

Registered Society No: 10237R
Homes and Communities Agency No: LH0689

THE SWAYTHLING HOUSING SOCIETY LIMITED

Annual Report and Financial Statements

Year Ended 31 March 2020

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GENERAL INFORMATION

BOARD OF MANAGEMENT

Jane Alderman
Mandy Clarke
Joanna Makinson
Wayne Morris
Simon Porter
Ashley West
John Gary Orr
Caroline Moore

SECRETARY

Gemma Burton-Connolly

REGISTERED OFFICE

Collins House
Bishopstoke Road
Eastleigh
Hampshire
SO50 6AD

BANKERS

Lloyds Bank
25 Gresham Street
London
EC2V 7HN

AUDITOR

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

STRATEGIC REPORT

Organisational Overview

The Swaythling Housing Society Limited is regulated by the Regulator of Social Housing as a registered provider and is a company limited by guarantee. The Society is a member of the Radian Group, with a registered head office in Eastleigh.

Business Model

The Society operates with the intention of generating surpluses which are reinvested to support our social purpose in delivering more homes and services for customers. Income is predominantly derived from rents from housing properties and surpluses generated on schemes developed for sale.

The Society also administers the Help to Buy contract for the South region as an agent for Homes England, helping thousands of people rent or purchase a home through a variety of products.

The Society is funded over the long term by a range of loans, bonds, and government grants in addition to its retained surpluses.

Performance Highlights

The Society has adopted a range of revised accounting policies and estimates in the year, mirroring those in place for the Group, generating the need to restate the prior year comparatives. An overview of the Society's result has been presented below on this basis.

Financial Performance

Turnover reduced by £8.4m from the prior year, to £88.0m. Income from social tenures was marginally higher than the prior year, as additional units offset continued rent reductions. Market Rental income increased by a quarter to £3.1m, driven by additional units.

However, market sale turnover fell from £10.9m to £0.8m and with first tranche transactions reducing from £21.4m to £19.3m. The reductions were volume driven, a factor of timing through the development pipeline, as margins increased year on year. Cost of sales fell in line with turnover, reducing from £23.3m to £13.6m.

Operating costs also increased accordingly, up from £48.4m in the prior year to £58.1m, including a provision of £3.1m to remove certain defective cladding on a high-rise block in our portfolio. The Society was also allocated its share of Group overheads as determined by housing stock levels, which has increased by 3%, but also saw a £0.4m increase in depreciation charges as identifiable components of housing properties and their useful economic lives were aligned across the Group.

Surpluses generated on the disposal of fixed assets saw a notable reduction year on year. In the prior year, the Society generated a surplus of £33.3m from intercompany sales, with no such bulk transfer taking place in 2019/20. On a like for like basis, disposals on staircasing transactions generated £0.2m less than the prior year accounting for the movement year on year.

Adjusting for intercompany sales in the prior year, the reported margin of 64% reduced to 30%; as consequence of the increased operating costs, operating surpluses have reduced to £20.0m or 23%; excluding the exceptional replacement cladding provision, our operating surplus increases to 26%.

STRATEGIC REPORT (continued)

Performance Highlights (continued)

Financial Performance (continued)

Net interest costs were similar to the prior year at £7.8m, as a reduction in loans and borrowings costs were offset by a lower capitalised interest. Fair value movements switched from a £1.0m loss to a £1.0m gain year on year.

Underlying net margin – adjusting for asset disposals in the prior year and the cladding replacement provision in the current year - are in line, reducing marginally from 20% to 19%.

Financial Position

Housing properties have increased by £39m, around 8% of carrying value, driven by £46m development activity in the year, including the purchase of £8m work in progress from Yarlington Housing Group in March 2020.

Other fixed assets increased 10% to £11.3m, reflecting continued investment in our IT capabilities, whilst HomeBuy loans, which are held at cost, have reduced by £3.2m in the year as redemptions occur.

Properties for sale at the reporting date were £13.9m, with only £2.1m of completed shared ownership units in stock at the year end. Receivables were £18m higher than the prior year, mainly due to a £20m prepayment of the second tranche of units from LiveWest, which completed in April 2020 and also accounts for the £27m increase in short term payables year on year.

Cash is £42m lower than 2018/19, attributable to the asset purchases outlined above and the £23m paid in Gift Aid to a fellow Group subsidiary in March 2020.

Payables overall remained similar to the prior year, as no new debt was taken on by the Society in the year.

Driven by significant reductions in the present value of obligations in the schemes in which it participates, pension scheme liabilities reduced from £17m to £10m at the reporting date.

The Society saw its funds reduce by 2%, from £178m to £174m, with Gift Aid distributions exceeding surpluses and reductions in pension liabilities in the year.

Our Performance

We monitor our operations every month on a group-wide basis by a range of key performance indicators (KPIs), allowing us to assess our financial performance and position and the delivery of our corporate strategy during the year.

An appraisal of these KPIs is included in our Group statutory accounts.

STRATEGIC REPORT (continued)**Principal Risks and Uncertainties**

Within the Group, the principal risks and uncertainties, as identified by the Executive Board, are deemed to be those that would impact on the Group's ability to successfully deliver on the aims and objectives of its corporate strategy. An appraisal of these strategic risks is included in our Group statutory accounts.

Operational risks are those that the entities in the organisation face on a day to day basis, which are specific to the activities performed in each legal entity.

Our Developments

The Society is one of the four stock holding entities in the Group, whom together are working towards delivering our target of 10,000 new homes over the next 10 years, through buying land, regeneration schemes, recycling our own assets, or in partnerships with others. These partnerships include joint ventures with local authorities, landlords or other housebuilders and Section 106 elements of major housing schemes. We deliver a variety of homes, ranging from one bed flats to four bed houses depending on the site.

Below is an overview of our development activity in the year:

Scheme name and Location	Status at 31 March 2020	Actual/expected PC	Units	Affordable rent	Shared ownership	Market rent	Market sale
The Willows, West End, Eastleigh	In Defects	Oct-19	98	X	X	X	X
Leyland Walk, Bursledon, Hampshire	On site	Mar-20	30		X		
Fen Meadow, Nursling, Southampton	On site	May-20	65		X		
Sayers Meadow, Hassocks, Mid-Sussex	On site	Sep-21	36	X	X		
Castle Farm, Windsor	On site	Nov-21	25	X	X		X
Breach Avenue, Southbourne, West Sussex	Pre-contract	Nov-21	34	X	X		X
Minster Gate, Wimborne, Dorset	On site	Dec-21	24		X		
Crome Constable, Lockleaze, Bristol	Pre-contract	Jun-22	74	X	X		X
Wey Hill, Haslemere, Surrey	Pre-contract	Jun-22	45	X			
Westbury Sailing Lake Ph 1 &2, Wiltshire	On site	Jun-23	80		X		
Pembers Hill Park, Fair Oak, Eastleigh	On site	Aug-23	97	X	X		

Value for Money

The Group assesses its performance in relation to Value for Money (VfM) at a Group level rather than on an entity by entity basis due to the Group's structure.

An assessment of our VfM performance is included in our Group statutory accounts.

STRATEGIC REPORT (continued)

Section 172 Compliance

The Directors place paramount attention to their legal duties under section 172 of the Companies Act 2006, acting in good faith to promote the success of the Group whilst considering the long-term implications of decisions made.

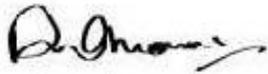
Whilst the directors recognise their duties relate to the individual entities they are legally associated with, as a member of the Group, it is normal practice that engagement with stakeholders takes place simultaneously on behalf of all Group members. Where legally necessary however, decisions are enacted by the relevant entity board and are documented as such.

On overview of the ways in which the members of the Society have demonstrated their compliance with Section 172 is included in our Group statutory accounts.

Statement of Compliance

The Board confirms that this strategic report has been prepared in accordance with the principles set out in the 'Statement of Recommended Practice for registered social housing providers 2018'.

The strategic report was approved by the Board on 16 September 2020 and signed on its behalf by the Interim Chair:



Wayne Morris
Chair

DIRECTORS' REPORT

The Directors present their report for the year ended 31 March 2020.

Group Combined and Executive Board Members

Group Combined Board

Following the completion of the partnership, as a regulated registered provider in the Radian Group, the legal Directors of The Swaythling Housing Society are consistent with the Directors of the five other registered providers and sit as the Group Combined Board.

The Directors of the Society are listed on page 1 and their remuneration is disclosed in note 8.

An overview of the Group Combined Board is included in our Group Statutory Accounts and updated as membership changes on our website.

Executive Board and Senior Leadership Team

As a member of the Radian Group, the Society is directed by the Executive Board and a Senior Leadership Team. The Executive Board primarily focuses on the delivery of the corporate strategy and are responsible for day to day operations, which are overseen by the Senior Leadership Team, who themselves lead the various functions of the organisation.

An overview of the Executive Board is included in our Group Statutory Accounts and updated as the composition changes on our website.

Executive and Senior Leadership Team Service Contracts

The members of the Executive Board and Senior Leadership Team are employed on the same terms as other staff, except for a contractual annual bonus scheme and the provision of a company car or payment of a car allowance.

Remuneration decisions are overseen by the People and Culture Committee. The Group Combined Board is responsible for approving any bonus awards or changes in the Chief Executive's remuneration or contract. Details of the benefits received by Executive Directors are set out on page 33.

