

Registered Society No: 7499  
Homes and Communities Agency No: LH4200

YARLINGTON HOUSING GROUP

Annual Report and Financial Statements

Year Ended 31 March 2020

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YARLINGTON HOUSING GROUP

GENERAL INFORMATION

BOARD OF DIRECTORS

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

SECRETARY

Gemma Burton-Connolly

REGISTERED OFFICE

Lupin Way  
Yeovil  
Somerset  
BA22 8WN

BANKERS

The Royal Bank of Scotland plc  
2 Hendford  
Yeovil  
Somerset  
BA20 1TN

AUDITOR

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

## STRATEGIC REPORT

### Organisational Overview

The Yarlington Housing Group is regulated by the Regulator of Social Housing as a registered provider and is a company limited by guarantee. The Society is the immediate parent company of Yarlington Homes Limited, Yarlington Property Management Limited, Inspired to Achieve Limited and Yarlington Treasury Services plc.

Following the completion of partnership discussions, the Society and its subsidiaries became members of the Radian Group, with a registered head office in Eastleigh, in November 2019.

On 31 March 2020, the Society was the beneficiary of an execution of a Transfer of Engagements relating to its former fellow subsidiary, Windsor and District Housing Association Limited.

### 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. The Society benefits from charitable tax status and its surpluses are therefore not subject to corporation tax. Income is predominantly derived from rents from housing properties and surpluses generated on schemes developed for sale.

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

An overview of the Society's result has been presented below.

The assets and liabilities of Windsor and District Housing Association as at 31 March 2020 were passed to the Society, following the completion of the Transfer of Engagements and are included in the Statement of Financial Position of the Society at the reporting date.

The transfer itself has not been presented in these accounts under merger accounting; therefore, the prior year results of the Society have not been restated for this purpose. Prior year restatements have arisen as a result of changes to accounting policies, to align itself with the rest of the Group.

The Statement of Comprehensive Income is not impacted by the transfer, given its timing and the results year on year are therefore comparable.

### Financial Performance

Turnover has increased by £3.1m in the year, to £62.1m. Income from social tenures was marginally higher than the prior year, as additional units offset continued rent reductions. The Society increased rental units by 3% year on year, with the majority via a bulk purchase from LiveWest in March 2020 and therefore having little impact on income in the year.

First tranche sales increased from £5.9m to £9.7m, driven by volume through the development pipeline. Cost of sales increased marginally ahead of turnover, causing margins to reduce slightly, from 21% to 19%.

Operating costs increased by £5.5m to £41.9m, driven by increased repair and development expenditure. Repairs and maintenance costs are £4.1m higher than the prior year, reflecting the increased volumes of work related to fire safety and continued investment in tackling fuel poverty. The Society was allocated its share of Group overheads, as determined by housing stock levels and incurred legal and professional fees in the due diligence stage of the partnership.

The surplus generated on disposal of fixed assets was also marginally lower than the prior year, contributing to an overall reduction in operating surplus of £6.0m to £14.8m for the year; margins reduced accordingly, from 35% to 24%.

Net finance costs increased from £7.7m to £8.8m year on year, driven by additional interest payable to Yarlington Treasury Services, who have on lent all proceeds of their 2057 dated bond. The Society also received a total of £4.2m in Gift Aid from various group companies during the year.

Surpluses before tax have reduced by £2.8m to £10.2m, with net margin reducing from 22% to 16%.

Within other comprehensive income, the Society benefitted from actuarial gains on its defined benefit pension schemes of £5.1m but suffered losses of £3.0m on financial derivatives.

#### Financial Position

As outlined above, year on year the balances at the reporting date are not comparable, given the introduction of Windsor's assets and liabilities in 2019/20 only.

The £212m increase in fixed assets is driven by housing properties, with a £199m increase, £154m of which transferred from Windsor. During the year, the Society capitalised £48m of development spend, £20m of which related to the bulk purchase from LiveWest.

Current assets have increased to £83m from £63m, with £32m transferred in. Cash has increased from £51m to £62m, but reduced on a like for like basis, predominantly as a result of development activity.

Payables overall increased by £120m, with £100m transferring in and the remaining increase relating to an additional £19.6m of on-lent bond proceeds received in the year. The profile of short and long-term payables has altered year on year, as particular existing loan facilities were restructured to access revolving credit facilities, included within short term payables.

The net assets of the Society have increased by £72m, to close at £306m at the reporting date.

#### 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
Saxon Fields, Cullompton, Devon	In Defects	Oct-19	50	X	X
Patch Meadows, Somerton, Somerset	On site	Apr-20	53	X	X
Centenary Quay, Woolston, Southampton	On site	Sep-21	23		X
Castle Park View, Bristol	On site	Mar-22	75	X	X
Hainbury Meadows, Ilchester, Somerset	On site	Jul-23	75	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.

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.

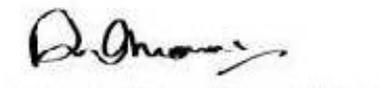
Whilst the directors recognise their duties relate to the individual entities they are legally associated with, as a member of the Group, it is normal practice that engagement with stakeholders takes place simultaneously on behalf of all Group members. Where legally necessary however, decisions are enacted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

A handwritten signature in black ink, appearing to read 'Wayne Morris', is written over a horizontal dotted line.

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 Yarlington Housing Group 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 2 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 reserves, intercompany loans, 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;

Capital and Treasury Management (continued)

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 Structure

At 31 March 2020 the Society's borrowings amounted to £326.5m nominal (2019: £220.4m) of which £12.4m (2019: £4.0m) is due to be paid within the next year.

During the year, the Society received additional funding. In September 2019, Yarlinton Treasury Services plc, a fellow Group undertaking, received a scheduled instalment from its deferred bond of £19.6m nominal which it immediately on lent to the Society.

