 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 2018/19.

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 16 September 2019 and signed on its behalf by:

Mike Stevenson
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 1. 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, currently playing a key role in helping 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 twelve 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 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 (2018: nil). 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 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 whilst 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 as outlined above 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, being 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.

REPORT OF THE BOARD.

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 1st April 2018 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 practise is maintained;
- regular reporting to senior management and to the appropriate committee of key business objectives, targets and outcomes;
- fraud policy (including whistle blowing 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.

REPORT OF THE BOARD CONTINUED.

The Board confirm that:

- so far as each of the Board members are aware there is no relevant audit information of which the Company's auditor is 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 auditor is 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 S414C(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 Auditor

BDO were appointed as auditor at the Board meeting on 19 March 2019.

The report of the Board was approved by the Board on 16th September 2019 and signed on its behalf by:

Mike Stevenson (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 Company") and its subsidiaries (together "the Group") for the year ended 31 March 2019, which comprise the Consolidated and Company Statement of Comprehensive Income, the Consolidated and Company Statement of Changes in Reserves, the Consolidated and Company Statement of Financial Position, the Consolidated Statement of Cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 Company's affairs as at 31 March 2019 and of the Group's and the Company's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 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 Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company'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.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Opinions on other matters prescribed by the Companies Act 2006

Carrying amount of properties developed for resale

As explained in note 16, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £3,085,000. For completed properties at the balance sheet date, an assessment is needed of an anticipated selling price. For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete.

Due to the level of judgement involved in estimating both selling price and costs to complete we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.

Our response to the key audit matter

Having obtained management's assessment of the net realisable value of properties developed for sale, we tested this on a sample basis.

Our samples were chosen from the populations of items that represented both developments under construction as well as completed developments at year-end.

For a sample of completed properties we agreed the amounts involved to supporting documentation where the property was sold post year-end. Where the property was not yet sold we obtained third-party housing market information to confirm that properties were held at the lower of cost and net realisable value.

For a sample of properties under development we obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. We examined supporting documentation for anticipated sales proceeds and we compared the incurred expenditure to the balance sheet date to the estimated amount at that date.

We also assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed in the year.

Key observations

Our work identified no misstatements or inappropriate application of judgement or estimation. Based on our procedures we noted no exceptions and no evidence that the carrying amount of properties developed for sale is materially misstated.

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

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £3,766,000, which represents 1.25% of total assets.

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation and impairment. The specific materiality level that we applied was £957,000, which is 5% of adjusted operating profit.

We used gross assets and adjusted operating profit as our chosen benchmarks to determine materiality and for specific materiality as these are considered to be the areas of the financial statements of greatest interest to the principal users of the financial statements and the areas which will have greatest impact on investor and lender decisions.

Materiality for the parent company was set at £178,000.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 65% of materiality or specific materiality depending on the financial statement area being audited.

In setting the level of performance materiality. We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £188,300 for areas considered using financial statement materiality and £47,850 for areas considered using specific materiality which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

2018/19 is the first year for which we have acted as auditors and therefore comparative figures cannot be provided.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the accounting processes and controls and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting component in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

Extent to which the audit is capable of detecting irregularities, including fraud

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud usually are inherently more difficult to detect than irregularities that result from error.

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

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations application to a registered social housing provider in England. We also considered the risks of non-compliance with the other requirements imposed by the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the group financial statements

We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries of the board and of management and enquiries of third parties, where information from that third party has been used by the Company in the preparation of the financial statements.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

Classification of components

A full scope statutory audit was carried out for each subsidiary that we considered to be a significant component of the group.

Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes. Individual component audits were carried out using component materiality levels appropriate to each individual entity and the materiality levels used ranged from 0% to 100% of overall financial statement materiality.

Other information

The board is responsible for the other information. Other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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 Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Board have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified 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 board members responsibilities statement 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 members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

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

Other matters

Following the recommendation of the audit committee, we were appointed by the board on 19 March 2019 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is 1 year covering the year to 31 March 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the members of the Company, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the members as a body, for our audit work, for this report, or for the opinions we have formed.

Kyla Bellingall
Partner (Business Assurance)
for and on behalf of BDO LLP
Two Snowhill
Birmingham
B4 6GA
Date: 24 September 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover: continuing activities:	4	50,592	50,195
Operating Costs	4	(33,473)	(34,223)
Revaluation of investment properties	15	1,747	393
Surplus on sale of housing properties	6	1,207	816
Operating Surplus	5	**20,073**	**17,181**
Interest receivable and other income	8	84	10
Interest payable and similar charges	9	(8,653)	(6,615)
Other finance costs	10	(318)	(326)
Surplus before taxation		**11,186**	**10,250**
Taxation	12	(58)	(60)
Surplus for the year		**11,128**	**10,190**
Actuarial gain/(loss) relating to the pension scheme	10	(3,906)	1,478
Total comprehensive income for the year		**7,222**	**11,668**

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board on the 16 September 2019 and signed on its behalf by:

M Stevenson　　R. Harding

Mike Stevenson
(Chair)

Ray Harding
(Board member)

COMPANY STATEMENT OF COMPREHENSIVE INCOME.