The Executive Board and Senior Leadership Team members, including those who are Group Combined Board members, hold no interest in the Society's shares and act within the authority delegated to them by the Group Combined Board under defined terms of reference.

Capital and Treasury Management

The Society is financed by a combination of revenue, long-term loan facilities, bond finance, and social housing grant received from government.

Radian has a comprehensive treasury policy with tests that apply to the Group as a whole. The policy requires the Group to maintain a minimum level of liquidity such that there is:

- sufficient cash & cash equivalents to cover the next six months forecast cash requirement;
- sufficient liquidity to cover the next 18 months net cash requirement before funding (including uncommitted but not aspirational development or any staircasing cashflows); and
- no over-reliance placed on any one counterparty, whether through cash holdings or available facilities.

Capital and Treasury Management (continued)

Capital Structure

At 31 March 2020 the Society's borrowings amounted to £277.9m nominal (2019: £280.9m) of which £3.9m (2019: £3.0m) is due to be repaid within the next year.

Risks

- **Interest rate risk** is the risk that the Society is unable to service its loans and borrowings due to rises in interest rates. The Society manages interest rate risk through the requirements laid out in the Group Treasury Policy, including entering into interest rate swaps to fix a proportion of floating rate debt;
- **Liquidity risk** is the risk that the Society is unable to service its loans and borrowings, or meet repayment liabilities as they fall due, owing to insufficient cash. The Society manages liquidity risk through the requirements laid out in the Group Treasury Policy, including requirements for minimum levels of cash or immediately available facilities;
- **Counterparty credit risk** is the risk that the Society is unable to access cash deposits due to failure of counterparties. The Society manages counterparty credit risk by regularly monitoring and reviewing the credit rating of counterparties through the requirements laid out in the Group Treasury Policy;
- **Market risk** is the risk that the Society is unable to refinance loans and borrowings at an acceptable interest rate as they mature. The Society manages market risk by modelling the impact of interest rate rises in its long-term forecast and identifying mitigating actions; and
- **Currency risk** is not applicable as the Society borrows and invests surplus funds only in sterling.

Interest Rate Management

Most of the Society's borrowings consist of fixed rate bonds and bank loans at both fixed and floating rates of interest. A subset of our bank loans have embedded interest rate swaps that run for all or part of the loan term.

The Society has a standalone interest rate swap arrangement to pay floating and receive fixed from a fellow Group undertaking, Yarlinton Housing Group.

Total debt of £277.9m nominal at 31 March 2020 consisted of 81% fixed and 19% variable rate debt. Of our 81% fixed rate debt, £155.0m was made up of embedded interest rate swaps (except for the intercompany arrangement) running for all or part of the loan term and £89.8m was the fixed rate bond. There are no options in our portfolio.

Financial Loan Covenant Compliance

Financial loan covenants are primarily measured by interest cover, gearing ratios and asset cover based on property asset values. Covenants are continually monitored and reported to the Executive Board and Treasury and Investment Committee. There were no breaches of financial covenants during the year.

Capital and Treasury Management (continued)

Surplus assets for future debt security

As at 31 March 2020 the Society had 1,911 unsecured completed housing properties not required for charging to existing debt facilities. These are sufficient to raise over £156.7m of future new debt on an asset cover ratio of 105% for Existing Use Value as Social Housing (EUV-SH) properties.

Based on our current development programme, we also expect to complete more than 350 properties in the period to 31 March 2021, which will in turn provide additional security.

Future Funding Options

As at 31 March 2019, the Society had sufficient funds for its current and medium-term needs.

Governance and Regulation

The operations of the Society are subject to the governance and management structures in place across the Group, in common with all fellow subsidiaries.

An overview of the approach to governance and regulatory compliance, as determined by the Group Combined Board, is included in our Group statutory accounts.

Employees

The Society directly employed an average of 787 full-time equivalent employees during the year (2019: 727), calculated on standard working hours per week for each employee.

There are multiple employers in the Group from a contractual perspective, a legacy of previous combinations and recent partnership activity. However, on a day to day basis all employees serve the interests of all group entities simultaneously depending on the specifics of their roles and responsibilities.

Consequently, an overview of the communication to and engagement with all colleagues, irrespective of employer, is included in our Group accounts.

Post Balance Sheet Events

The Covid-19 outbreak, government lockdown and initial economic shock were all felt prior to the reporting date. The impacts of the pandemic will inevitably be felt for some time to come, but we have identified no specific event post 31 March 2020 that fundamentally impacts the content of the annual report and financial statements

Going Concern

The appropriateness of preparing the accounts of the entity on a going concern basis is intrinsically linked to the going concern of the Group as a whole, due to the role the entity plays in the wider context of the Group.

The length of the Covid-19 pandemic and the measures taken by the Government to contain this are outside of our control and increases uncertainty when planning for the future.

DIRECTORS' REPORT (continued)

Going Concern (continued)

In response, the Executive Board identified numerous indicators which formed part of weekly dashboards to monitor the impact on our financial performance and position, as well as our stakeholders.

The organisation extended its usual stress testing, considering a range of macro-economic factors, to include areas particularly impacted by Covid-19. From a financial perspective, the impact on tenant arrears and on property sales were of a particular focus in the short term, whilst the longer-term impact of restrictions to development activity and repair and maintenance work and associated recovery plans was considered in significant detail.

During the first quarter of 2020/21, the budget for the year which was prepared during 2019/20, before the outbreak of Covid-19, was also revised to encompass the known impact on the organisation to date and reflect agreed recovery plans.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities, the board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Group's ability to continue as a going concern. The board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

Disclosure of Information to Auditor

At the date when this report is approved each of the Board Members confirm the following:

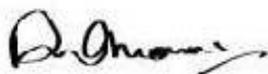
- So far as each Board Member is aware, there is no relevant audit information needed by the Society's auditor in connection with preparing their report, of which the Society's auditor is unaware; and
- Each Board Member has taken all the steps that they ought to have taken as a Board Member to make themselves aware of any relevant audit information needed by the Society's auditor in connection with preparing their report and to establish that the Society's auditor is aware of that information.

External Auditor

BDO LLP has indicated their willingness to continue in office and a resolution to appoint them will be proposed at the forthcoming annual general meeting.

Approval of the Board

The Directors' Report was approved by the Board on 16 September 2020 and signed on its behalf by the Chair:



Wayne Morris
Chair

STATEMENT OF THE BOARD'S RESPONSIBILITIES

The Board Members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board Members to prepare financial statements for each financial year. Under that law the Board Members have elected to prepare the Society's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board Members are required to:

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

The Board Members are responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board members are responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Board Members. The Board Members responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SWAYTHLING HOUSING SOCIETY LIMITED

Opinion

We have audited the financial statements of Swaythling Housing Society Limited ("the Society") for the year ended 31 March 2020 which comprise the Statement of Comprehensive income, the Statement of Financial Position, the Statement of Changes in Equity, 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 Society's affairs as at 31 March 2020 and of the Society's surplus for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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 Society 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's 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 Society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Board Members are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SWAYTHLING HOUSING SOCIETY LIMITED (continued)

Other information (continued)

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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- The information given in the strategic report and board report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- Adequate accounting records have not been kept by the Society; or
- A satisfactory system of control has not been maintained over transactions; or
- The Society financial statements are not in agreement with the accounting records and returns; 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 responsibilities statement set out on page 10, the board members are 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 members are responsible for assessing the Society'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 members either intend to liquidate the Society 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.

Auditor's responsibilities for the audit of the financial statements (continued)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SWAYTHLING HOUSING SOCIETY LIMITED (continued)

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.

Use of our report

This report is made solely to the members of the Society, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society'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 Society and the members as a body, for our audit work, for this report, or for the opinions we have formed

BDO LLP.

Philip Cliftlands
BDO LLP
Statutory Auditor
Gatwick, United Kingdom

22 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 March 2020

	Note	2020 £'000	Restated 2019 £'000
Turnover	3	88,017	96,375
Cost of sales	3	(13,622)	(23,272)
Operating costs	3	(58,134)	(48,336)
Surplus from disposal of fixed assets	3	3,778	37,271
Operating surplus		20,039	62,038
Finance income	4	1,214	1,006
Finance costs	5	(9,014)	(8,930)
Fair value movement on financial instruments	27	(60)	(17)
Fair value movement on investment properties	12	1,087	(955)
Surplus on ordinary activities before tax	0	13,266	53,142
Tax charge for the year	0	-	-
Surplus on ordinary activities after tax		13,266	53,142
Other comprehensive income			
Actuarial gains/losses on defined benefit pension schemes	22	12,043	(1,160)
Total comprehensive income		25,309	51,982

All activities derive from continuing operations.

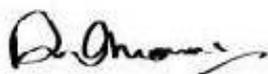
The notes on pages 17 to 55 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Note	2020 £'000	Restated 2019 £'000
Fixed assets			
Housing properties	10	550,301	511,732
Other fixed assets	11	11,273	10,322
Investment properties	12	50,855	50,476
HomeBuy loans	0	36,195	39,351
		648,624	611,881
Current assets			
Properties for sale	15	13,849	15,266
Inventories		563	670
Receivables	16	34,778	16,513
Cash and cash equivalents		56,289	98,073
		105,479	130,522
Payables: amounts due within one year	17	(53,207)	(26,440)
		52,272	104,082
Net current assets			
		700,896	715,963
Total assets less current liabilities			
Payables: amounts due after one year	18	(295,978)	(304,170)
Deferred capital grant due after one year	19	(191,171)	(184,571)
HomeBuy grant		(29,800)	(32,219)
Pension liability	22	(10,036)	(16,780)
		173,911	178,223
Net assets			
Capital and reserves			
Share capital	24	0	0
Revenue reserve		173,911	178,223
		173,911	178,223
Society's funds			
		173,911	178,223

The notes on pages 17 to 55 form part of these financial statements.