The final instalment from the deferred bond of £19.6m is due in September 2020 from Yarlinton Treasury Services plc. The purchaser has contracted to make this future bond payment.

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, an intercompany loan 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.

There is also one standalone £15m interest rate swap arrangement with Lloyds which remains within the Society and was taken out to cover variable rate borrowing, it is considered an effective hedge with fair value movements are taken through cash flow reserve.

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

DIRECTORS' REPORT (continued)

Interest Rate Management (continued)

Total debt of £326.5m nominal at 31 March 2020 consisted of 84% fixed and 16% variable rate debt. Of our 84% fixed rate debt, £55.4m was fixed interest bonds, £185.0m was made up of embedded interest rate swaps and £15.0m was from the standalone interest rate swap with Lloyds. The interest rate swaps run for all or part of the loan term. There are no options in our portfolio.

Financial Loan Covenant Compliance

Financial loan covenants are primarily measured by interest cover, gearing ratios, intra-group support, asset cover based on property asset values and debt service and income tests. 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.

Surplus assets for future debt security

As at 31 March 2020 the Society had 4,337 unsecured completed housing properties not required for charging to existing debt facilities. These are sufficient to raise over £323.3m 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 150 properties in the period to 31 March 2021, which will in turn provide additional security.

Future Funding Options

As at 31 March 2020, the Society had sufficient cash, undrawn Revolving Credit Facilities and deferred bond proceeds for its current and medium-term needs.

Governance and Regulation

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 383 full-time equivalent employees during the year (2019: 364), 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.

DIRECTORS' REPORT (continued)

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.

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.

DIRECTORS' REPORT (continued)

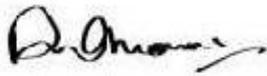
External Auditor

On 7 February 2020 PricewaterhouseCoopers LLP resigned as auditor of the Society, being replaced by BDO LLP, the existing auditors of the Radian Group.

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:

A handwritten signature in black ink, appearing to read 'Wayne Morris', is written over a light grey rectangular background.

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 YARLINGTON HOUSING GROUP

Opinion

We have audited the financial statements of Yarlington Housing Group 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 Reserves, 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 YARLINGTON HOUSING GROUP  
(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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE YARLINGTON HOUSING GROUP  
(continued)

Auditor's responsibilities for the audit of the financial statements (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](http://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.



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	62,130	59,026
Cost of sales	3	(7,820)	(4,631)
Operating costs	3	(41,936)	(36,429)
Surplus from disposal of fixed assets	3	2,419	2,808
Operating surplus		<u>14,793</u>	<u>20,774</u>
Finance income	4	532	377
Finance costs	5	(9,350)	(8,054)
Fair value movement on investment properties	13	(43)	(121)
Gift Aid	24	4,230	27
Surplus on ordinary activities before tax	6	<u>10,162</u>	<u>13,003</u>
Tax (charge)/credit for the year	7	(5)	5
Surplus on ordinary activities after tax		<u>10,157</u>	<u>13,008</u>
Other comprehensive income			
Actuarial gains on defined benefit pension schemes	23	5,144	1,731
Release from revaluation reserve		1,206	1,211
Fair value movement on interest rate swap	29	(2,966)	(249)
Total comprehensive income		<u>13,541</u>	<u>15,701</u>

All activities derive from continuing operations.

The notes on pages 19 to 52 form part of these financial statements.

YARLINGTON HOUSING GROUP

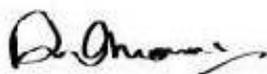
STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 £'000	Restated 2019 £'000
Fixed assets			
Intangible Assets	10	416	218
Housing properties	11	700,251	501,430
Other fixed assets	12	4,766	3,371
Investment properties	13	20,610	9,900
HomeBuy loans	14	46	46
Investments	15	7,320	6,088
		<u>733,409</u>	<u>521,053</u>
Current assets			
Properties for sale	16	7,250	5,038
Inventories		838	246
Receivables	17	12,796	6,520
Cash and cash equivalents		61,980	50,963
		<u>82,864</u>	<u>62,767</u>
Payables: amounts due within one year	18	(63,558)	(15,346)
Net current assets		<u>19,306</u>	<u>47,331</u>
Total assets less current liabilities			
Payables: amounts due after one year	19	(302,471)	(230,341)
Deferred capital grant due after one year	20	(111,884)	(68,781)
Pension liability	23	(32,004)	(35,232)
Net assets		<u>306,356</u>	<u>234,120</u>
Capital and reserves			
Share capital	25	0	0
Revenue reserve		186,313	109,354
Revaluation reserve		131,162	132,919
Cash flow Hedge Reserve		(11,119)	(8,153)
Society's funds		<u>306,356</u>	<u>234,120</u>

The notes on pages 19 to 52 form part of these financial statements.

The financial statements of Yarlington Housing Group, registered society number 7499, on pages 16 to 52 were approved by the Board and authorised for issue on 16 September 2020 and signed on its behalf by:



Wayne Morris  
Chair

Ashley West  
Board Member

Gemma Burton-Conolly  
Secretary

## STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Revenue reserve £'000	Cash flow hedge reserve £'000	Revaluation reserve £'000	Total £'000
At 1 April 2018 - restated	0	93,283	(7,904)	135,009	220,388
Surplus on ordinary activities after tax	-	13,008	-	(758)	12,250
Actuarial gains on defined benefit pension schemes	-	1,731	-	-	1,731
Unrealised surplus on revaluation of investment properties	-	121	-	(121)	-
Transfer from revaluation reserve to revenue reserve	-	1,211	-	(1,211)	-
Loss on financial derivatives	-	-	(249)	-	(249)
At 31 March 2019 - restated	0	109,354	(8,153)	132,919	234,120
Surplus on ordinary activities after tax	-	10,157	-	(551)	9,606
Actuarial gains on defined benefit pension schemes	-	5,144	-	-	5,144
Loss on financial derivatives	-	-	(2,966)	-	(2,966)
Release from Revaluation Reserve	-	1,206	-	(1,206)	-
Transfer of engagements	-	60,452	-	-	60,452
At 31 March 2020	0	186,313	(11,119)	131,162	306,356

The notes on pages 19 to 52 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.