For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover: continuing activities:	4	11,919	11,466
Operating Costs	4	(11,643)	(11,213)
Operating Surplus: continuing activities	5	**276**	**253**
Interest receivable and other income		2	0
Interest payable and similar charges		(18)	(4)
Surplus on ordinary activities before taxation		**260**	**249**
Tax on surplus on ordinary activities	12	(49)	(57)
Surplus for the financial year		**211**	**192**

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board on the 16 September 2019 and signed on its behalf by:

Mike Stevenson
(Chair)

Ray Harding
(Board member)

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN RESERVES.

For the year ended 31 March 2019

	Group	Group	Company	Company
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Balance as at 31 March	20,024	8,356	(455)	(647)
Comprehensive income for the year	7,222	11,668	211	192
Balance as at 31 March	**27,246**	**20,024**	**(244)**	**(455)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

As at 31 March 2019

	Note	2018 £'000	2017 £'000
Tangible fixed assets			
Housing properties	13	228,649	164,784
Other tangible fixed assets	14	859	1,029
Investment Properties	15	34,801	21,411
Investment in Associate	16	151	151
Investment		10	0
		264,470	**187,375**
Current assets			
Stock	17	86	65
Properties held for sale	18	3,085	1,897
Debtors	19	2,745	2,148
Cash and cash equivalents		31,836	15,950
		37,752	**20,060**
Creditors: Amounts falling due within one year	20	(12,294)	(11,086)
Net current assets		25,458	8,974
Total assets less current liabilities		289,928	196,349
Creditors: Amounts falling due after more than one year	21	(246,411)	(164,765)
Net pension liability	10	(16,271)	(11,560)
Total net assets		27,246	20,024
Capital & Reserves			
Revenue reserve		27,246	20,024
Total reserves		**27,246**	**20,024**

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board on the 16 September 2019 and signed on its behalf by:

Mike Stevenson
(Chair)

Ray Harding
(Board member)

COMPANY STATEMENT OF FINANCIAL POSITION.

As at 31 March 2019

	Note	2019 £'000	2018 £'000
Tangible fixed assets			
Other tangible fixed assets	14	387	433
Investment in associates	16	151	151
Investment		23	0
		561	**584**
Current assets			
Debtors	19	1,735	1,134
Cash at bank and in hand		1,491	164
		3,226	**1,298**
Creditors: Amounts falling due within one year	20	(4,031)	(2,337)
Net current liabilities		(805)	(1,039)
Total assets less current liabilities		(244)	(455)
Capital and reserves (non-equity)			
Revenue reserve		(244)	(455)
Total reserves		**(244)**	**(455)**

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board on the 16 September 2019 and signed on its behalf by:

Mike Stevenson
(Chair)

Ray Harding
(Board member)

CONSOLIDATED STATEMENT OF CASH FLOWS.

For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Net cash generated from operating activities	28	**22,861**	**25,449**
Cash flow from investing activities			
Purchase of tangible fixed assets		(83,019)	(20,946)
Proceeds from sale of tangible fixed assets		2,217	816
Fixed asset investment		(10)	0
Grants received		9,976	3,041
Interest received		84	10
		(70,752)	**(17,079)**
Cash flow from financing activity			
Interest paid		(6,495)	(6,382)
New loans		216,535	5,000
Loan arrangement Fees		(2,438)	0
Repayment of borrowings		(143,825)	0
		63,777	**(1,382)**
Increase/(decrease) in cash		15,884	6,988
Cash and cash equivalents at beginning of the year		15,950	8,962
Cash and cash equivalents at end of the year		**31,836**	**15,950**

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 it's subsidiaries at 31 March 2019 in accordance with the principles of accounting as set out in FRS 102.

The Company has adopted the following disclosure exemptions available under FRS102:

- The requirement to present a statement of cashflows and related notes

Public Benefit Entity

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;
- other services; and
- revenue grants receivable

All of the above income is included at the invoiced value (excluding VAT) of goods and services supplied 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 Group is exempt from Corporation Tax on income and gains to the extent that these are derived from the Group's charitable objectives.

The tax expense in the year relates to Group companies that are subject to UK taxation in addition to the non-exempt tax for the parent Company.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Comprehensive Income Statement, except for any changes attributable:

- to items of income or expense recognised as Other Comprehensive Income
- to an item recognised directly in equity
- directly in equity

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met
- Where timing differences relate to interests in subsidiaries and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except:

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 and 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

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 the RSH, 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 the RSH. 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 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

Assets are held at historic cost less accumulated depreciation. 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 properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value at the year end date, with changes in fair value recognised in the Statement of Comprehensive Income. Fair value is determined annually by appropriately qualified external valuers and is derived from current market rents and investment property yields for comparable properties, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided on investment properties.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

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 at amortised cost.