The financial statements of The Swaythling Housing Society Limited, registered society number 10237R, on pages 14 to 55 were approved by the Board and authorised for issue on 16 September 2020 and signed on its behalf by:



Wayne Morris

Ashley West

Gemma Burton-Connolly

Chair

Board Member

Secretary

STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Revenue reserve £'000	Total £'000
At 31 March 2018 – restated	0	147,241	147,241
Surplus on ordinary activities after tax	-	53,142	53,142
Actuarial losses on defined benefit pension schemes	-	(1,160)	(1,160)
Gift aid paid	-	(21,000)	(21,000)
At 31 March 2019 - restated	0	178,223	178,223
Surplus on ordinary activities after tax	-	13,263	13,263
Actuarial losses on defined benefit pension schemes	-	12,043	12,043
Gift aid paid	-	(23,000)	(23,000)
Pension liability transfer	-	(6,618)	(6,618)
At 31 March 2020	0	173,911	173,911

The notes on pages 17 to 55 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. LEGAL STATUS

The Society is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Society Act 2014 and is also registered with the Regulator of Social Housing as a social housing provider.

2. ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Society have been prepared in accordance with applicable law and UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing Statement of Recommended Practice (SORP) 2018 for registered social housing providers and comply with the Accounting Direction for private registered providers of social housing 2019. The financial statements are presented in pounds sterling and have been prepared on the historical cost basis except for a modification to amortised cost or a fair value basis for certain financial instruments and investment properties, as specified in the accounting policies below.

Going Concern

The appropriateness of preparing the accounts of the entity on a going concern basis is intrinsically linked to the going concern of the Group as a whole, due to the role the entity plays in the wider context of the Group.

The length of the Covid-19 pandemic and the measures taken by the Government to contain this are outside of our control and increases uncertainty when planning for the future.

In response, the Executive Board identified numerous indicators which formed part of weekly dashboards to monitor the impact on our financial performance and position, as well as our stakeholders.

The organisation extended its usual stress testing, considering a range of macro-economic factors, to include areas particularly impacted by Covid-19. From a financial perspective, the impact on tenant arrears and on property sales were of a particular focus in the short term, whilst the longer-term impact of restrictions to development activity and repair and maintenance work and associated recovery plans was considered in significant detail.

During the first quarter of 2020/21, the budget for the year which was prepared during 2019/20, before the outbreak of Covid-19, was also revised to encompass the known impact on the organisation to date and reflect agreed recovery plans.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities, the board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Group's ability to continue as a going concern. The board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. ACCOUNTING POLICIES (continued)

Disclosure Exemptions

In preparing the financial statements of the Society, advantage has been taken of the disclosure exemption under FRS 102 paragraph 1.12(b) in not preparing a Statement of Cash Flows on the basis that this is included in the consolidated financial statements.

Operating Segments

Segmental information is disclosed in note 3. Information about income, expenditure and assets attributable to material operating segments are presented based on the nature and function of housing assets held by the Society rather than geographic location. As permitted by FRS 102 paragraph 1.5, this is appropriate based on the similarity of the services provided, the nature of the risks associated, the type and class of customer, and the nature of the regulatory environment across all geographical locations in which the Society operates.

Management do not routinely receive segmental information disaggregated by geographical location.

Turnover

Turnover represents rental and service charge income (net of void losses), fee income and revenue grant receivable, proceeds from market and first tranche sales, other income and the amortisation of capital grant.

Rental and service charge income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

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

Other income is recognised as receivable on the delivery of services provided. Deferred Capital Grant is released over the life of the asset structure in accordance with FRS 102.

Cost of Sales

Cost of sales relates to market and first tranche sales and represents those costs, including direct overheads and other incidental costs, incurred during development, construction, and marketing of those properties.

On market sales, the cost of sales represents the full construction cost of the unit sold.

On first tranche transactions, the percentage of equity purchased determines the percentage of total unit costs recognised in the Statement of Comprehensive Income.

Help to Buy

Turnover is recognised in relation to Help to Buy on two distinct bases. A fixed quarterly fee for the operation of the contract is recognised as income on a straight-line basis each month, in addition to a fixed fee per case, recognised at the point of completion. The contract for the provision of services is subject to periodic renewal.

Revenue Grant

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. ACCOUNTING POLICIES (continued)

The Society receives grants in respect of revenue expenditure and these are credited as appropriate to income in the same period as the expenditure to which they relate.

Service Charge Income and Expenditure

Where service charge income is identifiable it is recorded separately to rental income. Where service charge income is not identifiable it is recorded within rental income.

Income is predominantly variable, and charges will therefore include an adjustment for the under or over recovery from previous years and will be adjusted for under or over recovery in the current year. Until these balances are returned to or recovered from our tenants they are held as payables or receivables on the Statement of Financial Position.

Service charge expenditure is disclosed separately and includes the cost of all direct services provided, in addition to an allowance for management costs. Expenditure will also include costs of services provided that are not recoverable from tenants.

Surplus/(Deficit) from Disposal of Fixed Assets

Other asset sales are recognised within surplus from disposal of fixed assets.

Staircasing events include both partial and final transactions, where the purchaser increases or fully acquires the equity in their property. Final staircasing events on houses will involve the disposal of the freehold, whereas on flats, the Society will retain the freehold on the property, reclassifying the unit as a leasehold unit in note 3.

The surplus on sales under the Right to Buy and Right to Acquire legislation is the difference between the proceeds received and the carrying value of the properties.

The deficit recognised on the sale of other housing properties is the difference between the proceeds received and the carrying value of the property.

The surplus recognised on redemptions of HomeBuy loans is derived from the market value of the equity holding in the property at the point of sale, less the original loan amount and any provision.

The surplus recognised on the sale of other fixed assets is the difference between the proceeds received and the carrying value of the asset.

The deficit recognised on the sale of properties to other registered providers is the difference between the proceeds received and the carrying value of the property. All sales relate to properties purchased by fellow Group entities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. ACCOUNTING POLICIES (continued)

Repairs and Maintenance

The Society capitalises items of expenditure on housing properties if they result in an enhancement to the economic benefits from the property or if they replace an identifiable component.

Works to existing properties which do not meet the above criteria are charged to the Statement of Comprehensive Income.

Finance Income

Interest is earned from cash and cash equivalents and interest charged on HomeBuy loans.

Finance Costs

Interest costs, issue costs, premiums, and discounts are charged to finance costs over the term of debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Included within finance costs are ongoing servicing fees of loans and borrowings, which are charged to the Statement of Comprehensive Income over the review cycle of each facility.

Capitalisation of Finance Costs

The Society capitalises interest costs incurred because of development activities, with the amounts presented net of finance costs in the Statement of Comprehensive Income and included within the carrying value of assets in the Statement of Financial Position.

The amount capitalised is calculated in accordance with FRS 102 paragraph 25.2 and disclosure of the calculation basis and amounts capitalised is included in note 5.

The capitalisation of finance costs represents a revision to the accounting policy to ensure consistency between all subsidiaries in the Group.

Value Added Tax (VAT)

The Society is part of the Radian Group Limited VAT group. As a large proportion of its income is rent, which is exempt for VAT purposes, the Group is subject to a partial exemption calculation.

Expenditure is therefore shown inclusive of VAT and the input VAT recovered is credited to the Statement of Comprehensive Income.

Gift Aid

Gift Aid represents payments to fellow Group subsidiaries with charitable tax status in the year, with payments disclosed as distributions from reserves as required by the SORP 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. ACCOUNTING POLICIES (continued)

Pensions

The Society's pension arrangements comprise two defined benefit schemes and a defined contribution scheme.

For the defined contribution scheme, the amount charged to income and expenditure in respect of pension costs is the employer contribution payable in the year.

For defined benefit schemes, the amounts charged to staff costs within operating costs are those arising from employee services rendered during the period, benefit changes and settlements. The net interest cost on the net defined benefit liabilities is included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets are recognised immediately in other comprehensive income.

Defined benefit schemes are funded with assets of the scheme held separately from those of the Society and administered by The Pensions Trust or local government. Pension scheme assets are measured at fair value and liabilities on an actuarial basis using the projected unit method. Actuarial valuations are updated at each reporting date and full actuarial valuations are obtained at least triennially.

The funded defined benefit scheme is in deficit and a funding arrangement is in place. The net present value of the deficit reduction contributions payable under the agreement is recognised on the Statement of Financial Position and the unwinding of the discount rate is recognised as a finance cost.

Tax

Current tax is recognised for tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Fixed Assets - Housing Properties

Housing properties are held at cost less accumulated depreciation. Cost includes acquisition expenditure, development costs and directly attributable administration costs. Interest costs are not capitalised.

The carrying value of housing properties is split between the land, structure and major components which require periodic replacement.