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

The percentage of equity purchased determines the percentage of total unit costs recognised in the Statement of Comprehensive Income.

### Revenue Grant

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.

2. ACCOUNTING POLICIES (continued)

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

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.

## 2. ACCOUNTING POLICIES (continued)

### 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 Yarlington Housing Group 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 receipts from fellow Group subsidiaries in the year, with receipts disclosed as investment income as required by the SORP 2018.

### Pensions

The Society's pension arrangements comprise a 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.

2. ACCOUNTING POLICIES (continued)

Pensions (continued)

Defined benefit schemes are funded with assets of the scheme held separately from those of the Society and administered by 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

The Society benefits from charitable tax status and any surpluses generated from activities relating to its primary charitable purpose are exempt from corporation tax. Surpluses from other activities are subject to corporation 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

A definitive subset of the Groups housing properties, those owned by Yarlinton Housing Group prior to the implementation of FRS 102, are held at deemed cost less accumulated depreciation. All other housing properties are held at cost less accumulated depreciation. Cost includes acquisition expenditure, development costs and directly attributable administration costs.

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.

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.

2. ACCOUNTING POLICIES (continued)

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

Freehold land and Investment properties are not depreciated.

When components are replaced, the carrying value of existing components is charged to the Statement of Comprehensive Income at the point of disposal.

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

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 0.

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.

2. ACCOUNTING POLICIES (continued)

Valuation of Investments

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

Properties Held for Sale

All unsold 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.

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.

2. ACCOUNTING POLICIES (continued)

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.

Cash Flow Hedge Reserve

In accordance with FRS 102 Section 12, paragraph 29 the Group accounts for a standalone interest rate swap as a cash flow hedge. The hedge is deemed to be fully effective and the cash flows from the hedging instrument are recognised in the Statement of Comprehensive Income in the relevant period. The changes in fair value, as determined by independent third parties, are recognised within Other Comprehensive Income and subsequently in the cash flow hedge reserve.

Revaluation Reserve

The Society operates a non-distributable revaluation reserve in respect of the subset of assets previously revalued at deemed cost, as permitted upon adoption of FRS 102.

The revaluation reserve is debited each period to mitigate the impact of additional depreciation charges and higher cost of sales, with the amounts released crediting Other Comprehensive Income.

Transfer of Engagements

The Society completed a Transfer of Engagements from Windsor and District Housing Association limited on 31 March 2020. All assets and liabilities transferred at their book value at this date and are subsequently included in the closing balances of the current year within these financial statements.

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.

## 2. ACCOUNTING POLICIES (continued)

### 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.

### 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.

#### Continuation of hedge accounting

The Society holds an interest rate swap to hedge against a portfolio of variable rate loans and borrowings, some of which were modified during the year following negotiations with lenders. As the swap is held against variable rates borrowing in general, and not against a specific loan, it was deemed that the hedge had not been discontinued.

2. ACCOUNTING POLICIES (continued)

Critical Judgments, Estimates, and Uncertainty (continued)

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.

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.

## 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	49,224	-	(38,972)	-	10,252	49,166	-	(32,245)	-	16,921
Other social housing activities										
Development administration	-	-	(1,538)	-	(1,538)	-	-	(487)	-	(487)
Intercompany Charges	66	-	-	-	66	152	-	-	-	152
First tranche affordable home ownership sales	9,654	(7,820)	-	-	1,834	5,921	(4,631)	-	-	1,290
Disposal of fixed assets		-	-	2,419	2,419	-	-	-	2,808	2,808
Other income from housing lettings	723	-	-	-	723	729	-	-	-	729
Charges for support services	664	-	(1,223)	-	(559)	530	-	(1,225)	-	(695)
Supporting people	161	-	-	-	161	461	-	-	-	461
	<b>11,268</b>	<b>(7,820)</b>	<b>(2,761)</b>	<b>2,419</b>	<b>3,106</b>	<b>7,793</b>	<b>(4,631)</b>	<b>(1,712)</b>	<b>2,808</b>	<b>4,258</b>
Non-social housing activities										
Market rent properties	21	-	(20)	-	1	30	-	(20)	-	10
Photovoltaics	987	-	(62)	-	925	950	-	(81)	-	869
Garages	93	-	(25)	-	68	105	-	(23)	-	82
Other non social	537	-	(96)	-	441	982	-	(2,348)	-	(1,366)
	<b>1,638</b>	<b>-</b>	<b>(203)</b>	<b>-</b>	<b>1,435</b>	<b>2,067</b>	<b>-</b>	<b>(2,472)</b>	<b>-</b>	<b>(405)</b>
Total										