Bad debt provision on rental income is calculated according to the following policy:

Customer balance (current arrears)	Provision policy
Below £250	0%
£251 to £500	10%
£501 to £1,000	25%
£1,001 to £1,500	50%
Over £1,500	75%
Former Customer Arrears	100%

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.

Liquid Resources: Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

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:

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 and where the DRC is lower than the carrying cost an impairment charge is made against the social housing properties.

There was a £385k impairment on the Group's housing stock in the year.

2) **Staff seconded to FHG**

Management believe that a constructive obligation exists in FHG for pension costs for staff seconded from FHL and FHW.

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).

3) **Investment property valuation**

Management's estimate of the valuation of the investment property is based on an independant valuation by Rupert David & Co Chartered Surveyors.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

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

Group - Continuing activities	Turnover	Cost of sales	Operating costs	Operating surplus
	2019	2019	2019	2019
For the year ended 31 March 2019	£'000	£'000	£'000	£'000
Social housing lettings (see note 4b)	43,974	0	(29,286)	14,688
Other social housing activities				
Management and agency services	682	0	(237)	445
First tranche shared ownership sales	3,498	(2,026)	(277)	1,195
	4,180	**(2,026)**	**(514)**	**1,640**
Non-social housing activities				
Charges for Support Services	595	0	(530)	65
Sale of properties for outright sale	708	(643)	0	65
Other	1,135	0	(474)	661
	2,438	**(643)**	**(1,004)**	**791**
Total Social Housing	**50,592**	**(2,669)**	**(30,804)**	**17,119**
Revaluation of investment properties				1,747
Surplus on sale of housing properties				1,207
				20,073

Company	Turnover	Cost of sales	Operating costs	Operating surplus
	2019	2019	2019	2019
	£'000	£'000	£'000	£'000
Other social housing activities				
Management services	11,919	0	(11,643)	276

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

Group - Continuing activities

For the year ended 31 March 2018	Turnover 2018 £'000	Cost of sales 2018 £'000	Operating costs 2018 £'000	Operating surplus 2018 £'000
Social housing lettings (see note 4b)	42,760	0	(27,811)	14,949
Other social housing activities				
Management and agency services	927	0	(399)	528
First tranche shared ownership sales	1,477	(1,050)	(179)	248
	2,404	**(1,050)**	**(578)**	**776**
Non-social housing activities				
Charges for Support Services	996	0	(1,279)	(283)
Sale of properties for outright sale	3,096	(2,788)	0	308
Other	939	0	(717)	222
	5,031	**(2,788)**	**(1,996)**	**247**
Total Social Housing	**50,195**	**(3,838)**	**(30,385)**	**15,972**
Revaluation of investment properties				393
Surplus on sale of housing properties				816
				17,181

Company

	Turnover 2018 £'000	Operating costs 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.

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

Group - Continuing activities	General housing	Sheltered housing	Shared ownership	Total
	2019	2019	2019	2019
For the year ended 31 March 2019	£'000	£'000	£'000	£'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	27,391	14,144	551	42,086
Service income	886	450	5	1,341
Amortisation of government grants	544	0	3	547
Turnover from Social housing lettings	**28,821**	**14,594**	**559**	**43,974**
Expenditure on social housing lettings				
Management	(6,469)	(3,357)	(404)	(10,230)
Services	(629)	(856)	0	(1,485)
Routine maintenance	(2,825)	(1,466)	0	(4,291)
Planned maintenance	(2,222)	(1,234)	0	(3,456)
Major repairs expenditure	(1,036)	(519)	(2)	(1,557)
Bad debts	(273)	(148)	0	(421)
Depreciation of fixed assets	(4,244)	(2,158)	(247)	(6,649)
Accelerated Depreciation	0	0	0	0
Other	(784)	(413)	0	(1,197)
Total expenditure on social housing lettings	**(18,482)**	**(10,151)**	**(653)**	**(29,286)**
Operating surplus on social housing lettings	**10,339**	**4,443**	**(94)**	**14,688**
Void losses	**(282)**	**(135)**	**0**	**(417)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

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

Group - Continuing activities	General housing	Sheltered housing	Shared ownership	Total
	2018	2018	2018	2018
For the year ended 31 March 2018	£'000	£'000	£'000	£'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)
Other	(365)	(203)	0	(568)
	(516)	(279)	0	(795)
Total expenditure on social housing lettings	**(17,761)**	**(9,845)**	**(205)**	**27,811**
Operating surplus on social housing lettings	**10,011**	**4,886**	**52**	**14,949**
Void losses	**(273)**	**(146)**	**0**	**(419)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