For Affordable Home Ownership properties, the amount retained in housing properties is the cost of unsold equity (if the first tranche sale has completed) or 60% of the total unit cost (if the first tranche sale is yet to complete).

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties upon practical completion.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. ACCOUNTING POLICIES (continued)

Land

Land acquired or donated to the Society will be accounted for depending on its intended use.

Land acquired for the provision of social housing, or where no specific intended use exists, will be treated as a fixed asset. When land is held for speculative purposes, for capital gain, or a commercial rental return it will be accounted for as an investment property.

Depreciation

Freehold Buildings and Components

Depreciation is charged on a straight-line basis over the estimated useful economic life of components on the following annual rates:

- 100 years – structure
- 70 years – roofs
- 40 years – electrical wiring
- 30 years – bathrooms, heating systems and windows
- 20 years – kitchens and photovoltaic panels
- 15 years – boilers

When components are replaced, the carrying value of existing components is charged to the Statement of Comprehensive Income at the point of disposal. The Society has retrospectively recognised roof and electrical wiring components in the year to ensure a common accounting estimate across all subsidiaries, facilitating the prospective depreciation of these components over their remaining useful lives.

Depreciation (continued)

Freehold Buildings and Components (continued)

Freehold land and Investment properties are not depreciated.

Other Fixed Assets

Depreciation is charged on a straight-line basis over the expected useful economic lives of the assets at the following annual rates:

- Freehold premises – 50 years;
- Office equipment – 3 to 5 years;
- Office furniture and development equipment – 10 years; and
- Motor vehicles, yard plant and machinery – 4 years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. ACCOUNTING POLICIES (continued)

Investment Properties

Investment properties are commercial properties, housing properties let at market rates or properties held for investment potential or capital appreciation.

Investment properties are measured at cost on acquisition or initial recognition and subsequently revalued to their market value at least annually with gains and losses recognised in the Statement of Comprehensive Income.

Details of the advisers from whom values are obtained and the basis of valuation adopted are included in note 12.

Investments in HomeBuy Loans

The HomeBuy scheme, now closed to new entrants, was a program of home ownership where loans were advanced by the Society to purchasers of property. The program was funded through a combination of government grant and the Society's own funds. The loan advanced to the purchaser and the amount of grant received are both recorded at cost, less provision for bad debts.

The Society has a fixed charge on the property entitling it to a share of the proceeds on the sale of the property. Any capital loss realised on redemption of the loan is initially offset against the government grant, which is held as a long-term liability.

Valuation of Investments

Investments in associates are accounted for using the cost model in the financial statements.

Properties Held for Sale

All unsold market sale and affordable home ownership properties are classed as current assets at the reporting date and are valued at the lower of cost or estimated selling price less costs to complete and sell. Deficits on schemes are recognised as soon as they are foreseen.

On affordable home ownership properties where the first tranche sale has yet to complete, 40% of each units' cost will be recognised as a current asset.

Property held for sale comprises both completed properties and property in the course of construction.

Inventories

Inventory represents materials and replacement components held prior to use in repair works. Items are held at the lower of cost and net realisable value and periodic stock counts ensure that damaged and obsolete items are identified and written off.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits, and short-term investments with an original maturity date of three months or less.

Cash and cash equivalents also includes cash in sinking fund accounts to which the Society has access on behalf of the beneficiaries of the account.

Provisions

The Society recognises provisions in respect of liabilities of uncertain timing or amounts. Provisions are made for specific and quantifiable liabilities, measured at the best estimate of expenditure and only where probable that it is required to settle a legal or constructive obligation that existed at the reporting date.

Receivables and Payables

Receivables and payables with no stated interest rate, and receivable and payable within one year, are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income within operating income and expense.

Recoverable Amount of Rental and Other Trade Receivables

The Society estimates the recoverable amount of receivables and provides for the balance based on the value and class of the debt. Receivable balances are reviewed quarterly to determine recoverability; balances deemed irrecoverable are subsequently written off.

Financial Instruments

Financial instruments are recognised when the Society becomes a party to the contractual provisions of the instrument and are classified according to their substance.

Deferred and Recycled Capital Grant

Deferred Capital Grant, predominantly Social Housing Grant, is initially recognised at fair value as a long-term liability and is amortised to the Statement of Comprehensive Income as turnover over the life of the structure of housing properties, except for grant received in respect of HomeBuy loans.

Upon disposal of an asset which has deferred capital grant allocated to it, the cost of the grant is transferred to the Recycled Capital Grant Fund until the grant is reinvested in a replacement property or repaid, reflecting the existing obligation under the social housing grant funding regime. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within liabilities is released to the Statement of Comprehensive Income to cost of sales.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. ACCOUNTING POLICIES (continued)

Deferred Tax

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable surpluses.

Deferred tax relating to investment properties that are measured at fair value is recognised using the tax rates and allowances that apply to the sale of the assets. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted at the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are presented on the Statement of Financial Position and deferred tax assets within receivables.

Deferred tax assets and liabilities are offset only if the Society has a legally enforceable right to set off current tax assets against current tax liabilities.

Financial Assets and Liabilities

Loans and Borrowings

The Society's loans and borrowings meet the definition of, and are classified as, basic financial instruments under FRS 102. These instruments are initially recorded at the transaction price. They are subsequently recorded at amortised costs using the effective interest method.

Gilt Holdings

The Society holds UK government gilts within certain liquidity funds and has elected to designate these at fair value through profit or loss under FRS 102 paragraph 11.14(b).

Leases

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks or rewards of ownership of the leased assets to the entity. All other leases are classified as operating leases.

Rentals under operating leases are accounted for on a straight-line basis over the lease term even if the payments (where the Society is the lessee) and receipts (where the Society is the lessor) are not made or received on that basis.

The Society has no finance lease commitments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. ACCOUNTING POLICIES (continued)

Sinking Funds

Sinking funds comprise leasehold sinking funds and scheme provisions.

Leasehold sinking funds are unspent amounts collected from leaseholders for major repairs on leasehold schemes, plus any interest received, and are included in payables.

Scheme provisions are scheme funds set aside for major repairs and are also included in payables.

Critical Judgments, Estimates, and Uncertainty

Preparation of the financial statements requires management to make the following significant judgments and estimates:

Impairment review

At each reporting date the Society assesses whether an indicator of impairment exists. If such an indicator exists assets affected are subject to an impairment review, and the recoverable amount of the asset or cash generating unit is estimated. An impairment loss occurs when the carrying amount of an asset or cash generating unit exceeds its recoverable amount.

Classification of Loans with Embedded Interest Rate Swaps

We hold loans which carry a variable rate of interest. In some cases, our interest charges have been fixed by the inclusion of embedded interest rate swaps in these agreements for part or the full term of the loan. These loans could be repaid early, and fixes could be broken. This would involve paying a premium to lenders or the lenders paying a discount to us depending on the prevailing interest rate as there are two-way break clauses in our loan agreements.

Considering the requirements and criteria set out in FRS 102, and given our intention and forecasted ability to hold all of these loans to maturity, we consider classification of the loans as 'basic' to be appropriate and recognition at amortised cost to be a fair representation of our liabilities.

Provisioning for Investments in HomeBuy Loans

The Society has provided for investments in HomeBuy loans given its vulnerability to foreclosure and losses on the sale of secured properties. Provisioning involves judgment around redemption rates, failure rates, and changes in property prices.

Defined Benefit Pension Obligations

Financial and actuarial assumptions underlying accounting estimates of the Society's defined benefit obligations are informed by actuarial advice, based on best estimates according to scheme duration, and applied consistently across accounting periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2. ACCOUNTING POLICIES (continued)

Critical Judgments, Estimates, and Uncertainty (continued)

Capitalisation of Property Development Costs

The estimate of anticipated costs to complete a development scheme is determined by suitably qualified professionals.

Judgement is involved in determining the appropriate allocation of costs relating to affordable home ownership between current and fixed assets, dependent upon the equity anticipated to be purchased in the first tranche.

Fair Value Measurement

The Society uses external professional advisers to determine the fair value of financial instruments and investment properties.

Whilst the fair value of financial instruments is based on quoted prices, investment properties are valued according to the methodologies and assumptions applied by the adviser.

Recognition of cladding provisions

A provision for the replacement of cladding and/or insulation in high rise blocks has been included in accounts where the following criteria has been met.

- tests have confirmed the materials used in construction were defective; and
- our intention to remedy the situation has been clearly communicated to affected residents; and
- The value of remedial works is reliable and informed by quotes from independent third parties.