The format of the note has been revised from the prior year 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					Restated 2019				
	General needs housing	Supported / housing for older people	Affordable home ownership	Other social housing	Total	General needs housing	Supported / housing for older people	Affordable home ownership	Other social housing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover										
Rent receivable net of identifiable service charges (net of voids)	36,473	7,339	2,099	319	46,230	36,729	7,403	1,837	321	46,290
Service charge income	498	1,480	206	76	2,260	522	1,512	188	71	2,293
Net rental income	<u>36,971</u>	<u>8,819</u>	<u>2,305</u>	<u>395</u>	<u>48,490</u>	<u>37,251</u>	<u>8,915</u>	<u>2,025</u>	<u>392</u>	<u>48,583</u>
Amortisation of capital grant	666	-	68	-	734	529	-	54	-	583
Net turnover from social housing lettings	<u>37,637</u>	<u>8,819</u>	<u>2,373</u>	<u>395</u>	<u>49,224</u>	<u>37,780</u>	<u>8,915</u>	<u>2,079</u>	<u>392</u>	<u>49,166</u>
Operating costs										
Management	(10,547)	(2,278)	(1,121)	(108)	(14,054)	(7,808)	(2,144)	(252)	(143)	(10,347)
Service charge costs	(845)	(182)	(90)	(9)	(1,126)	(522)	(1,512)	(188)	(71)	(2,293)
Routine maintenance	(7,218)	(1,559)	-	(74)	(8,851)	(6,131)	(1,340)	-	(29)	(7,500)
Planned maintenance	(2,030)	(438)	-	(21)	(2,489)	(1,096)	(240)	-	(5)	(1,341)
Major repairs expenditure	(4,041)	(873)	-	(41)	(4,955)	(2,744)	(600)	-	-	(3,344)
Bad debts	(109)	(23)	(12)	(1)	(145)	(146)	(6)	-	-	(152)
Other costs	(2)	()	()	()	(2)	-	-	-	-	-
Depreciation of housing properties	(7,015)	-	(335)	-	(7,350)	(6,127)	(855)	(239)	(47)	(7,268)
Operating expenditure on social housing lettings	<u>(31,807)</u>	<u>(5,353)</u>	<u>(1,558)</u>	<u>(254)</u>	<u>(38,972)</u>	<u>(24,574)</u>	<u>(6,697)</u>	<u>(679)</u>	<u>(295)</u>	<u>(32,245)</u>
Operating surplus on social housing lettings	5,831	3,465	815	142	10,252	13,206	2,218	1,400	97	16,921
Void losses	(244)	(113)	(81)	(26)	(464)	(246)	(95)	(15)	(15)	(371)

## 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		
	Sale	Less: cost	Disposal	Sale	Less: cost	Disposal
	proceeds	of sales	of fixed	proceeds	of sales	of fixed
	£'000	£'000	assets	£'000	£'000	assets
			£'000			£'000
Staircasing	2,067	(1,327)	740	1,270	(742)	528
Right to Buy/Acquire	2,418	(1,035)	1,383	1,357	(394)	963
Other housing sales	464	(193)	271	1,707	(390)	1,317
Other fixed assets	30	(5)	25	-	-	-
	<u>4,979</u>	<u>(2,560)</u>	<u>2,419</u>	<u>4,334</u>	<u>(1,526)</u>	<u>2,808</u>

	2020	2019
	Number	Number
<b>HOUSING PROPERTIES</b>		
Owned and managed - social		
General needs housing	10,796	7,629
Supported / housing for older people	2,214	1,668
Affordable home ownership	941	766
Other social housing	<u>232</u>	<u>36</u>
	<u>14,183</u>	<u>10,099</u>
Owned and managed - non-social		
Market rent housing	<u>68</u>	<u>7</u>
	<u>14,251</u>	<u>10,106</u>
Other		
Owned/Not Managed - Leasehold housing *	839	303
Managed/Not Owned – for others **	1,287	-
Total	<u>16,377</u>	<u>10,409</u>
Non-Housing Properties	<u>3,303</u>	<u>2,438</u>
Total Units	<u>19,680</u>	<u>12,847</u>
Properties under construction	<u>933</u>	<u>1,500</u>

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

\*\* 1,274 units managed in partnership for Affinity Housing Services (1,276 2019)

## 4. FINANCE INCOME

	2020 £'000	2019 £'000
Interest receivable from cash and cash equivalents	368	256
Interest receivable from Intercompany Loans	30	121
Income from interest rate swap	134	-
	<u>532</u>	<u>377</u>

## 5. FINANCE COSTS

	2020 £'000	Restated 2019 £'000
Interest costs on loans and borrowings	8,857	7,333
Servicing fees of loans and borrowings	65	23
Capitalised interest	(405)	(201)
	<u>8,517</u>	<u>7,155</u>
Interest on Recycled Capital Grant Fund	3	-
Interest on pension scheme liabilities	830	899
	<u>9,350</u>	<u>8,054</u>

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.

## 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	7,403	7,435
Amortisation	(734)	(583)
Defined contribution pension cost	418	283
Defined benefit service cost	2,343	2,214
Operating lease rental:		
Land and buildings	43	-
Office equipment, computers and motor vehicles	647	476
Fees payable to the Society's auditor for:		
Audit of the annual financial statements (excluding VAT)	28	35
	<u>10,148</u>	<u>9,860</u>

## 7. TAX

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 £'000	2019 £'000
Total tax reconciliation		
Surplus on ordinary activities before tax	10,162	13,003
Tax on surplus on ordinary activities at 19%	1,931	2,471
Effects of		
Surplus from charitable activities	(1,918)	(2,444)
Group relief claimed	(8)	(27)
Prior year adjustments	-	(5)
Total tax charge/(credit)	5	(5)

## 8. DIRECTORS' EMOLUMENTS

The Directors are defined as the members of the Society, who sit as the Group Combined Board, and the Executive Board. Key Management Personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity either directly or indirectly.