5 Operating Surplus

This is arrived at after charging	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Depreciation of housing properties	6,037	0	4,975	0
Impairment of housing properties	385	0	0	0
Impairment of fixed asset investment	0	0	0	0
Depreciation of other tangible fixed assets	539	294	689	288
Operating lease rentals	0	0	0	0
- Buildings	351	351	342	342
- Equipment	7	0	9	0
- Vehicles	0	0	0	0
Auditors remuneration (excluding irrecoverable VAT)				
- for audit services	74	54	52	52
- for non audit services (taxation)	11	11	9	9

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

6 Surplus on sale of fixed assets - housing properties

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Disposal proceeds	1,757	-	1,260	-
Carrying value of fixed assets	(550)	-	(444)	-
	1,207	**-**	**816**	**-**

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	2019 No.	2018 No.
Social housing		
Social rent	5,733	5,566
Affordable rent	394	280
Supported & sheltered	3,196	3,134
Market rent	217	129
Shared ownership	334	109
Total owned	9,874	9,218
Private landlord - managed	136	141
Total	**10,010**	**9,359**

8 Interest receivable and other income

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Interest receivable	84	2	10	0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

9 Interest and financing costs

Group	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Loans and bank overdraft	8,653	18	6,615	4

10 Employees

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

	Group 2019 No.	Company 2019 No.	Group 2018 No.	Company 2018 No.
FTE's	274	165	282	159

Employee costs:	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Wages and salaries	8,801	5,946	8,784	5,647
Social security costs	842	595	789	546
Pension costs	1,533	957	1,771	1,033
	11,176	**7,498**	**11,344**	**7,226**

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.

10 | Employees (continued.)

A number of employees of Futures Homescape Limited and Futures Homeway Limited are seconded to Futures Housing Group. 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 £850,000 (2018: £958,000). Members' contributions vary between 5.5% and 12.5% of pensionable pay until 31 March 2019, depending on the circumstances of the employee. Employers' contributions to the DCCPF during the accounting period commencing 1 April 2019 are at a rate of 23.9% and are estimated to be £850,000.

Major categories of plan assets as a total of plan assets

	2019	2018
Equities	62%	68%
Bonds	22%	20%
Property	8%	7%
Cash	8%	5%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

10 Employees (continued.)

Assumptions

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

	2019 %	2018 %
Rate of increase in salaries	3.0	2.9
Rate of increase in pensions	2.5	2.4
Discounted rate	2.4	2.7

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.

	2019 No of Years.	2018 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:

	2019 £'000	2018 £'000
Present value of funded obligations	(50,054)	(43,746)
Fair value of plan assets	37,665	35,299
	(12,389)	**(8,447)**
Present value of unfunded obligations	(13)	(12)
Net liability	**(12,402)**	**(8,459)**

10 Employees (continued.)

Amounts recognised in other comprehensive income

	2019	2018
	£'000	£'000
Actuarial gains/(loss) in other comprehensive income	(3,183)	1,268

Analysis of the amount charged to operating surplus

	2019	2018
	£'000	£'000
Current service cost	1,093	1,299
Past service losses	283	15
Total operating charge	**1,376**	**1,314**

Amounts recognised in the statement of financial position:

	2019	2018
	£'000	£'000
Expected return on pension scheme assets	957	879
Interest on pension scheme liabilities	(1,192)	(1,121)
Net interest charge	(235)	(242)

10 | Employees (continued.)

Movement in deficit during the year

	2019 £'000	2018 £'000
Company share of net liabilities at start of period	(8,459)	(9,129)
Movement in year:		
Current service cost	(1,093)	(1,299)
Past service cost	(283)	(15)
Employer contributions	851	958
Other finance costs	(235)	(242)
Actuarial (gain) / loss	(3,183)	1,268
Company share of net scheme liabilities at end of year	**(12,402)**	**(8,459)**

Changes in present value of defined benefit obligation

	2019 £'000	2018 £'000
Opening defined benefit obligation (including unfunded obligations)	(43,758)	(42,658)
Current service cost	(1,093)	(1,299)
Past service cost	(283)	(15)
Interest cost	(1,192)	(1,121)
Contributions by members	(206)	(232)
Actuarial gain/(loss)	(4,240)	977
Past service gain	0	0
Benefits paid	705	590
Closing defined benefit obligation (including unfunded obligations)	**(50,067)**	**(43,758)**

10 Employees (continued.)

Changes in fair value of plan assets

	2019 £'000	2018 £'000
Opening fair value of plan assets	35,299	33,529
Expected return on assets	957	879
Contributions by members	206	232
Contributions by employer	851	958
Actuarial gains	1,057	291
Benefits paid	(705)	(590)
Fair value of assets at end of year	**37,665**	**35,299**

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%

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 £235,000 (£257,000 – 2018). Members' contributions vary between 5.5% and 12.5% of pensionable pay until 31 March 2019, depending on the circumstances of the employee.

Employers' contributions to the NCCPF during the accounting period commencing 1 April 2019 are at a rate of 27.9% and are estimated to be £235,000.