In aggregate, these factors give rise to a constructive obligation, the value of which can be reliably measured, at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

3. TURNOVER, COST OF SALES, OPERATING COSTS, SURPLUS FROM DISPOSAL OF FIXED ASSETS AND OPERATING SURPLUS

	2020					Restated 2019				
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Disposal of fixed assets £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Disposal of fixed assets £'000	Operating surplus/ (deficit) £'000
Social housing lettings	39,503	-	(28,262)	-	11,241	39,369	-	(26,106)	-	13,263
Other social housing activities										
Development administration	-	-	(492)	-	(492)	-	-	(205)	-	(205)
Intercompany recharges	21,573	-	(21,573)	-		17,015	-	(17,015)	-	-
First tranche affordable home ownership sales	19,259	(13,390)	(1,000)	-	4,869	21,446	(15,647)	(925)	-	4,874
Disposal of fixed assets	-	-	-	3,778	3,778	-	-	-	37,271	37,271
Other social	22	-	(86)	-	(64)	195	-	(85)	-	110
	40,854	(13,390)	(23,151)	3,778	8,091	38,656	(15,647)	(18,230)	37,271	42,050
Non-social housing activities										
Market rent properties	3,146	-	(1,360)	-	1,786	2,455	-	(1,308)	-	1,147
Market sales	810	(232)	-	-	578	10,904	(7,625)	-	-	3,279
Help to Buy agency	2,791	-	(1,624)	-	1,167	3,934	-	(1,631)	-	2,303
Photovoltaics	206	-	(24)	-	182	216	-	(23)	-	193
Garages	136	-	(28)	-	108	110	-	(25)	-	85
Cladding replacement provision	-	-	(3,105)	-	(3,105)	-	-	-	-	-
Other non-social	571	-	(580)	-	(9)	731	-	(1,013)	-	(282)
	7,660	(232)	(6,721)	-	707	18,350	(7,625)	(4,000)	-	6,725
Total	88,017	(13,622)	(58,134)	3,778	20,039	96,375	(23,272)	(48,336)	37,271	62,038

The prior year restatement relates to the capitalisation of development fees prior to schemes entering contract and the impact on cost of sales of capitalising interest costs on development of housing properties, following the revision to the Group accounting policies, adopted by the Society, in the year. The format of the note has also been revised to better represent the income streams of the Society.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

3. TURNOVER, COST OF SALES, OPERATING COSTS, SURPLUS FROM DISPOSAL OF FIXED ASSETS AND OPERATING SURPLUS (continued)

	2020					2019				
	General needs housing £'000	Supported / housing for older people £'000	Affordable home ownership £'000	Other social housing £'000	Total £'000	General needs housing £'000	Supported / housing for older people £'000	Affordable home ownership £'000	Other social housing £'000	Total £'000
Turnover										
Rent receivable net of identifiable service charges (net of voids)	24,485	1,231	4,770	5,231	35,717	25,688	1,211	3,917	4,631	35,447
Service charge income	601	188	874	1	1,664	742	149	827	1	1,719
Net rental income	25,086	1,419	5,644	5,232	37,381	26,430	1,360	4,744	4,632	37,166
Amortisation of capital grant	1,301	534	287	-	2,122	1,404	544	255	-	2,203
Net turnover from social housing lettings	26,387	1,953	5,931	5,232	39,503	27,834	1,904	4,999	4,632	39,369
Operating costs										
Management	(7,782)	(536)	(3,206)	(1,178)	(12,702)	(7,131)	(497)	(2,815)	(1,087)	(11,530)
Service charge costs	(1,499)	(103)	(617)	(227)	(2,446)	(1,218)	(85)	(481)	(185)	(1,969)
Routine maintenance	(3,217)	(222)	-	(487)	(3,926)	(2,587)	(180)	-	(394)	(3,161)
Planned maintenance	(1,222)	(84)	-	(185)	(1,491)	(1,174)	(82)	-	(179)	(1,435)
Major repairs expenditure	(1,255)	(86)	-	(191)	(1,532)	(1,875)	(131)	-	(286)	(2,292)
Bad debts	(97)	(7)	(40)	(14)	(158)	22	2	9	3	36
Other costs	131	9	54	20	214	28	2	11	4	45
Depreciation of housing properties	(4,085)	(188)	(791)	(981)	(6,045)	(3,973)	(299)	(600)	(798)	(5,670)
Loss on disposal of housing components	(145)	(9)	-	(22)	(176)	(100)	(5)	-	(25)	(130)
	(19,171)	(1,226)	(4,600)	(3,265)	(28,262)	(18,008)	(1,275)	(3,876)	(2,947)	(26,106)
Operating surplus on social housing lettings	7,216	727	1,331	1,606	11,241	9,826	629	1,123	1,685	13,263
Void losses	(103)	(12)	(76)	(41)	(232)	(111)	(6)	(4)	(48)	(169)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

3. TURNOVER, COST OF SALES, OPERATING COSTS, SURPLUS FROM DISPOSAL OF FIXED ASSETS AND OPERATING SURPLUS (continued)

	2020			Restated 2019		
	Sale proceeds £'000	Cost of sales £'000	Disposal of fixed assets £'000	Sale proceeds £'000	Cost of sales £'000	Disposal of fixed assets £'000
Staircasing	5,001	(2,580)	2,421	5,384	(2,803)	2,581
Right to Buy	386	(245)	141	126	(29)	97
Sales to other						
Registered Providers	3,497	(3,504)	(7)	64,846	(31,596)	33,250
Other Housing Sales	-	-	-	199	(150)	49
HomeBuy Redemptions	4,449	(3,233)	1,216	5,013	(3,749)	1,264
Other Fixed Assets	5	2	7	30	-	30
	13,338	(9,560)	3,778	75,598	(38,327)	37,271

The prior year restatement relates to the impact on cost of sales of capitalising interest costs on development of housing properties, following the revision to the Group accounting policies, adopted by the Society, in the year.

	2020 Number	2019 Number
Social Housing Properties - Owned and managed		
General needs housing	4,122	4,048
Supported / housing for older people	266	264
Affordable home ownership	1,698	1,598
Other social housing	642	635
	6,728	6,545
Non-social Housing Properties - Owned and managed		
Market rent housing	339	322
	7,067	6,867
Other		
Owned/Not Managed - Leasehold housing *	409	400
Owned/Not Managed - Market sale	-	2
Investments – Equity Loans	942	1,022
Total	8,418	8,291
Non-Housing Properties	283	283
Total Units	8,701	8,574
<i>Properties under construction</i>	<i>517</i>	<i>447</i>

* Leasehold housing represents those units where the freehold has been retained.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

4. FINANCE INCOME

	2020 £'000	2019 £'000
Interest receivable from cash and cash equivalents	682	455
Income from interest rate swap	152	149
HomeBuy interest	380	402
	1,214	1,006

5. FINANCE COSTS

	2020 £'000	Restated 2019 £'000
Interest costs on loans and borrowings	9,457	10,451
Servicing fees of loans and borrowings	303	63
Capitalised interest	(1,223)	(2,090)
	8,537	8,424
Interest on Recycled Capital Grant Fund	103	122
Interest on pension scheme liabilities	374	384
	9,014	8,930

The prior year restatement relates to the capitalisation of interest on assets under construction, following the revision to the Group accounting policy, adopted by the Society, in the year.

The weighted average cost of capital for the period is 3.89% with reference to its effective interest costs on loans and borrowings against the carrying value of loans and borrowings during the year at a Group level.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

6. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX

Surplus on ordinary activities before tax is stated after charging/(crediting):

	2020 £'000	2019 £'000
Depreciation of fixed assets	7,155	7,241
Amortisation	(2,122)	(2,203)
Impairment of assets	130	-
Government revenue grant	(43)	(57)
Defined contribution pension cost	2,683	1,215
Defined benefit service cost	369	1,736
Operating lease expense:		
Land and buildings	43	43
Fees payable to the Society's auditor for:		
Audit of the annual financial statements (excluding VAT)	23	23
For other services (excluding VAT)	2	2
	8,240	8,000

7. TAX

	2020 £'000	2019 £'000
Deferred tax		
Timing differences, origination and reversal	-	135
Adjustment in respect of earlier years	-	(135)
Tax charge for the year	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

7. TAX (continued)

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19%. The differences are explained as follows:

	2020	2019
	£'000	£'000
Total tax reconciliation		
Surplus on ordinary activities before tax	13,266	53,142
Tax on surplus on ordinary activities at 19%	2,523	10,097
Effects of		
Fixed asset differences	139	-
Expenses not deductible for tax purposes	377	1,068
Non-taxable profit on Group transfer of properties	(403)	(6,316)
Chargeable Gains	535	-
Prior year adjustments	-	(135)
Movement in unrecognised deferred tax	1,630	(10)
Movement in deferred tax due to differences in tax rates	(431)	(708)
Gift Aid	(4,370)	(3,990)
Total tax charge	<u>-</u>	<u>-</u>

A UK corporation rate of 19% was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the society's future current tax charge accordingly. The deferred tax asset at 31 March 2020 has been calculated at 19% (2019: 17%).

8. DIRECTORS' EMOLUMENTS

The Directors of the Society are defined as the board members, who sit as the Group Combined Board, and the Executive Board.

Members of the Executive Board receive no remuneration directly for their role as a Director for the Society. It is not possible to disaggregate remuneration in respect of services performed on behalf of the constituent group entities.