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	Restated 2019 £'000
The Executive Board (excluding those paid to third parties)	405	751
Third parties in respect of Directors' services	89	-
Board Members	38	47
Key Management Personnel excluding Directors	793	770
	1,325	1,568
Emoluments payable to the highest paid Director (excluding pension contributions)	108	163

## 8. DIRECTORS' EMOLUMENTS (continued)

The members of Yarlington Housing Group including details of the other roles they perform on behalf of the constituent group entities, are shown below:

Name	Appointed	Resigned	Annual Fee	Committees at March 20				
				ARC	TIC	PACC	DAC	ITC
James Overill	01/01/2019	16/09/2019	3,000					
Richard Nicol	01/05/2018	04/11/2019	5,000					
Michael Stancombe	15/11/2016	04/11/2019	7,000					
Ray Thompson	10/05/2011	04/11/2019	7,000					
Carol Bode	04/11/2019	18/12/2019	26,000					
Jane Alderman	04/11/2019		11,000		M		M	
Mandy Clarke	04/11/2019		13,000			C		M
Joanna Makinson	04/11/2019		13,000	M	C			
Lindy Morgan (C)	23/03/2009		26,000			M		M
Wayne Morris	01/04/2015		13,125			M	C	
Simon Porter	04/11/2019		13,000	M	M			
Ashley West	04/11/2019		13,000	C				
John Gary Orr	04/11/2019		N/A			M	M	M
Caroline Moore	28/09/2018		N/A		M			C

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 £38k (2019: £50k). Board expenses of £2k (2019: £2k) were incurred in the year.

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

## 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 FTE	2019 FTE
Central office and support staff	62	62
Development and asset management staff	36	35
Housing and customer services staff	122	120
Repairs and maintenance staff	163	147
	<u>383</u>	<u>364</u>

## 9. STAFF COSTS (continued)

	2020 £'000	2019 £'000
Staff costs (for the above employees)		
Wages and salaries	12,231	10,269
Social security costs	1,155	1,057
Pension costs	2,761	2,497
	<u>16,147</u>	<u>13,823</u>

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:

Salary banding	2020 FTE	2019 FTE
£60,000 - £69,999	8	7
£70,000 - £79,999	3	8
£80,000 - £89,999	3	1
£90,000 - £99,999	1	2
£100,000 - £109,999	2	-
£110,000 - £119,999	1	1
£120,000 - £129,999	2	-
£130,000 - £139,999	1	1
£140,000 - £149,999	-	1
£170,000 - £179,999	-	2
£180,000 - £189,999	-	1
	<u>21</u>	<u>24</u>

## 10. INTANGIBLE ASSETS

	Internally generated assets £'000
Cost	
At 1 April 2019	1,331
Additions	279
Disposals and demolitions	(17)
At 31 March 2020	<u>1,593</u>
Accumulated amortisation	
At 1 April 2019	(1,113)
Charge for the year	(68)
Disposals and demolitions	4
At 31 March 2020	<u>(1,177)</u>
Net book value	
At 31 March 2020	<u>416</u>
At 31 March 2019	<u>218</u>

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

## 11. HOUSING PROPERTIES

	Completed properties			Properties in course of construction			Total housing properties
	Social housing lettings properties	Affordable home ownership properties	Total completed housing properties	Social housing lettings properties in course of construction	Affordable home ownership properties in course of construction	Total housing properties in course of construction	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2019	490,813	45,859	536,672	6,208	2,527	8,735	545,407
Additions	27,470	6,847	34,317	9,537	3,718	13,255	47,572
Additions - works to existing properties	7,324	-	7,324	-	-	-	7,324
Transferred into management	1,210	1,030	2,240	(1,212)	(1,028)	(2,240)	-
Disposals and demolitions	(1,415)	(1,345)	(2,760)	(34)	(9)	(43)	(2,803)
Net movement to current assets	-	-	-	-	-	-	-
Transfer of engagements	171,381	8,108	179,489	4,738	5,767	10,505	189,994
At 31 March 2020	696,783	60,499	757,282	19,237	10,975	30,212	787,494
Accumulated depreciation							
At 1 April 2019	(42,478)	(1,499)	(43,977)	-	-	-	(43,977)
Charge for the year	(6,915)	(336)	(7,251)	-	-	-	(7,251)
Disposals and demolitions	400	56	456	-	-	-	456
Transfer of engagements	(36,060)	(423)	(36,483)	-	-	-	(36,483)
At 31 March 2020	(85,053)	(2,202)	(87,255)	-	-	-	(87,249)
Net book value							
At 31 March 2020	611,730	58,297	670,027	19,237	10,975	30,212	700,241
At 31 March 2019	448,335	44,360	492,695	6,208	2,527	8,735	501,430

## 11. 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 £570m (2019: £499m). The valuation at March 2020 were carried out by Jones Lang LaSalle (RICS), 30 Warwick Street, London, W1B 5NH.

The valuations for March 2019 were carried out by Savills.

## Expenditure on works to existing housing properties

	2020 £'000	2019 £'000
Amounts capitalised	7,234	7,074
Amounts charged to Statement of Comprehensive Income	<u>4,954</u>	<u>3,344</u>

## Security

The Society had housing property with a net book value of £437.2m pledged as security at 31 March 2020 (2019: £427.6m).

## 12. OTHER FIXED ASSETS

	Freehold land and premises £'000	Leasehold land and premises £'000	Computers, fixtures and fittings £'000	Photo- voltaic panels £'000	Total £'000
Cost					
At 1 April 2019	3,159	-	1,657	705	5,521
Additions	-	-	46	-	46
Transfer of engagements	1,673	91	695	-	2,459
At 31 March 2020	<u>4,832</u>	<u>91</u>	<u>2,398</u>	<u>705</u>	<u>8,026</u>
Accumulated depreciation					
At 1 April 2019	(323)	-	(1,623)	(204)	(2,150)
Charge for the year	(89)	-	(36)	(28)	(153)
Transfer of engagements	(171)	(91)	(695)	-	(957)
At 31 March 2020	<u>(583)</u>	<u>(91)</u>	<u>(2,354)</u>	<u>(232)</u>	<u>(3,260)</u>
Net book value					
At 31 March 2020	<u>4,249</u>	<u>-</u>	<u>44</u>	<u>473</u>	<u>4,766</u>
At 31 March 2019	<u>2,836</u>	<u>-</u>	<u>34</u>	<u>501</u>	<u>3,371</u>

## 13. INVESTMENT PROPERTIES

	Completed £'000
Value	
At 1 April 2019	9,900
Disposals and demolitions	(200)
Revaluation surplus	(3)
Transfer in of Windsor assets	10,913
At 31 March 2020	<u>20,610</u>

## Property valuation

Completed investment properties are shown at market value of £20.6m (2019: £9.9m), defined as MV-T (market value tenanted) at the reporting date by Jones Lang LaSalle (RICS), 30 Warwick Street, London, W1B 5NH. The valuations for property held at 31 March 2019 were carried out by Savills.