10 Employees (continued.)

Major categories of plan assets as a total of plan assets

	2019	2018
Equities	73%	73%
Bonds	16%	16%
Property	8%	8%
Cash	3%	3%

Assumptions

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

	2019	2018
	%	%
Rate of increase in salaries	2.8	2.7
Rate of increase in pensions	2.5	2.4
Discounted rate	2.4	2.7

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

10 Employees (continued.)

Amounts recognised in the statement of financial position

	2019 £'000	2018 £'000
Present value of funded obligations	(11,652)	(10,251)
Fair value of plan assets	7,783	7,150
	(3,869)	**(3,101)**
Present value of unfunded obligations	0	0
Net liability	(3,869)	(3,101)

Amounts recognised in other comprehensive income

	2019 £'000	2018 £'000
Actuarial gain/(loss) in other comprehensive income	(723)	210

Analysis of the amount charged to operating surplus

	2019 £'000	2018 £'000
Current service cost / total operating charge	197	236

10 Employees (continued.)

Analysis of the amount charged to other finance costs

	2019 £'000	2018 £'000
Expected return on pension scheme assets	194	180
Interest on pension scheme liabilities	(277)	(264)
Net finance cost	**(83)**	**(84)**

Movement in deficit during the year

	2019 £'000	2018 £'000
Company share of net liabilities at start of period	(3,101)	(3,248)
Movement in year:		
Current service cost	(197)	(236)
Employer contributions	235	257
Other finance costs	(83)	(84)
Actuarial gain / (loss)	(723)	210
Company share of net scheme liabilities at end of year	**(3,869)**	**(3,101)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

10 | Employees (continued.)

Changes in present value of defined benefit obligation

	2019 £'000	2018 £'000
Opening defined benefit obligation (including unfunded obligations)	(10,251)	(10,096)
Current service cost	(168)	(236)
Past service cost	(29)	0
Interest cost	(277)	(264)
Contributions by members		
Actuarial gain	(28)	(38)
Past service gain	0	0
Benefits paid	163	138
Closing defined benefit obligation (including unfunded obligations)	(1,062)	245
	(11,652)	**(10,251)**

Changes in fair value of plan assets

	2019 £'000	2018 £'000
Opening fair value of plan assets	7,150	6,848
Expected return on assets	194	180
Actuarial (loss) / gains	339	(35)
Contributions by employer	235	257
Contributions by members	28	38
Benefits paid	(163)	(138)
Fair value of assets at end of year	**7,783**	**7,150**

10 | Employees (continued.)

Impact of McCloud Case

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an ‘underpin’ which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling (“McCloud/Sargeant”) that similar transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections.There will therefore be a retrospective increase to members’ benefits, which in turn will give rise to a past service cost for the Fund employers.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members’ future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary’s Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD’s paper, dated 10 June 2019.

The impact on employers’ funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

The figures included in the financial statements have been adjusted to reflect current actuarial assesment of the impact which has resulted in an increase in the liability of £912k, an additional charge to the statement of comprehensive income of £271k and an increase in the actuarial loss relating to the pension scheme of £641k.

11 Board members, executive directors and key management personnel

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

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Basic Salary	602	602	538	538
Benefits in kind	10	10	2	2
Employers NIC	78	78	72	72
Pension Contributions	94	94	84	84
	784	**784**	**696**	**696**

The emoluments of the highest paid executive director (the Group Chief Executive), excluding pension contributions, were £187,747 (2018: £168,233).

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 (including directors) who received emoluments, including pension contributions, in the following ranges:

	2019	2018
	No.	No.
£60,000 to £70,000	2	3
£70,001 to £80,000	5	5
£80,001 to £90,000	3	3
£90,001 to £100,000	2	1
£100,001 to £110,000	0	0
£110,001 to £120,000	0	0
£120,001 to £130,000	0	0
£130,001 to £140,000	0	2
£140,001 to £150,000	1	0
£150,001 to £160,000	1	1
£160,001 to £170,000	0	0
£170,001 to £180,000	1	0
£180,001 to £190,000	0	0
£190,000 to £200,000	0	0
£200,001 to £210,000	0	1
£220,001 to £230,000	1	0

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

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

Board Members Emoluments	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
T Taylor	20	20	18	18
H Punchihewa	0	0	6	6
D Macharaga	0	0	1	1
R Atterbury	0	0	1	1
R Ward	4	4	3	3
B Lyttle	0	0	1	1
E Brown	3	3	2	2
N Bull	0	0	1	1
D Leathley	9	9	7	7
G Kinsella	1	1	2	2
P Naish	4	4	3	3
P Tooley	7	7	7	7
J Hayes	0	0	1	1
J Spalding	3	3	2	2
S Hale	11	11	9	9
R Harding	8	8	7	7
M Stevenson	11	11	10	10
M Warren	0	0	1	1
G Lindley	3	3	2	2
C Smith	5	5	5	5
S Hyde	12	12	11	11
S Fitzhugh	7	7	7	7
D Brooks	9	9	5	5
R Auger	3	3	1	1
T Slater	7	7	5	5
M Daunt	7	7	0	0
C McMillan	3	3	0	0
	137	**137**	**118**	**118**