Key Management Personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity either directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

8. DIRECTORS' EMOLUMENTS (continued)

Below are shown the aggregate emoluments (including pensions and benefits in kind, excluding compensation for loss of office) paid by the Society to:

	2020 £'000	2019 £'000
The Executive Board (excluding those paid to third parties)	1,191	739
Third parties in respect of Directors' services	-	115
Board Members	108	88
Key Management Personnel excluding Directors	1,412	1,137
	2,711	2,079
Compensation for loss of Directors' offices, by nature of:		
Payments in lieu of notice	100	-
Termination	122	-
	222	-
	2,911	2,079
Emoluments payable to the highest paid Director (excluding pension contributions)	253	151

The board members of The Swaythling Housing Society Limited, including details of the other roles they perform on behalf of the constituent group entities at 30 March 2020, are shown below:

Name	Appointed	Resigned	Annual Fee	Committees				
				ARC	TIC	PACC	DAC	ITC
Jonathan Martin Hurst	16/03/2017	04/11/2019	11,500					
Richard Williams	01/10/2016	04/11/2019	11,500					
Carol Bode	01/10/2016	18/12/2019	26,000					
Jane Alderman	01/02/2019		11,000		M		M	
Mandy Clarke	01/09/2013		13,000			C		
Joanna Makinson	04/11/2019		13,000	M	C			
Lindy Morgan (C)	04/11/2019		26,000			M		M
Wayne Morris	04/11/2019		13,125			M	C	
Simon Porter	25/09/2014		13,000	M	M			
Ashley West	04/11/2019		13,000	C				
<i>John Gary Orr</i>	<i>15/10/2018</i>		<i>N/A</i>			<i>M</i>	<i>M</i>	<i>M</i>
<i>Caroline Moore</i>	<i>04/11/2019</i>		<i>N/A</i>		<i>M</i>			<i>C</i>

C: Chair, M: Member, *Italics: Executive Board member*

Committees: ARC – Audit and Risk, TIC – Treasury and Investment, PACC – People and Culture, DAC – Development and Assets, ITC – Integration and Technology

Board Members received emoluments during the year totalling £127k (2019: £88k). Board expenses of £4k (2019: £12k) were incurred in the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

9. STAFF COSTS

The average number of employees expressed as full-time equivalents (calculated on standard working hours per week for each employee) during the year was:

	2020	2019
	FTE	FTE
Central Office and support staff	150	121
Development and asset management staff	76	71
Housing and customer service staff	253	236
Repairs and maintenance staff	308	299
	787	727
	2020	2019
	£'000	£'000
Staff costs (for the above employees)		
Wages and salaries	28,909	24,398
Social security costs	2,815	2,396
Pension costs	3,053	2,951
	34,777	29,745

The Society had the following number of full-time equivalent staff with remuneration (including compensation for loss of office and pension contributions) of £60,000 or more, shown in bands of £10,000:

	2020	2019
	FTE	FTE
Salary banding		
£60,000 - £69,999	18	19
£70,000 - £79,999	6	4
£80,000 - £89,999	10	4
£90,000 - £99,999	2	6
£100,000 - £109,999	4	1
£110,000 - £119,999	2	3
£130,000 - £139,999	1	1
£140,000 - £149,999	1	-
£150,000 - £159,999	-	2
£160,000 - £169,999	2	-
£170,000 - £179,999	1	1
£200,000 - £209,999	1	-
£210,000 - £219,999	1	1
£270,000 - £279,999	1	-
	50	42

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

10. HOUSING PROPERTIES

	Completed properties			Properties in course of construction			
	Social housing lettings	Affordable	Total housing properties	Social housing lettings	Affordable	Total housing properties	Total housing properties
		home ownership			home ownership		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Cost							
At 1 April 2019 - restated	440,746	110,564	551,310	1,185	15,069	16,254	567,564
Additions	-	72	72	28,687	17,023	45,710	45,782
Works to existing properties	1,590	-	1,590	-	-	-	1,590
Transferred into management	10,284	15,994	26,278	(10,284)	(15,994)	(26,278)	-
Transfers across tenures	-	-	-	4,529	(1,815)	2,714	2,714
Disposals and demolitions	(1,214)	(2,655)	(3,869)	-	-	-	(3,869)
Intercompany transfers	357	(259)	98	(2,257)	-	(2,257)	(2,159)
Net movement to current assets	-	(431)	(431)	-	-	-	(431)
At 31 March 2020	451,763	123,285	575,048	21,860	14,283	36,143	611,191
Accumulated depreciation							
At 1 April 2019 - restated	(50,904)	(4,928)	(55,832)	-	-	-	(55,832)
Charge for the year	(5,254)	(791)	(6,045)	-	-	-	(6,045)
Disposals and demolitions	801	183	984	-	-	-	984
Intercompany transfers	-	3	3	-	-	-	3
At 31 March 2020	(55,357)	(5,533)	(60,890)	-	-	-	(60,890)
Net book value							
At 31 March 2020	396,406	117,752	514,158	21,860	14,283	36,143	550,301
At 31 March 2019 - restated	389,842	105,636	495,478	1,185	15,069	16,254	511,732

The prior year restatement relates to the capitalisation of development fees prior to schemes entering contract and the impact on cost of sales of capitalising interest costs on development of housing properties, following the revision to the Group accounting policies, adopted by the Society, in the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

10. HOUSING PROPERTIES (continued)

Property valuation

Social housing land and buildings are shown at historic cost. The value of social housing properties as determined by the 'Existing Use Valuation – Social Housing' method at 31 March 2020 was £540.3m (2019: £500.7m). The valuation was carried out by Jones Lang LaSalle (RICS), 30 Warwick Street, London, W1B 5NH.

Expenditure on works to existing housing properties

	2020 £'000	2019 £'000
Amounts capitalised	1,590	1,350
Amounts charged to Statement of Comprehensive Income	4,740	2,441

Security

The Society had housing property with a net book value of £317.8m pledged as security at 31 March 2020 (2019: £315m).

11. OTHER FIXED ASSETS

	Freehold land and premises £'000	Computers, fixtures and fittings £'000	Vehicles, plant and equipment £'000	Total £'000
Cost				
At 1 April 2019	10,763	1,960	4,225	16,948
Additions	279	1,261	651	2,191
Disposals and demolitions	-	(13)	(228)	(241)
Impairment	(130)	-	-	(130)
At 31 March 2020	10,912	3,208	4,648	18,768
Accumulated depreciation				
At 1 April 2019	(2,014)	(1,527)	(3,085)	(6,626)
Charge for the year	(142)	(374)	(594)	(1,110)
Disposals and demolitions	-	13	228	241
At 31 March 2020	(2,156)	(1,888)	(3,451)	(7,495)
Net book value				
At 31 March 2020	8,756	1,320	1,197	11,273
At 31 March 2019	8,749	433	1,140	10,322

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

12. INVESTMENT PROPERTIES

Value	Completed £'000	In course of construction £'000	Total £'000
At 1 April 2019	49,503	973	50,476
Additions	-	123	123
Transfers across tenures	-	(831)	(831)
Transferred into management	47	(47)	-
Revaluation surplus	1,087	-	1,087
At 31 March 2020	50,637	218	50,855

Property valuation

Completed investment properties are shown at market value of £50.6m (2019: £49.5m), defined as MV-T (market value tenanted) at the reporting date by Jones Lang LaSalle (RICS), 30 Warwick Street, London, W1B 5NH.

At the reporting date, the valuations provided by JLL contained a “material valuation uncertainty” clause, due to the evolving impact of Covid-19. The clause emphasises the fact that valuations can be relied upon, but with less certainty than would otherwise be the case.

Since only a significant variation would lead to a material misstatement in the accounts, and in the absence of any information to the contrary up to the date of signing, the Society determined the valuations provided at the time to be appropriate for use.

The clause was subsequently removed from valuations for social units on 26 May 2020 and for market rented units on 11 July 2020.

If the investment properties had not been revalued, they would have been included at the following amounts:

	2020 £'000	2019 £'000
Cost	45,514	44,439
Depreciation	(2,501)	(2,277)
Net book value	43,013	42,162

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

13. HOMEBUY LOANS

	2020	2019
	£'000	£'000
HomeBuy loans	36,858	40,091
Accrued HomeBuy interest	32	32
HomeBuy loan provision	(695)	(772)
	36,195	39,351

HomeBuy loans are secured by way of an equity charge over the property purchased by the recipient of the loan.

We have received £29.8m of grant (2019: £32.2m) in respect of the HomeBuy loans in issue. The grants will be recycled on redemption of the loans.

14. INVESTMENTS

The Society has a 26% interest in Aspect Building Communities Limited, a company limited by guarantee. Aspect was formed to bring forward housing developments to increase housing supply and boost the local economy by working in partnership with local organisations. We are a co-investor alongside another registered provider and two local authorities who all contribute to the annual overheads. No investment value is held at the reporting date as it is deemed irrecoverable.

Our investment in Parity Trust is not considered to be recoverable and was fully impaired in 2015.

The Society holds in trust one 50p share in Swaythling Assured Home plc on behalf of Portal Housing Association Limited. The Society has no beneficial interest in this share with full beneficial interest being held by Portal Housing Association Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

15. PROPERTIES FOR SALE

	Completed properties			Properties in course of construction			Total properties for sale
	Market sale properties	Affordable home ownership properties	Total completed properties	Market sale properties	Affordable home ownership properties	Total in course of construction properties	
	£'000	£'000	£'000	£'000	£'000	£'000	
At 1 April 2019 - restated	54	4,294	4,348	865	10,053	10,918	15,266
Additions	-	-	-	2,136	11,447	13,583	13,583
Completed in year	174	10,662	10,836	(174)	(10,662)	(10,836)	-
Net movement from housing properties	-	431	431	-	-	-	431
Cost of properties sold	(228)	(13,320)	(13,548)	-	-	-	(13,548)
Reclassifications	-	-	-	(673)	(1,210)	(1,883)	(1,883)
At 31 March 2020	-	2,067	2,067	2,154	9,628	11,782	13,849

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

16. RECEIVABLES

	2020 £'000	Restated 2019 £'000
Gross arrears of rent and service charges		
Social	1,450	1,237
Non-social	172	169
	1,622	1,406
Bad debt provision	(638)	(537)
	984	869
Trade receivables	1,163	2,911
Other receivables and prepayments	28,947	3,364
Amounts due from Group undertakings	-	5,700
Short-term non-liquid assets	3,427	3,401
	34,521	16,245
Interest rate swap	257	268
	257	268
	34,778	16,513

Short-term non-liquid assets comprise gilts and cash held in liquidity funds.