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 Group 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	13,857	4,026
Depreciation	(1,111)	(556)
Net book value	<u>12,746</u>	<u>3,470</u>

## 14. HOMEBUY LOANS

	2020 £'000	Restated 2019 £'000
HomeBuy loans	<u>46</u>	<u>46</u>

The prior year has been restated to recognise a loan not previously disclosed in the accounts; in addition, a loan previously disclosed within receivables has been reclassified in the year. HomeBuy loans are secured by way of an equity charge over the property purchased by the recipient of the loan.

## 15. INVESTMENTS

The Society has 333 solely held shares and 333 jointly held shares in Affinity (Reading) Holdings Limited with Southern Housing Group. Both shareholdings moved from Windsor and District Housing Association Limited following the execution of the Transfer of Engagements. In turn, Affinity (Reading) Holdings Limited owns 100% of the share capital of Affinity (Reading) Limited, the operator of a PFI contract to supply, refurbish, manage and maintain part of Reading Borough Council's housing inventory until 2034.

The Society is also in partnership with Southern Housing Group to deliver housing and community development services for the estate under the PFI contract via Affinity Housing Services. This activity moved from Windsor and District Housing Association Limited following the execution of the Transfer of Engagements.

The Society has invested in The Smarterbuys Store Limited, who aim to offer a credible alternative to high interest stores. An initial investment in 2014/15 was added to in subsequent years and generates an annual return on 5%. The Smarterbuys website offers household furniture, appliances and electrical goods at a significant discount from the recommended retail price, with access to responsible credit.

The Society has invested in Somerset Savings and Loans, who offer short term loans and savings services to tenants. The organisation is a community owned, not for profit co-operative and generates an annual return of 2%.

## 16. PROPERTIES FOR SALE

	Affordable Home Ownership		
	Completed properties £'000	In course of construction £'000	Total £'000
At 1 April 2019	3,215	1,823	5,038
Additions	-	6,081	6,081
Completed in year	4,449	(4,449)	-
Cost of properties sold	(7,607)	-	(7,607)
Transfer of engagements	(2)	3,740	3,738
At 31 March 2020	55	7,195	7,250

## 17. RECEIVABLES

	2020 £'000	2019 £'000
Gross arrears of rent and service charges		
Social	2,812	1,323
Non-social	3	1
	<u>2,815</u>	<u>1,324</u>
Bad debt provision	(1,237)	(872)
Net tenant arrears	<u>1,578</u>	<u>452</u>
Trade receivables	200	104
Social housing grant receivable	-	2,175
Other receivables and prepayments	3,395	3,354
Amounts due from Group undertakings	5,206	-
Short-term non-liquid assets	435	435
Amounts due within one year	<u>10,814</u>	<u>6,520</u>
Other receivables and prepayments	13	-
Interest bearing balances due from joint ventures	537	-
Loan notes due from joint ventures	1,432	-
Amounts due after one year	<u>1,982</u>	<u>-</u>
	<u>12,796</u>	<u>6,520</u>

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

## 18. PAYABLES: AMOUNTS DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Loans and borrowings	38,052	1,200
Deferred income	3,290	1,828
Other tax and social security payable	24	92
Trade payables	1,426	508
Other payables	5,697	449
Accruals	7,944	8,426
Deferred capital grant due within one year	1,252	606
Contract retentions	28	-
Right to Buy	1,663	1,067
Amounts owed to Group undertakings	4,182	1,170
	<u>63,558</u>	<u>15,346</u>

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.

## 19. PAYABLES: AMOUNTS DUE AFTER ONE YEAR

	2020 £'000	2019 £'000
Loans and borrowings	289,813	221,174
Contract retentions	278	-
Interest rate swap	11,376	8,152
Disposals proceeds fund	193	192
Deposits repayable	24	-
Other payables	12	-
Recycled capital grant fund	775	823
	<u>302,471</u>	<u>230,341</u>

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	Inter Company loans £'000	Total £'000	Bank loans £'000	Bonds £'000	Inter Company loans £'000	Total £'000
In multiple instalments								
One year or less	24,670	-	13,300	37,970	1,200	-	-	1,200
One to two years	19,369	-	-	19,369	19,008	-	-	19,008
Two to five years	72,258	-	-	72,258	35,938	-	-	35,938
Five years or more	88,023	-	93,834	181,857	128,539	-	20,760	149,299
	<u>204,320</u>	<u>-</u>	<u>107,134</u>	<u>311,454</u>	<u>184,685</u>	<u>-</u>	<u>20,760</u>	<u>205,445</u>
In a single instalment								
Two to five years	-	-	-	-	-	-	-	-
Five years or more	-	15,000	-	15,000	-	15,000	-	15,000
	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
	<u>204,320</u>	<u>15,000</u>	<u>107,134</u>	<u>326,454</u>	<u>184,685</u>	<u>15,000</u>	<u>20,760</u>	<u>220,445</u>

The total value of all loans and borrowings includes a further £1.4m 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 7.