Emoluments paid to FHG Chair, Tony Taylor (highest paid Board Director)	20	20	18	18

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

12 | Tax on deficit on ordinary activities

Group and Company	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Current Tax				
UK corporation tax on surplus for the year	57	49	94	82
Adjustments in respect of prior period	0	0	0	0
Current tax	**57**	**49**	**94**	**82**
Deferred Tax				
Net origination and reversal of timing differences	3	2	(34)	(25)
Adjustments in respect of prior period	0	0	0	0
Effect of rate change on opening balance	0	0	0	0
Total tax charge	**60**	**51**	**60**	**57**

12 | Tax on deficit on ordinary activities (continued.)

Current tax reconciliation	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Surplus on ordinary activities before tax	425	260	346	249
Charitable activities				
Qualifying Charitable Donation	(50)	0	0	0
Surplus subject to Corporation tax	**375**	**260**	**346**	**249**
Theoretical tax at UK corporation tax rate 19% (2017: 20%)	69	51	49	47
Adjustment to tax charge in respect of previous periods	(10)	0	7	7
Adjustment in respect of prior periods – deferred tax	0	0	0	0
Adjust closing deferred tax to average rate of 19%	7	5	7	5
Adjust opening deferred tax to average rate of 19%	(7)	(5)	(3)	(2)
Tax refund in respect of prior period	0	0	0	0
Total tax charge	**60**	**51**	**60**	**57**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

13 | Tangible fixed assets - properties

Group	Completed housing properties shared ownership	Shared ownership properties under construction	Social housing properties held for letting	Social housing properties under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2018	5,285	2,079	192,388	6,387	**206,139**
Additions	19,355	3,825	29,371	14,652	**67,203**
Capitalised improvements	0	0	3,632	0	**3,632**
Schemes completed	2,728	(2,728)	11,348	(11,348)	**0**
Disposals	(336)	0	(1,411)	0	**(1,747)**
At 31 March 2019	27,032	3,176	235,328	9,691	**275,227**
Depreciation and impairment					
At 1 April 2018	398	0	40,744	214	**41,357**
Charged in year	298	0	5,738	0	**6,037**
Impairment	0	0	0	385	**385**
Released on disposal	(21)	0	(1,179)	0	**(1,200)**
At 31 March 2019	675	0	45,304	599	**46,578**
Net Book Value					
At 31 March 2019	26,357	3,176	190,024	9,092	**228,649**
At 31 March 2018	4,887	2,079	151,644	6,173	**164,782**

13 Tangible fixed assets - properties (continued.)

Expenditure on works to existing properties

Group	2019 £'000	2018 £'000
Components capitalised	3,632	2,627
Amounts charged to statement of comprehensive income	1,547	1,898
	5,179	**4,525**

Social Housing Grant

Group	2019 £'000	2018 £'000
Total accumulated grant	33,971	23,919
Recognised in comprehensive income	3,887	3,225
Held as deferred capital grant	30,084	20,694
	33,971	**23,919**

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

Group	2019 £'000	2018 £'000
Freehold land and buildings	228,905	165,048

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

The Group's housing stock that is secured under the FFL and FTP debt has a combined EUV-SH value of £314m. Under the 5D funding arrangement, the EUV-SH is £310m.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

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 2018	379	346	873	1,025	3,881	66	1,401	7,971
Additions	0	8	19	0	232	0	110	369
Disposals	0	0	0	0	0	0	0	0
At 31 March 2019	379	354	892	1,025	4,113	66	1,511	8,340
Depreciation								
At 1 April 2018	115	313	820	1,008	3,480	0	1,206	6,942
Charged in year	8	23	21	4	284	0	199	539
Released on disposal	0	0	0	0	0	0	0	0
At 31 March 2019	123	336	841	1,012	3,764	0	1,405	7,481
Net Book Value								
At 31 March 2019	256	18	51	13	349	66	106	859
At 31 March 2018	264	33	53	17	401	66	195	1,029

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

14 Other fixed assets (continued.)

Company	IT and office equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost			
At 1 April 2018	2,636	38	2,674
Additions	233	15	248
Disposals	0	0	0
At 31 March 2019	2,869	53	2,922
Depreciation			
At 1 April 2018	2,233	8	2,241
Charged in year	283	11	294
Disposals	0	0	0
At 31 March 2019	2,516	19	2,535
Net Book Value			
At 31 March 2019	353	34	387
At 31 March 2018	403	30	433