Investment	Nominal value £'000	Fair value		Interest rate	Expiry date
		2020	2019		
		£'000	£'000		
UK Government gilt holding	723	790	839	8.00%	2021

The fair value movement on Gilts of £49k (2019: £46k) has been debited to the Statement of Comprehensive Income in the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

17. PAYABLES: AMOUNTS DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Loans and borrowings	5,410	4,580
Deferred income	1,618	1,598
Other tax and social security payable	795	648
Trade payables	21,358	4,482
Other payables	5,841	5,121
Accruals	7,243	6,381
Contract retentions	1,822	1,496
Deferred capital grant due within one year	2,218	2,134
Amounts owed to Group undertakings	6,902	-
	53,207	26,440

Whilst amounts owed to Group undertakings are repayable within one year, it is unlikely that the obligation to repay the debt within one year will be enforced.

18. PAYABLES: AMOUNTS DUE AFTER ONE YEAR

	2020 £'000	2019 £'000
Loans and borrowings	282,016	286,610
Contract retentions	309	1,835
Recycled Capital Grant Fund	13,653	15,725
	295,978	304,170

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

18. PAYABLES: AMOUNTS DUE AFTER ONE YEAR (continued)

Loans and borrowings are secured by fixed mortgages over housing properties and are repayable or will be released to the Statement of Comprehensive Income as follows:

	2020				2019			
	Bank loans £'000	Bonds £'000	HCA loans £'000	Total £'000	Bank loans £'000	Bonds £'000	HCA loans £'000	Total £'000
In multiple instalments								
One year or less	3,600	337	-	3,937	2,700	310	-	3,010
One to two years	3,600	179	-	3,779	3,600	337	-	3,937
Two to five years	15,600	1,253	-	16,853	10,800	1,201	-	12,001
Five years or more	164,700	9,932	-	174,632	173,100	10,163	-	183,263
	187,500	11,701	-	199,201	190,200	12,011	-	202,211
In a single instalment								
Two to five years	-	12,000	-	12,000	-	12,000	-	12,000
Five years or more	-	66,100	572	66,672	-	66,100	572	66,672
	-	78,100	572	78,672	-	78,100	572	78,672
	187,500	89,801	572	277,873	190,200	90,111	572	280,883

The total value of all loans and borrowings includes a further £9.6m of capitalised fees, premiums and accrued interest.

A summary of the interest rates charged on loans and borrowings is included within the Capital and Treasury Management section, commencing on page 6.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

19. DEFERRED CAPITAL GRANT

	Completed £'000	In course of construction £'000	Total £'000
Cost			
At 1 April 2019	210,292	3,333	213,625
Inputs			
Received in year	-	3,373	3,373
Transferred from Recycled Capital Grant Fund	-	6,809	6,809
Transferred into management	1,690	-	1,690
Outputs			
Recycled on disposal	(686)	-	(686)
Released on disposal	(60)	-	(60)
Transferred into management	-	(1,690)	(1,690)
At 31 March 2020	211,236	11,105	222,341
Accumulated amortisation			
At 1 April 2019	(26,920)	-	(26,920)
Released on disposal	90	-	90
Charge for the year	(2,122)	-	(2,122)
At 31 March 2020	(28,952)	-	(28,952)
Amortised deferred capital grant			
At 31 March 2020	182,284	11,105	193,389
At 31 March 2019	183,372	3,333	186,705

Deferred capital grant will be recognised in the Statement of Comprehensive Income as follows:

	Completed £'000	In course of construction £'000	Total £'000
Deferred capital grant due within one year	2,218	-	2,218
Deferred capital grant due after one year	180,066	11,105	191,171
	182,284	11,105	193,389

The Recycled Capital Grant Fund for the Group are held centrally within The Swaythling Housing Society Limited, hence transfers from the Recycled Capital Grant Fund will not agree to the Society's Recycled Capital Grant Fund note.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

20. RECYCLED CAPITAL GRANT FUND

	£'000
Cost	
At 1 April 2019	15,725
Net inputs to fund	
Grants recycled	3,097
Interest accrued	103
Transfers from other Group members	817
Recycling of grant	
New build	(5,504)
At 31 March 2020	14,238

21. DEFERRED TAX

Deferred tax is provided as follows:

	2020	Restated
	£'000	2019
		£'000
Capital gains	818	548
Losses and other deductions	(819)	(548)
Provision for deferred tax	-	-

Deferred tax assets and liabilities are offset only where the Society has a legally enforceable right to do so. An asset of £4.4m (2019 restated: £1.0m) has not been recognised in respect of losses and other timing differences. The asset would be recovered if there were sufficient and suitable surpluses in the future.

22. PENSIONS**Defined Contribution Scheme*****The Pensions Trust Flexible Retirement Plan (FRP)***

The Society participates in a defined contribution scheme administered by The Pensions Trust. The accounting charge represents the Society's contributions to the plan for the year and amounted to £1.6m (2019: £1.2m). There were outstanding contributions as at 31 March 20 of £139k (2019: £117k).

Defined Benefit Schemes

The Society participates in the following schemes:

- Radian Group Pension Scheme (RGPS);
- The Royal County of Berkshire Pension Fund (RCB); and
- The Pensions Trust Growth Plan (GP).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

22. PENSIONS (continued)

Defined Benefit Schemes (continued)

At the reporting date the schemes across the Group were funded as follows:

	2020 £'000	2019 £'000
RGPS defined benefit pension deficit	3,452	16,758
GP defined benefit obligation	-	22
RCB defined benefit deficit	6,584	-
	10,036	16,780

Radian Group Pension Scheme (RGPS)

On 1 October 2012 all employers within the Group established RGPS, a separate pension scheme administered by The Pensions Trust. At the same time employers in the Group withdrew from the Social Housing Pension Scheme (SHPS) and discharged those liabilities which were not transferred to RGPS. RGPS has the following defined benefit structures for its active members:

- $\frac{1}{60}$ th Final Salary; and
- $\frac{1}{60}$ th CARE (Career Average Revalued Earnings)

RGPS is now closed to new members for all employers within the Group though the Group has retained the ability to admit new members at its discretion.

A full actuarial valuation was carried out at 30 September 2016 and updated to 31 March 2020 by an independent qualified actuary. The valuation showed a deficit of £17.2m which the Group has agreed with the Trustee to aim to eliminate over a period of eight years from 1 April 2018. To this end the Group has paid a lump sum of £2,084k during the year (2019: £796k) of which the Society paid £1,554k (2019: £508k). Employers also continued to make monthly contributions of 34.6% of members' earnings until 31 March 2020.

Main financial assumptions adopted for FRS 102 purposes:

	2020 %	2019 %
Increases per annum		
RPI inflation	2.5	3.3
CPI inflation	1.5	2.3
Salary increases	2.5	3.3
Discount rate	2.4	2.4

Post retirement mortality assumptions:

	Males	Females
Retiring today	21.8	23.9
Retiring in 20 years	23.1	25.1

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

22. PENSIONS (continued)

Defined Benefit Schemes (continued)

Radian Group Pension Scheme (RGPS) (continued)

At 31 March the assets in the defined benefit scheme which the Society participates in were:

	2020 £'000	2019 £'000
Equities	12,223	44,661
Bonds	35,649	25,432
Property	2,170	1,722
Alternative assets	31,317	128
Total market values of assets	81,359	71,943

The Society's obligations in respect of its defined benefit retirement scheme are set out below:

	2020 £'000	2019 £'000
Fair value of scheme assets	81,359	71,943
Present value of defined benefit obligation	(84,811)	(88,701)
Society's share of deficit in the scheme	(3,452)	(16,758)

Movements in the fair value of scheme assets:

	2020 £'000	2019 £'000
Opening fair value of scheme assets	71,943	68,265
Interest income on scheme assets	1,732	1,767
Expenses	(182)	(98)
Actuarial gains	6,570	2,736
Contributions from employers	2,177	1,641
Contributions from scheme members	13	16
Benefits paid net of transfers in and including unfunded Entity combinations	(1,928) 1,034	(2,384) -
Closing fair value of scheme assets	81,359	71,943

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

22. PENSIONS (continued)

Defined Benefit Schemes (continued)

Radian Group Pension Scheme (RGPS) (continued)

Movements in the present value of defined benefit obligations:

	2020 £'000	2019 £'000
Opening defined benefit obligation	(88,701)	(83,867)
Service cost	(315)	(1,150)
Interest cost	(2,106)	(2,150)
Actuarial gains/(losses)	5,473	(3,902)
Benefits paid net of transfers in	1,928	2,384
Contributions by scheme members	(13)	(16)
Entity combinations	(1,077)	-
Closing defined benefit obligation	(84,811)	(88,701)

Statement of Comprehensive Income:

	2020 £'000	2019 £'000
Analysis of amounts charged to operating surplus		
Service cost	315	1,150
Expenses	182	98
Amounts charged to other finance costs		
Net interest cost	374	383
Analysis of amount recognised in other comprehensive income		
Actual return less expected return on pension scheme assets	6,570	2,736
Changes in financial assumptions underlying the present value of the scheme liabilities	5,473	(3,902)
Actuarial gain/(loss) on pension scheme	12,043	(1,166)

A deferred tax asset has not been recognised in respect of the Society's share of the RGPS deficit as there is insufficient evidence that the asset will be recovered. The amount of asset not recognised is £0.7m (2019: £2.8m). The asset would be recovered if there are sufficient and suitable surpluses in the future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

22. PENSIONS (continued)

Defined Benefit Schemes (continued)

Royal County of Berkshire Pension Fund (RCB)

Prior to the Transfer of Engagements from the former subsidiary, Windsor and District Housing Association Limited, to The Yarlington Housing Group, The RCB pension liability was transferred in its entirety to The Swaythling Housing Society Limited.