## 20. DEFERRED CAPITAL GRANT

	Completed £'000	In course of construction £'000	Total £'000
Cost			
At 1 April 2019	71,286	3,020	74,306
Inputs			
Received in year	-	9,160	9,160
Transferred from Recycled Capital Grant Fund	-	263	263
Transferred into management	8,375	-	8,375
Transfer of engagements	40,368	1,208	41,576
Outputs			
Recycled on disposal	(211)	-	(211)
Released on disposal	-	-	-
Transferred into management	-	(8,375)	(8,375)
At 31 March 2020	<u>119,818</u>	<u>5,276</u>	<u>125,094</u>
Accumulated amortisation			
At 1 April 2019	(4,918)	-	(4,918)
Released on disposal	18	-	18
Charge for the year	(756)	-	(756)
Transfer of engagements	(6,302)	-	(6,302)
At 31 March 2019	<u>(11,958)</u>	<u>-</u>	<u>(11,958)</u>
Amortised deferred capital grant			
At 31 March 2020	<u>107,860</u>	<u>5,276</u>	<u>113,136</u>
At 31 March 2019	<u>66,368</u>	<u>3,020</u>	<u>69,388</u>

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	1,252	-	1,252
Deferred capital grant due after one year	106,608	5,276	111,884
	<u>107,860</u>	<u>5,276</u>	<u>113,136</u>

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.

## 21. RECYCLED CAPITAL GRANT FUND

	£'000
At 1 April 2019	823
Net inputs to fund	
Grants recycled	211
Interest accrued	3
Recycling of grant	
New build	(263)
At 31 March 2020	<u>774</u>

## 22. DISPOSAL PROCEEDS FUND

	£'000
At 1 April 2019	192
Interest accrued	1
At 31 March 2020	<u>193</u>

## 23. PENSIONS

## Defined Contribution Scheme

## Aviva Life &amp; Pensions UK Limited

The Society operates a defined contribution scheme with Aviva Life & Pensions UK Limited. Employees contribute a percentage of their salary into the scheme and YHG will double this contribution up to 12%. Monies are paid into investments held by Friends Life Limited and invested on behalf of employees. Total matched contributions made in the year were £418k (2019: £283k).

## Defined Benefit Scheme

## Somerset County Council Pension Fund

The Society participates in the Somerset County Council Pension Fund (SCC). A full actuarial valuation was carried out at 31 March 2019 and updated to 31 March 2020 by an independent qualified actuary. The valuation showed a scheme deficit of £6.4m corresponding to a funding level of 87%.

## 23. PENSIONS (continued)

Main financial assumptions adopted for FRS 102 purposes:

	2020	2019
	%	%
Increases per annum		
RPI inflation	2.7	3.4
CPI inflation	1.9	2.4
Salary increases	2.9	3.9
Discount rate	2.4	2.4

Post retirement mortality assumptions:

	Males	Females
Retiring today	23.3	24.7
Retiring in 20 years	24.7	26.2

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

	2020	2019
	£'000	£'000
Equities	27,886	31,409
Bonds	6,853	6,657
Property	3,920	3,912
Alternative assets	2,685	2,960
Total market values of assets	41,344	44,938

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

	2020	2019
	£'000	£'000
Fair value of scheme assets	41,344	44,938
Present value of defined benefit obligation	(73,348)	(80,170)
Society's share of deficit in the scheme	(32,004)	(35,232)

## 23. PENSIONS (continued)

Movements in the fair value of scheme assets:

	2020 £'000	2019 £'000
Opening fair value of scheme assets	44,938	41,635
Interest income on scheme assets	1,076	1,076
Expenses	(32)	(25)
Actuarial gains/(losses)	(4,405)	1,144
Contributions from employers	1,290	2,622
Contributions from scheme members	340	383
Benefits paid net of transfers in and including unfunded	(1,863)	(1,897)
Closing fair value of scheme assets	<u>41,344</u>	<u>44,938</u>

Movements in the present value of defined benefit obligations:

	2020 £'000	2019 £'000
Opening defined benefit obligation	(80,171)	(78,082)
Service cost	(2,343)	(2,214)
Interest cost	(1,906)	(1,975)
Actuarial gains/(losses)	9,549	587
Benefits paid net of transfers in	1,856	1,890
Contributions by scheme members	(333)	(376)
Closing defined benefit obligation	<u>(73,348)</u>	<u>(80,170)</u>

Statement of Comprehensive Income:

	2020 £'000	2019 £'000
Analysis of amounts charged to operating surplus		
Service cost	2,343	2,214
Expenses	<u>32</u>	<u>25</u>
Amounts charged to other finance costs		
Net interest cost	<u>830</u>	<u>899</u>
Analysis of amount recognised in other comprehensive income		
Actual return less expected return on pension scheme assets	(4,405)	1,144
Changes in financial assumptions underlying the present value of the scheme liabilities	9,549	587
Actuarial gain/(loss) on pension scheme	<u>5,144</u>	<u>1,731</u>

## 24. GIFT AID

The Society received Gift Aid payments from the following contributors:

	2020 £'000	2019 £'000
The Swaythling Housing Society	3,000	-
Yarlington Homes Limited	1,084	-
Yarlington Property Management	146	27
	<u>4,230</u>	<u>27</u>

## 25. SHARE CAPITAL

	2020 £	2019 £
Shares of £1 each		
Issued at 1 April	28	1
Shares issued during the year	5	27
Shares cancelled during the year	(3)	-
	<u>30</u>	<u>28</u>
Shares issued and fully paid at 31 March		

The share capital of the Society consists of three classes of shares; ordinary, resident and parent, with a nominal value of £1 each, which carry no rights to dividends or other income. Shares are called-up but unpaid, with the members' agreement stating that should the society ever be wound-up the shares must be paid. Shares in issue are not capable of being repaid or transferred. On ceasing to be a shareholder, the relevant share is cancelled.