15 | Investment properties

	31 March 2019	31 March 2019	31 March 2019
	Completed investment properties	Investment properties under construction	Total
	£'000	£'000	£'000
Cost			
At 1 April 2018	16,746	4,273	21,019
Additions	8,007	8,344	16,351
Disposals	0	(4,708)	(4,708)
At 31 March 2019	24,753	7,909	32,662
Revaluation/(impairment)			
At 1 April 2018	392	0	392
In year revaluation/(impairment)	1,747	0	1,747
Disposals	0	0	0
At 31 March 2019	2,139	0	2,139
Carrying value			
At 1 April 2018	17,138	4,273	21,411
At 31 March 2019	26,892	7,909	34,800

Investment properties were valued as at 31 March 2019 at their open market value based on an independent valuation by Rupert David & Co Chartered Surveyors. The valuation was carried out in accordance with the RICS Valuation - Global Standards 2017 and the UK National Supplement (The Red Book). No allowance has been made for he liability of taxation that may arise on disposal and no alteration has been made to reflect the costs of selling. All valuation figures are exclusive of VAT.

16 Group and company

Investment in joint ventures	2019 £'000	2018 £'000
Cost and net book value		
At 1 April	151	151
Additions	0	0
Impairment	0	0
At 31 March	151	151

The Group has the following aggregate interests in associated undertakings.

	2019 £'000	2018 £'000
Share of fixed assets	7	12
Share of current assets	221	286
Share of current liabilities	(77)	(113)
Share of net assets	**151**	**185**
Impairment - to show movement in the year	0	0
Investment	**151**	**185**

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	2019 £'000	2018 £'000
Raw materials and consumables	86	65

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

18 | Properties held for sale

Group	2019 £'000	2018 £'000
Properties held for sale	3,085	1,897

19 | Debtors

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Due within one year				
Rent and service charges receivable	1,122	0	707	0
Less: provision for bad and doubtful debts - rents	(349)	0	(239)	0
	773	**0**	**468**	**0**
Other debtors	1,027	125	704	102
Prepayments and accrued income	884	563	912	497
Corporation Tax	4	0	5	0
Amounts due from group undertakings	0	1,007	0	493
Deferred tax	57	40	59	42
	2,745	**1,735**	**2,148**	**1,134**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

20 | Creditors: amounts falling due within one year

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Trade creditors	1,545	652	489	150
Rent and service charges received				
in advance	2,233	0	734	0
Corporation tax	399	47	445	75
Other taxation and social security	348	236	471	237
Other creditors	1,033	83	1,074	91
Accruals and deferred income	5,063	943	6,330	413
Amounts owed to group undertakings	0	1,621	0	1,371
Inter-company loan	0	449	0	0
Deferred capital grant (note 22)	673	0	470	0
Right to buy creditor	954	0	1,073	0
Bank loans	46	0	0	0
	12,294	**4,031**	**11,086**	**2,337**

21 | Creditors: amounts falling due after one year

	Group 2019 £'000	Group 2018 £'000
Bank loans (note 25)	217,000	144,541
Deferred capital grant (note 22)	29,411	20,224
	246,411	**164,765**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

22 Deferred capital grant

	31 March 2019 £'000	31 March 2018 £'000
At 1 April	20,693	18,126
Grant received in the year	9,962	3,041
Released to income in the year	(571)	(473)
	30,084	**20,694**
Amounts to be released within one year	(673)	(470)
Amounts to be released in more than one year	(29,411)	(20,224)
	(30,084)	**(20,694)**

23 Provisions for liabilities and charges

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
At 1 April	35	17	36	17
Amount credited to the statement of comprehensive income	24	25	0	0
At 31 March	**59**	**42**	**36**	**17**
Comprising:				
Fixed asset timing differences	59	42	26	17
Deferred tax asset	**59**	**42**	**36**	**17**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

24 Disposal proceeds fund

	2019 £'000	2018 £'000
At 1 April	0	553
Net sale proceeds recycled	0	522
Acquisition of dwellings for letting	0	(1,075)
Balance at 31 March	**0**	**0**

25 Debt analysis

Group	2019 £'000	2018 £'000
Due within one year		
Bank loans	46	0
Due after more than one year		
Bank loans	69,380	145,825
Bond Finance	149,109	0
Less: capitalised issue cash	(1,489)	(1,284)
	217,000	**144,541**

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

	2019 £'000	2018 £'000
Within one year	46	0
Between one and two years	1,659	0
Between two and five years	5,740	20,000
After five years	211,090	125,825
	218,535	**145,825**

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.

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.

The bank and other loans are repaid in instalments at fixed and vairable rates of interest ranging from 1.72% to 6.54%. The final instalments fall to be repaid in the period 2024 to 2044.

All loans are in sterling. The majority of loans in the Group are routed through two separate treasury vehicles:

Futures Treasury Plc was set up during 2018/19 as a funding vehicle for the issue of a £200m bond, of which £150m has been drawn via a 25 year 3.375% coupon bond issue at a discount of 0.037%. Monies are lent to Associations within the Group.

The market value of the bond as at 31 March 2019 was £161.7m, derived by an external Bloomberg valuation.

Futures Finance Ltd was also set up during 2018/19 and borrows money on behalf of the Group and on-lends to the individual Associations as required. Futures Homescape and Futures Homeway have entered into a fully cross-collateralised structure.