The Swaythling Housing Society Limited participates in RCB, a multi-employer defined benefit pension scheme where the deficit or surplus can be separately identified. A full actuarial valuation of RCB was carried out at 31 March 2019. The valuation results showed a funding deficit of £2.0m and a funding level of 68%. Contributions in 2019/20 remained at 25.7% (2018/19: 25.7%) of pensionable pay to improve the funding level.

The Group has adopted a strategy of reducing its pension cessation risk by consolidating its pension obligations over a number of years. On 1 April 2016 the Society took on the RCB pension obligations of Radian Support Limited, receiving consideration of £1.4m in respect of the estimated cessation liability at the point in the future when the last member dies or there is an agreement to settle the liability.

Main financial assumptions adopted for FRS 102 purposes:

	2020	2019
	%	%
Discount rate	2.0	2.1
Pension increases (CPI inflation)	2.5	2.8
Salary increases	3.5	4.3

Post retirement mortality assumptions:

The post retirement mortality tables adopted are the S3PA tables with a multiplier of 115% for males and 110% for females. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.25% per annum.

	Males	Females
Retiring today	21.5	24.1
Retiring in 20 years	22.9	25.5

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

22. PENSIONS (continued)**Defined Benefit Schemes (continued)*****The Pensions Trust Growth Plan (GP)***

The Society ceased to participate in the Growth Plan, a funded multi-employer defined benefit scheme, on 9 January 2020. At this point the Plan deficit was assessed by comparing the assets to the liabilities, which were calculated using an annuity buy-out basis. The annuity buy-out valuation basis is an estimate of the terms that might have been available for the purchase of immediate and deferred annuities as at the calculation date.

The proportion of the debt due by the Group was calculated under Section 75 of The Pensions Act 1995. The Group debt represents its share of the Plan deficit, calculated by the Group's liability divided by the Plan liability, multiplied by the Plan deficit, which resulted in a debt of £53,356 (2019: £22,000).

The debt of £53,356 was unpaid at 31 March 2020 and was recognised as a short-term creditor.

23. GIFT AID

The Society made Gift Aid payments to the following recipients:

	2020	2019
	£'000	£'000
Portal Housing Association	-	21,000
Drum Housing Association	20,000	-
Yarlington Housing Group	3,000	-
	23,000	21,000

24. SHARE CAPITAL

	2020	2019
	£	£
Shares of £1 each		
Issued and fully paid at 1 April	36	37
Shares issued during the year	4	1
Shares cancelled during the year	(3)	(2)
Shares issued and fully paid at 31 March	37	36

The share capital of the Society consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. On ceasing to be a shareholder, the relevant share is cancelled, and the amount paid thereon becomes the property of the Society. Therefore, all shareholdings relate to non-equity interests.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

25. CAPITAL AND OTHER COMMITMENTS

	2020 £'000	2019 £'000
Capital expenditure commitments were as follows		
In contract	98,687	34,807
Approved but not contracted	31,546	11,867
Total capital commitments	130,233	46,674
Other commitments	43,546	30,888
Total commitments	173,779	77,562

Capital commitments represent expenditure on housing properties not provided for in the financial statements. Other commitments represent expenditure on properties being developed for sale.

Commitments will be financed by existing cash balances, retained surpluses, including property sales and the ability to access additional loans and borrowings, including revolving credit facilities, if required.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

26. OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings	
	2020	2019
	£'000	£'000
Amounts payable as lessee		
Not later than one year	81	91
Later than one year and not later than five years	73	155
	<u>155</u>	<u>246</u>

The total receipts which the Society is committed to receive under operating leases are as follows:

	Commercial properties		Leases with partnership agencies		Tenancy leases	
	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts receivable as lessor						
Not later than one year	0	0	254	234	13,127	12,636
Later than one year and not later than five years	2	2	442	541	29,204	29,335
Later than five years	14	15	57	81	3,797	4,688
	<u>16</u>	<u>17</u>	<u>753</u>	<u>856</u>	<u>46,128</u>	<u>46,659</u>

Where a tenancy lease has no fixed end date, it has been assumed that the Society is committed to receive one month's rent, equal to the default notice period on tenancy agreements.

27. FINANCIAL INSTRUMENTS

	At fair value	
	2020	2019
	£'000	£'000
Financial assets		
Receivables	<u>1,047</u>	<u>1,107</u>
Fair value (losses)/gains		
On interest rate swap	(11)	29
On current asset listed investments	(49)	(46)
	<u>(60)</u>	<u>(17)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 £'000	2019 £'000
Asset		
Interest rate swap	<u>257</u>	<u>268</u>

The interest rate swap is valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The contract is to pay floating and receive fixed interest to and from fellow Group undertaking Yarlington Housing Group. The notional principal amount and remaining items of the interest rate swap contract outstanding as at the reporting date are as follows:

	Average contract fixed interest rate %	Notional principal value £'000	Fair value £'000
Two to five years	1.8	20,000	257

The interest rate swap settles on a quarterly basis. The floating interest rate on the interest rate swap is three-month LIBOR. The Society settles the difference between the fixed and floating interest rate on a net basis.

29. RELATED PARTY TRANSACTIONS

Pension Schemes

The Radian Group Pension Scheme and the Pensions Trust Growth Plan is considered to be a related party and full disclosure of the Scheme is provided in note 22.

Loans

During the year, three (2019: two) employees determined to be Key Management Personnel had loans with the Society. As at 31 March 2020, the outstanding value of these loans was £2,604 (2019: £4,143).

Loans are unsecured, repayable in monthly instalments and do not carry interest. There are no provisions for uncollectible receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

29. RELATED PARTY TRANSACTIONS (continued)

Transactions with Other Entities or Jointly Controlled Entities

The Society, a subsidiary of Radian Group Limited, has taken advantage of the exemption contained in FRS 102 paragraph 33.1A not to disclose transactions or balances with entities which are wholly owned by the Group.

The Accounting Direction for Social Housing requires registered providers to disclose transactions and balances with the following non-regulated entities which are wholly owned by the Group.

- Radian Support Limited;
- Radian Capital plc;
- Radian Developments Limited;
- Swaythling Assured Homes plc;
- Yarlington Homes Limited;
- Yarlington Property Management Limited;
- Yarlington Treasury Services Plc; and
- Inspired to Achieve Limited

Transactions and balances with subsidiaries are eliminated in the consolidated Group financial statements.

The following transactions and balances are shown from the perspective of the Society.

	2020 £'000	2019 £'000
Transactions		
Income		
Management charge received from Radian Support	-	100
Expenditure		
Purchase of Developments from Yarlington Homes	(8,444)	-
Balances		
Payables		
Amounts due to Yarlington Homes	(1,044)	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**30. PRIOR YEAR RESTATEMENTS**

Following the partnership between the Radian Group, the parent of the Society, and the Yarlinton Housing Group, several accounting policies and estimates have been revised in the combined group. The revisions have been adopted by the Society in the year, with the prior year comparatives restated accordingly.

The table below outlines the balances as included in the statutory accounts at 31 March 2019, the restatement required per each change in policy and the restated prior year balance subsequently included in these accounts.

	Per 2018/19 accounts £'000	Gift aid recognised in reserves £'000	Abortive costs £'000	Capitalised interest £'000	Per 2019/20 accounts £'000
Statement of comprehensive income:					
Cost of sales	(22,758)	-	-	(515)	(23,273)
Operating costs	(48,644)	-	308	-	(48,336)
Disposal of fixed assets	37,275	-	-	(4)	37,271
Finance costs	(11,020)	-	-	2,090	(8,930)
Fair value movement on investment properties	32	-	-	(987)	(955)
Gift aid	(21,000)	21,000	-	-	-
Statement of financial position:					
Housing properties	507,623	-	1,072	3,039	511,734
Properties for sale	15,034	-	-	232	15,266
Receivables	17,212	-	(664)	(35)	16,513
Revenue reserve	174,574	-	408	3,236	178,218

31. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 March 2020, the Society's ultimate parent and ultimate controlling party was Radian Group Limited, a company limited by guarantee and incorporated in England.

Radian Group Limited is a registered provider and is the parent of both the largest and smallest Group into which the Society is consolidated.

Group financial statements can be obtained from Radian Group Limited, Collins House, Bishopstoke Road, Eastleigh, Hampshire, SO50 6AD.