## 26. CAPITAL AND OTHER COMMITMENTS

	2020 £'000	2019 £'000
Capital expenditure commitments were as follows		
In contract	44,763	29,480
Approved but not contracted	73,866	2,459
	<u>118,629</u>	<u>31,939</u>
Total capital commitments		
Other commitments	26,864	4,823
	<u>145,493</u>	<u>36,762</u>
Total commitments		

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, deferred bond proceeds, retained surpluses, including property sales and the ability to access additional loans and borrowings, including revolving credit facilities, if required. The Society also benefits from charitable tax status and is eligible to receive Gift Aid contributions from fellow Group subsidiaries.

## 27. OPERATING LEASES

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

	Land and buildings		Other	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Amounts payable as lessee				
Not later than one year	20	-	105	102
Later than one year and not later than five years	23	-	542	374
	<u>43</u>	<u>-</u>	<u>647</u>	<u>476</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	21	-	703	-	22,488	17,343
Later than one year and not later than five years	84	-	2,813	-	47,994	43,247
Later than five years	101	-	4,544	-	9,031	13,623
	<u>206</u>	<u>-</u>	<u>8,060</u>	<u>-</u>	<u>79,513</u>	<u>74,213</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.

## 28. FINANCIAL INSTRUMENTS

	At fair value		At historic or amortised cost	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Financial assets				
HomeBuy loans	-	-	46	46
Investments	-	-	7,320	6,088
Receivables	-	-	10,684	6,071
Cash and cash equivalents	-	-	61,980	50,963
	<u>-</u>	<u>-</u>	<u>80,030</u>	<u>63,168</u>
Financial liabilities				
Payables: amounts due within one year	-	-	(60,183)	(13,518)
Payables: amounts due after one year	(11,376)	(8,152)	(289,730)	(220,260)
Deferred Capital Grant due after one year	-	-	(111,883)	(68,781)
Pension liability	-	-	(32,003)	(35,232)
	<u>(11,376)</u>	<u>(8,152)</u>	<u>(493,799)</u>	<u>(337,791)</u>

## 28. FINANCIAL INSTRUMENTS (continued)

	2020 £'000	2019 £'000
Fair value losses		
On interest rate swap	(2,966)	(249)
	<u>(2,966)</u>	<u>(249)</u>

## 29. DERIVATIVE FINANCIAL INSTRUMENTS

## External Swap

The Society uses a derivative financial instrument, in the form of a fixed interest rate swap, to manage its interest rate risk on variable rate loans and borrowings by receiving variable interest income. The swap carries a nominal value of £15.0m and matures in 2038.

The Society expects to retain an exposure to variable rate borrowings over the term of the swap and the instrument is deemed to be fully effective. The fair value of the swap at the reporting date is shown below.

	2020 £'000	2019 £'000
Liability		
Interest rate swap	<u>11,119</u>	<u>8,153</u>

The amount of the change in fair value of the hedging instrument that was recognised in Other Comprehensive Income during the year was a loss of £2,966k (2019: £249k).

## Intercompany Swap

	2020 £'000	2019 £'000
Liability		
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 fixed and receive floating interest to and from fellow Group undertaking The Swaythling Housing Society Limited. 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

29. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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.

30. RELATED PARTY TRANSACTIONS

Pension Schemes

The Somerset County Council Pension Fund is considered to be a related party and full disclosure of the Scheme is provided in note 23.

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 private registered providers of social housing requires disclosure of 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 Limited; and  
Inspired to Achieve Limited.

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

## 30. RELATED PARTY TRANSACTIONS (continued)

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

	2020 £'000	2019 £'000
Transactions		
Income		
Gift aid received from Yarlington Property Management	146	27
Gift aid received from Yarlington Homes	1,084	-
Interest Received from Yarlington Homes	30	14
Corporate overhead transfer to Yarlington Homes	39	38
Corporate overhead transfer to Yarlington Property Management	1	1
Corporate overhead transfer to Inspire to Achieve	26	28
Development Manager service provided for Yarlington Homes	-	85
	<u>1,326</u>	<u>193</u>
Expenditure		
Purchase of Developments from Yarlington Homes	(7,227)	(2,693)
Employment advise from Inspire to Achieve	(232)	(232)
Sales from Yarlington Property Management	(67)	-
Interest paid to Yarlington Homes	(1)	(1)
Interest paid to Yarlington Property Management	(2)	(1)
Interest paid to Inspire to Achieve	(1)	(0)
Interest paid to Yarlington Treasury Services	(1,136)	(410)
	<u>(8,666)</u>	<u>(3,337)</u>
Balances		
Investment		
Investment in Yarlington Homes	6,000	6,000
Investment in Yarlington Property Management	0	0
Equity Investment in Yarlington Treasury Services	50	13
	<u>6,050</u>	<u>6,013</u>
Receivables		
Amounts due from Yarlington Homes	76	428
Amounts due from Yarlington Property Management	214	-
Amounts due from Inspire to Achieve	2	-
Amounts due from Yarlington Treasury Services	481	-
Amounts due from Affinity Housing Services	15	15
Amounts due from Affinity (Reading) Holdings	1,969	1,877
Amounts due from Affinity (Reading) Holdings	33	33
	<u>2,790</u>	<u>2,353</u>

## 30. RELATED PARTY TRANSACTIONS (continued)

Payables		
Amounts due to Inspire to Achieve	(41)	(65)
Amounts due to Yarlington Property Management (surplus cash)	(314)	(168)
PIC Bond passed from Yarlington Treasury Services	(40,380)	(20,174)
Amounts due to Yarlington Treasury Services	-	(560)
Amounts due to Yarlington Homes	(1,077)	(642)
Amounts due to Yarlington Homes (surplus cash)	(2,925)	(825)
Amounts due to Swaythling	(560)	-
	<u>(45,297)</u>	<u>(22,434)</u>

## 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.