The benefits of setting up the treasury vehicles include streamlined and efficient treasury procedures and strategy.

At 31 March 2019 the Group had undrawn committed loan facilities of £93.1m (2018: £61.7m). The Group's weighted average cost of capital is 4%.

26 Financial commitments

	Approved and contracted for		Approved and not contracted	
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Expenditure on the acquisition/construction of housing properties	41,367	17,806	13,812	32,664
Repairs partnering contracts	0	0	9,396	6,616
Acquisition of other fixed assets	0	0	1,860	285
Total	**41,367**	**17,806**	**25,068**	**39,565**
Financed by:				
Borrowings	35,914	17,806	12,179	32,664
Operating surpluses	5,453	0	12,889	6,901
	41,367	**17,806**	**25,068**	**39,565**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

27 Operating Leases

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

Group	2019 £'000	2018 £'000
Land & Buildings		
Due to expire - within one year	344	340
Due to expire - one to five years	124	359
Due to expire - more than five years	0	0
	468	**699**
Vehicles		
Due to expire - within one year	0	0
Due to expire - one to five years	0	0
	0	**0**
Equipment		
Due to expire - within one year	6	0
Due to expire - one to five years	4	17

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

	2019 £'000	2018 £'000
Surplus for the year	**11,128**	**10,190**
Adjustments for non cash items:		
Depreciation and impairment of tangible fixed assets	6,497	5,781
Pensions cost less contribution payable	802	659
Increase in trade and other debtors	(597)	(190)
Decrease in trade and other creditors	1,173	629
Decrease/(Increase) in stock and stock of housing	(1,210)	3,517
Profit on sale of other housing properties	(1,207)	(816)
Amortisation of government grants	(547)	(473)
Revaluation of Investment Properties	(1,747)	(393)
Interest payable	8,653	6,615
Interest receivable	(84)	(10)
Tax	0	(60)
Net cash inflow from operating activities	**22,861**	**25,449**

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 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Financial assets that are debt instruments measured at amortised cost:				
Rental Debtors	768	0	468	0
Other Debtors	1069	125	704	102
Amounts due from group undertakings	0	1007	0	493
	1,837	**1,132**	**1,171**	**595**
Financial liabilities measured at amortised cost:				
Trade and Other Creditors	1,886	652	1,564	240
Accruals	5,568	932	6,330	413
Right to buy creditor	673	0	1,073	0
Loans	218,535	0	145,825	0
Amounts owed to group undertakings	0	1,621	0	1,371
	226,662	**3,205**	**154,792**	**2,024**

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 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Short-term Money Market Deposits	15,000	0	0	0
Special Interest Bearing Accounts	16,343	1,497	15,950	164
	31,343	**1,497**	**15,950**	**164**

29 Financial assets and liabilities (continued.)

The interest rate profile of the Group's loan liabilities at the 31 March 2019 was:

	2019 £'000	2018 £'000
Floating rate	0	107,178
Fixed rate	218,535	38,647
Total (note 21)	**218,535**	**145,825**

The fixed rate financial liabilities have a weighted average interest rate of 3.95% (2018: 3.37%). The sums are fixed for between 2 and 25 years.

The debt maturity profile is shown in note 25.

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 £1,200 (2018:£900) to Access Training, a company with whom the Group has a beneficial interest in respect of sponsorship of an event.

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

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

Total rental arrears for the Group for related parties as at 31 March 2019 were nil (2018: 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 (2018: £35k), from Futures Greenscape Limited and £41k (2018: £74k) from Limehouse Developments Limited. This is allocated on the basis of staff time. The Company also received £89k (2018: £91k) 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 and has paid £18k in interest payments.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED.

30 Related parties (continued.)

In addition intra-group transactions occurred between other regulated and non regulated Group members during the year:

Futures Homescape Limited has loans in place from Futures Finance Limited of £41.6m and from Futures Treasury PLC of £99.1m. Futures Homeway Limited has loans in place from Futures Finance Limited of £25.8m and Futures Treasury PLC of £49.6m.

Futures Finance Limited has received loan interest from Futures Homescape Limited of £651k and from Futures Homeway Limited of £263k. Futures Treasury PLC has received loan interest from Futures Homescape Limited of £536k and Futures Homeway Limited of £267k.

Futures Homescape Limited and Futures Homeway Limited paid £1,116k and £602k respectively (2018: £1,073k and £652K) to Futures Greenscape Limited for the provision of ground maintenance services and void works. Futures Homescape Ltd also received £60k (2018: £60k) for maintenance services from Five Doorways Homes Ltd.

Futures Homescape Limited received £109k (2018: £109k) for the provision of vehicles to Futures Greenscape Limited. Futures Homescape Limited has a loan in place to Limehouse Developments Limited of £1.8m to fund the development of homes for outright sale and has received £67k in interest payments.

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.

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